ANNUAL REPORT 2012-13

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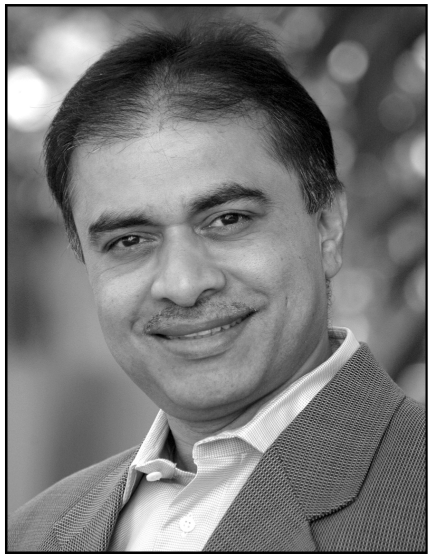
Message from Chairman and Managing Director

Dear Shareholder,



I take pleasure in presenting the Fourteenth Annual Report of your company. I use this opportunity to present what we accomplished during 2012-13 financially, our other significant accomplishments, and what we see for the future. The revenues have increased by 5.3% to Rs. 1,339.42 million and our profit after tax has increased by 156% to Rs. 115.25 million. Our cash generation from operations has increased to Rs. 163.58 million from Rs. 156.07 million.

During the year, we closed 9 deals across Europe, Americas and Asia Pacific. This demonstrates our ability to engage large organizations and establishes the competitiveness and scalability of our next generation products.

In the current year the revenues have increased by 10.50%. The increase is primarily on account of sale of e-product services to U.S and India.

However, we are of the opinion that the present economic environment is not conducive to expansion and diversification. Therefore, with a view to unlock significant shareholder value and to monetize logistics software solutions business, the Board approved the slump sale of its software solutions business to Kewill Group. It also approved the sale of Four soft's entire shareholding in its relevant foreign subsidiaries. This deal was valued at US$ 43.4 million which is indicative of the synergy of the transaction and the inherent value of the business that the Company has created over the last 13 years.

We have resorted to your approval of this deal by way of postal ballot as required under the provisions of the Companies Act, 1956 and Postal Ballot rules. In this regard, I am happy to inform that you have approved this deal with an overwhelming majority of 99.96 %. I would like to thank each one of you in this regard for reposing sustained confidence in this deal.

Hereafter, your company is going to focus on providing IT Solutions and IT Services for Media & Entertainment and Online E-commerce portals.

On behalf of Management and staff, I would like to thank every shareholder of Four Soft Limited, for your continued commitment, support and confidence.

We look forward to your continued support and encouragement in future as well.

Thank you.

Palem Srikanth Reddy

NOTICE

Notice is hereby given that the Fourteenth Annual General Meeting of Four Soft Limited will be held on Wednesday, 27th November, 2013 at 8-2-703/2/B, Plot No.2, Road No. 12, Banjara Hills, Hyderabad, Andhra Pradesh at 11.00 a.m. to transact the following business:

Ordinary business:

1. To receive, consider, approve and adopt the Audited Statement of Profit and Loss for the year ended March 31, 2013 and the Balance Sheet as at that date together with the Reports of the Board of Directors and the Auditors thereon.

2. To appoint a director in place of Mr. Mohan Krishna Reddy, who retires by rotation, and being eligible, offers himself for re-appointment.

3. To consider and, if thought fit, to pass with or without modification, the following resolution as Ordinary Resolution.

"RESOLVED THAT M/s Walker, Chandiok & Co, Chartered Accountants, ICAI Firm Registration No. 001076N, 7th Floor, Block III, White House, Kundanbagh, Begumpet, Hyderabad 500 016, India be and are hereby re-appointed as Statutory Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting at remuneration to be fixed by the Board of Directors of the Company."

Special Business:

4. Re-Appointment of Chairman and Managing Director

To consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of sections 198, 269, 309, 310, 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force), subject to such sanctions and approvals as may be required, the consent and approval of members of the Company be and is hereby accorded to the re-appointment of Sri. P. Srikanth Reddy as the Chairman and Managing Director of the Company for a period of 5 (five) years beginning from July 18, 2013 and ending on July 17, 2018 with liberty to the Board to vary and alter the terms and conditions relating to re-appointment as may be agreed to by the Board of Directors and Sri. P. Srikanth Reddy.

RESOLVED FURTHER THAT the Company Secretary of the Company be and is hereby authorized to take all such steps as may be necessary, proper and expedient to give effect to this Resolution."

5. Increase in Remuneration of Sri Palem Srikanth Reddy, Chairman and Managing Director

To consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310, 311 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force) and based on recommendations of Remuneration Committee in its meeting held on May 30, 2013, subject to such sanctions and approvals as may be necessary and subject to the overall ceiling stipulated in sections 198 and 309 of the Companies Act, 1956, the consent and approval of members of the Company be and is hereby accorded to the payment of remuneration to Sri Palem Srikanth Reddy, Chairman and Managing Director w.e.f. July 18, 2013 on such terms and conditions as set out below with liberty to the Board to vary, alter and modify such terms and conditions at any time during the tenure of his office as may be agreed to by the Board of Directors and Sri. P. Srikanth Reddy.

Salary:

Rs. 20,000/- (Rupees Twenty Thousand Only) per month

Performance Allowance:

Maximum of Rs. 8,00,000/- (Rupees Eight Lacs Only) per month based on the quarterly performance evaluated by the remuneration committee.

Perquisites and Allowances:

(i) Contribution to Provident Fund, Superannuation Fund to the extent of these either singly or put together are not taxable under the income Tax Act, 1961.

(ii) Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.

(iii) Leave encashment as per the Company's rules,

(iv) Leave travel concession for self and family as per the actuals.

(v) Medical reimbursement as per the actuals.

Note: The perquisites shall be valued on cost to Company basis.

RESOLVED FURTHER THAT in case of absence or inadequacy of profits for any financial year during the currency of the tenure of the Chairman & Managing Director, the Company will continue to pay to the Chairman & Managing Director, remuneration as specified above as per Part II, Section II 1(B) of Schedule XIII to the Companies Act, 1956 as may be applicable from time to time.

RESOLVED FURTHER THAT the approval of the Central Government be obtained as per Part II, Section II 1(C) of Schedule XIII to the Companies Act, 1956 for payment of remuneration exceeding the limits as specified in said section above

RESOLVED FURTHER THAT the Company Secretary of the Company be and is hereby authorized to take all such steps as may be necessary, proper and expedient to give effect to this Resolution."

6. Change of Name of the Company

To consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

"**RESOLVED THAT** pursuant to the provisions of Section 21 and other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification or re-enactment thereof for the time being in force) the consent of the Company be and is hereby given to change the name of the Company from Four Soft Limited to Palred Technologies Limited and the name clause in the Memorandum and Articles of Association of the Company be also accordingly altered.

RESOLVED FURTHER THAT the Chairman and Managing Director and / or the Company Secretary of the Company be and are hereby severally authorized to make necessary filings in this regard with the Registrar of Companies, Andhra Pradesh with requisite filing fee and to do all such acts, things and deeds as may be required or necessary in this matter on behalf of the Company."

7. Capital Reduction to the extent of fifty percent of paid up equity capital / paid up equity shares.

To consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

"**RESOLVED THAT** pursuant to article 57 (c) of articles of association of the Company, Section 100 and other applicable provisions, if any, of the Companies Act, 1956, subject to confirmation by the hon'ble High Court of Andhra Pradesh and such other approvals as may be necessary and subject to such other conditions or guidelines, if any, as may be prescribed or stipulated by any of the concerned authorities, from time to time, while granting such approvals, consents, permissions or sanctions and which may be agreed to by the Board of Directors of the Company, the issued and subscribed equity share capital of Rs. 19,51,84,850 (consisting of 3,90,36,970 equity shares of Rs.5/- each fully paid up) and paid-up equity share capital of Rs. 19,51,81,850 (consisting of 3,90,36,370 equity shares of Rs.5/- each fully paid up) be reduced to Rs. 9,75,90,925 (consisting of 1,95,18,185 equity shares of Rs.5/- each fully paid up) by cancellation of unpaid equity share capital of Rs.3000 (consisting of 600 equity shares of Rs.5/- each fully unpaid) and by reducing the paid up capital to the extent of fifty percent which is in excess of requirements of the Company.

RESOLVED FURTHER THAT upon the reduction being confirmed by the hon'ble High Court of Andhra Pradesh, the shareholders holding paid up equity shares of the Company as on the record date be returned a sum towards reduction of paid up equity share capital as determined by the board at its meeting.

RESOLVED FURTHER THAT consequential amendments be made in the capital clause of the Memorandum and Articles of Association of the Company after the said reduction becomes operative and effective.

RESOLVED FURTHER THAT the Chairman & Managing Director, DGM- Finance & Accounts and Company Secretary of the Company be and are hereby severally authorized to do all such acts, things and deeds as may be necessary, incidental and related thereto."

8. Reservation of 20,00,000 equity shares of the Company to New Management Team under Employees Stock Option Scheme-2013

To consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

"**RESOLVED THAT** in accordance with the provisions of Section 81 and all other applicable provisions, if any, of the Companies Act, 1956 ("the Act") and the Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("the Guidelines") or any statutory modification(s) or re-enactment of the Act or the Guidelines, the provisions of any other applicable laws and regulations and Listing Agreements entered into by the Company with the Stock Exchanges where the securities of the Company are listed and subject to any applicable approval(s), permission(s) and sanction(s) of any authorities and subject to any condition(s) and modification(s) as may be prescribed or imposed by such authorities while granting such approval(s), permission(s) and sanction(s) and which may be agreed to and accepted by the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall include Compensation Committee of the Board) approval be and is hereby accorded to the Board/Committee of Directors to grant, offer and issue, in one or more trenches, to such permanent employees (including joining employees) of the Company whether working in India or out of India and directors of the company whether whole-time directors or otherwise (hereinafter collectively referred as the "Employees") who are eligible to participate as per the Guidelines and as may be decided by the Board/Committee, under a plan titled "PALRED EMPLOYEES STOCK OPTION SCHEME - 2013" (hereinafter referred to as "the scheme') the salient features of which are detailed in the explanatory statement, such number of options which could rise to the issue of equity shares of the Company not exceeding 20,00,000 equity shares at such price and on such terms and conditions as may be determined by the Board/Committee in accordance with the Guidelines or any other application provisions as may be prevailing at that time.

"**RESOLVED FURTHER THAT** the options may be allotted in accordance with the Scheme either directly and/or a trust which may be setup in any permissible manner and that the Scheme may also envisage for providing any financial assistance to the trust to enable the trust to acquire, purchase or subscribe to the equity shares of the company, as the case may be.

"**RESOLVED FURTHER THAT** the Board be and is hereby authorized to formulate, evolve, decide upon and bring into effect the Scheme on such terms and conditions as contained in the Explanatory Statement to this item in the notice and to make any modification(s), change(s), variation(s), alternation(s) or revision(s) in the terms and conditions of Scheme from time to time including but not limited to, amendment(s) with respect to vesting period and schedule, exercise price, exercise period, eligibility criteria or to suspend, withdraw, terminate or revise the Plan.

"**RESOLVED FURTHER THAT** any new equity shares to be issued and allotted as aforesaid shall rank pari passu inter se with the then existing equity shares of the Company in all respects.

"**RESOLVED FURTHER THAT** in case equity share capital or its valuation is affected due to any corporate action like issue of bonus shares/rights issue, stock split, merger, restructuring or any such event happening subsequent to the Grant of option, the Board / Compensation Committee shall have the discretion to make appropriate amendments to the scheme, including changes in the number of options, the Exercise Price or floating a new Scheme / extending the applications of the existing scheme or any other fair and just mechanism including acceleration of Option, if deemed necessary, in accordance with Law, as deems fit, while striving to ensure that the rights of the employees are not adversely affected".

"**RESOLVED FURTHER THAT** the Board be and is hereby authorized to take necessary steps for listing of the equity shares allotted under the Scheme on the Stock Exchanges where the shares of the Company are listed as per the provisions of the Listing Agreement with the Stock Exchanges concerned, the Guidelines and other applicable laws and regulations".

"**RESOLVED FURTHER THAT** for the purpose of giving effect to this resolution, the Board/ Committee be and is hereby authorized to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, expedient or proper and to settle any questions, difficulties or doubts that may arise in this regard at any stage including at the time of listing of securities without requiring the Board to secure any further consent or approval of the Members of the Company to the end and intent that they shall be deemed to have given their approval thereto expressly by the authority of this resolution."

Notes:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF / HERSELF AND THE PROXY NEED NOT BE A MEMBER. THE PROXY FORM, IN ORDER TO BE EFFECTIVE, MUST BE LODGED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY EIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
2. An explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto. The relevant details as required by Clause 49 of the Listing Agreements entered into with the Stock Exchanges, of persons seeking appointment / re-appointment as Directors, are also annexed.
3. Corporate members intending to send their authorized representative to attend the meeting are requested to ensure that the authorized representative carries a certified copy of the Board resolution, Power of Attorney or such other valid authorizations, authorizing them to attend and vote on their behalf at the meeting.
4. The Register of members and the Share Transfer Registers of the Company will remain closed from November 21, 2013 to November 27, 2013 (both days inclusive) in connection with the Annual General Meeting.
5. Members / Proxies are requested to bring their copies of Annual Report and the attendance slip duly filled in for attending the meeting. As a measure of economy, copies of Annual Report will not be provided at the meeting.
6. Members desirous of obtaining any information concerning the accounts and operations of the Company are requested to send their queries to the Company at least seven days before the date of the meeting, so that the information required by them may be made available at the meeting.
7. The Certificate from the Auditors of the Company certifying that the Company's Stock Option Schemes are being implemented in accordance with the SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999, as amended, and in accordance with the resolutions of the members passed at the general meetings will be available for inspection by the members at the AGM.
8. Shareholders holding shares in physical form are requested to advise any change of address immediately to the Company's Registrar and Share Transfer Agents (Physical and Electronic), Karvy Computershare Private Limited. Shareholders holding shares in electronic form must send the advice about change in address to their respective depository participants and not to the Company.
9. Members holding shares in physical form are requested to consider converting their holding to dematerialized form to eliminate all risks associated with physical shares and for ease in portfolio management. Members can contact the Company's Registrar and Share Transfer Agents, for assistance in this regard.
10. Members are requested to send all communication relating to shares to the Company's Share Transfer Agents (physical and electronic) at the following address: Karvy Computershare Private Limited, Plot No.17 to 24, Vittal Rao Nagar, Madhapur, Hyderabad - 500 081, Phone Nos. 040-44655000, Fax No. 040-23420814, email: einward.ris@karvy.com

By order of the Board of Directors

Sd/-
M. Raghuram
Company Secretary

Hyderabad, October 13, 2013

EXPLANATORY STATEMENT

[Pursuant to Section 173(2) of the Companies Act, 1956]

As required by Section 173 of the Companies Act, 1956, the following explanatory statement sets out all material facts relating to the business mentioned under Item Nos. 5 to 7 of the accompanying Notice:

Item Nos. 4 & 5:

Sri Palem Srikanth Reddy, aged about 50 years, was reappointed as Managing Director of the company at the Annual General Meeting held on September 29, 2008 for a further period of five years with effect from July 18, 2008. The Board of Directors, at its meeting held on May 30, 2013 has reappointed Sri Palem Srikanth Reddy as Chairman and Managing Director of the Company for further period of five years effective from July 18, 2013.

With a view to align the remuneration package with the best corporate practices prevailing in the industry and after considering the various factors, his contributions and responsibilities, the remuneration committee has recommended the remuneration package as disclosed in the resolution of remuneration payable to Sri Palem Srikanth Reddy.

Mr. Srikanth, a visionary leader and a true global entrepreneur, has enabled the Company to transform into a global information technology solutions provider. Under his leadership, the Company has achieved enviable growth and, today is one of largest Enterprise Solutions Company, playing a major role in development of innovative software products and provider of IT consultancy services for the logistics and supply chain management market place. Besides the above few testimonials of his successful creation of global solutions Company, there have been many remarkable achievements under stewardship of Mr. Srikanth.

Yours directors consider that the reappointment of Mr. Srikanth will be in the best interest of the Company and accordingly, it has been proposed to recommend the reappointment of Sri Palem Srikanth Reddy as Chairman and Managing Director of the Company for further period of five years with effect from July 18, 2013 at remuneration as provided in the resolution.

The remuneration payable to Mr. Palem Srikanth Reddy shall be subject to sections 198, 269, 309, 310, 311, and Schedule XIII to the Companies Act, 1956 and subject to necessary sanctions and approvals if any required.

No director other than Sri Palem Srikanth Reddy is, in any way, concerned or interested in these resolutions.

Your directors recommend the resolutions as set out in Item Nos.4 & 5 of the Notice for approval by the Members.

Item No.6:

The Board of Directors of the Company had at its meeting held on October 13, 2013 resolved that consequent upon transfer of business of Four Soft to Transport I.T. Solutions Private Limited, a Kewill Group Company, the name of the Company be changed from Four Soft Limited to Palred Technologies Limited.

As per provisions of the Companies Act, 1956, change of name of the Company requires approval of the shareholders by way of special resolution.

Accordingly your approval is sought by way of special resolution for the aforesaid change of name of the Company.

None of the Directors of the Company is, in any way, concerned or interested in the said resolution.

Item No.7:

As members are aware, the Company has a cash surplus which has resulted from the recent transfer of business of Four Soft to Transport I.T. Solutions Private Limited, a Kewill Group Company. The Board is of the opinion that the present economic environment is not conducive to expansion and diversification. The Board discussed the matter in detail at its meeting held on October 13, 2013 and resolved to return a part of surplus cash to the members in recognition of their dedication, consistency and utmost faith reposed by them in the management of the Company.

Accordingly your approval is sought by way of special resolution for the proposed reduction of fifty percent of paid up equity share capital / paid up equity shares.

Directors of the Company are concerned or interested in the said resolution to the extent of their respective shareholdings in the Company

Item No.8:

The main objective of this scheme is to give employees who are performing well, a certain minimum opportunity to gain from the Company's performance, thereby acting as a retention tool and to attract best talent available in the market.

The Employees Stock Option Scheme 2013 (The Scheme) will be administered by the Compensation Committee of the Board in terms of the Employee Stock Option Guidelines.

The Compensation Committee will formulate inter alia the detailed terms and conditions of the Scheme including:

- The tranches within which the options are to be granted in accordance with the Eligibility Criteria.
- The terms and conditions subject to which the options granted would vest in the respective employees.
- The terms and conditions subject to which the options vested would be exercised by the employees.
- The right of the employees to Exercise all the options vested in him at one time or at various points of time within the Exercise Period;
- Conditions under which the options vested in the employees may lapse.
- The procedure for making fair and reasonable adjustment to the number and options and exercise price in case of any corporate actions, such as rights issues, bonus issues, merger, sale of division and others. In this regard following shall be taken into consideration by the compensation committee:

  a) The number and the price of options shall be adjusted in a manner such that total value of the options remains the same after the corporate action.
  b) For this purpose global best practice in this area including the procedures followed by the derivative markets in India and abroad shall be considered.
  c) The Vesting Period and the life of the options shall be left unaltered as far as possible to protect the rights of the Option holders.
  d) The procedure for cashless exercise of options, if any.
  e) Obtaining permission from and making periodic reports to regulatory authorities, as may be required and ensuring compliance with all rules and SEBI ESOP Guidelines applicable to the PALRED EMPLOYEE STOCK OPTION SCHEME 2013;
  f) framing suitable policies and systems to ensure that there is no violation by any person of Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, Securities and Exchange Board of India(Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003, the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and any statutory modifications and re-enactments thereof:
  g) framing appropriate procedure for granting, vesting and exercising of options,

SALIENT FEATURES OF PALRED EMPLOYEES STOCK OPTION SCHEME - 2013.

(a) The total number of options to be granted:-

The total number of options that may in the aggregate, be granted shall be up to 20,00,000 options that shall be converted into 20,00,000 fully paid up equity shares of the face value Rs.5/- each of the Company.

Any vested option(s) that lapse due to non-exercise or unvested option(s) that do not vest due to any reasons whatsoever would be available for re-grant at a future date.

(b) Identification of classes of employees entitled to participate in EMPLOYEES STOCK OPTIONS SCHEME- 2013

Persons who are "permanent employees" of the Company, subsidiary company and step down subsidiary company including joining employees, as defined in the ESOP Guidelines (including any statutory modification(s) or enactment of the Act or the Guidelines for the time being in force), and as may be decided by the ESOP Compensation Committee, from time to time will be entitled to participate in the Scheme based on annual appraisal process.

An employee who is a promoter or belongs to the promoter group and a director who either by himself or through his relative or through any body corporate, directly or indirectly holds more than 10% of the outstanding equity shares of the company shall not be eligible to participate in the ESOP scheme.

The options granted under the scheme shall not be renounced, transferred, pledged, hypothecated, mortgaged or otherwise alienated, other than the manner specified in the Scheme.

(c) Requirement of vesting, period of vesting including maximum period within which options shall be vested:

i. Continuation of employment is the requirement for vesting of Options.

ii. There shall be a minimum period of one year between the grant of options and vesting of options.

iii. Vesting of options will commence after a period of 1 year from the date of grant, and may extend up to 5 years from the date of grant.

iv. The vesting may occur in tranches, subject to the terms and conditions of vesting, as may be stipulated by the ESOP Compensation Committee, in its discretion, and which will include performance appraisal of the employee and achievement of other performance milestones.

(d) Exercise price or pricing formula:

The exercise price for the purpose of grant of options shall be the price as defined in the SEBI Guidelines/Regulations on the date of grant of options or the price equal to the closing price of the equity shares a day prior to the date of the meeting of the Board of Directors or Compensation Committee, in which the options are granted, on the Stock Exchanges where the equity shares of the company are listed and traded with highest trading volume on the said date or such other price as decided by the ESOP compensation committee which shall not the less than the face value of the equity share of the company.

(e) Exercise Period and the process of Exercise:

The Exercise Period has been defined in the EMPLOYEE STOCK OPTIONS SCHEME- 2013 as the period of Four (4) years from the date of Vesting of the options, within which period the Option Grantee should exercise the options vested in him.

The options will be exercisable by the option grantee(s) by a written application to the Company to exercise the options in such manner and on execution of such documents, as may be prescribed by the compensation committee from time to time.

(f) Appraisal process of determining the eligibility of employees to the ESOP, 2013

The Company has a formal performance appraisal system established wherein the performance of the employee is assessed each year on the basis of various parameters. The appraisal process is reviewed at regular intervals.

In determining the number of options to be granted, the Compensation Committee shall consider the following:

- Performance of the employee
- Position, seniority and responsibilities of the employee
- Nature & value of the eligible employee's services & accomplishments, whether direct or indirect, to the company.
- The employee's present and potential contribution to the success of the company or its Subsidiary or Holding Company.
- Gap in compensation package as per market, if any.
- Such other factors as the compensation committee may deem relevant

(g) Maximum number of options to be issued per employees and in the aggregate:

i) The maximum number of options granted to Eligible Employees will depend upon the rank / designation of the employee as on the date of grant of options. However no employee shall be entitled for allotment of options/shares equal to or exceeding 1% of the paid up capital of the company in any financial year.

ii) The Compensation Committee shall decide on the number of options to be granted to each employee within the limit.

(h) Accounting Policies:

The company will conform to the accounting policies specified in Clause 13.1 of the ESOP Guidelines and/or such other guidelines as may be applicable from time to time.

(i) Method of Valuation:

The Company shall use the intrinsic value method prescribed under the ESOP Guidelines to value its options.

In case the company calculates the employees compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed in the Director's Report and also the impact of this difference on profits and on EPS of the company shall be disclosed in the Director's Report.

The Company shall disclose in it's Directors' Report, the difference between the employee compensation cost computed using the intrinsic method of valuation of options and the employee compensation cost that shall have been recognized if it had used the fair value of the options and also the impact of this difference on profits and the EPS (Earning Per Share) of the Company.

Your Directors recommend the resolutions as set out in Item No. 8 for the approval of the members as Special Resolution.

None of the Directors is concerned or interested in the resolution apart from the Directors of the Company who may be deemed to be interested in this resolution to the extent of their entitlement of shares under the Scheme.

Additional information:

Details of Directors seeking appointment/re-appointment at the Annual General Meeting as required under clause 49 of the Listing Agreement entered into with Stock Exchanges:

Item No. 2

Brief particulars of director seeking appointment/ re-appointment

Name of the Director	Mr. Mohan Krishna Reddy
Age, date of birth	57 years, 03.05.1956
Nationality	Indian
Date of appointment	19.06.2009
Qualification	Masters Degree in Financial Management from University of Bombay
Shareholding in Four Soft Ltd as on October 13, 2013	9800
Nature of expertise	Mohan Krishna Reddy (Mohan) is the founder CEO of Banyan Advisory, a Boutique Advisory services firm focusing on Mid-Market, fast growing enterprises. Prior to founding Banyan Advisory, Mohan was the CFO of Applabs, the leading independent Software Testing services company and prior to that, the CFO of Infotech Enterprises. In his role as a CFO, Mohan has worked closely with the CEOs and Boards to enhance corporate governance, Strategize and achieve profitable growth through organic and inorganic means.
Directorships in other Indian companies	1. Banyan Securities and Financial Services Private Limited 2. Orafin Financial Services Private Limited 3. M. Anandam Consultancy Services Private Limited 4. Glochem Industries Ltd. 5. Hyderabad Angels forum Entrepreneurship development
Chairman / Member positions held in committees of other Indian companies	NIL
Relationship with other directors	NONE
Resolution No.	**Resolution no.2** Your directors recommend the resolution for the approval. Except Mr. Mohan Krishna Reddy, none of the other Directors of the Company is, in any way, concerned or interested in the resolution

By order of the Board of Directors

Sd/-

M. Raghuram

Hyderabad, October 13, 2013

Company Secretary

DIRECTORS' REPORT

To the Members,

Your Directors present to you the Fourteenth Annual Report of Four Soft Limited (hereinafter referred to as 'Four Soft' or 'the Company') together with the audited financial statements for the year ended on March 31, 2013.

1. Financial results

(₹ in million except per share data)

Particulars	For the year ended 31 March			
	Consolidated		Standalone	
	2013	2012	2013	2012
Total income	1339.42	1272.14	341.68	308.61
Total expenditure	1111.93	1115.38	342.12	373.90
Operating profit / (loss) (EBITDA)	**227.49**	**156.76**	**(0.44)**	**(65.29)**
Interest	20.58	23.82	0.49	0.30
Depreciation	18.44	18.63	11.50	11.76
Profit / (Loss) before tax	**188.47**	**114.31**	**(12.43)**	**(77.35)**
Current tax	30.17	52.71	-	-
Deferred tax expense / (benefit)	14.90	(12.02)	-	23.61
Profit after tax before exceptional items	**143.40**	**73.62**	**(12.43)**	**(100.96)**
Exceptional items	(28.15)	-	-	68.00
Profit after tax and exceptional items	**115.25**	**73.62**	**(12.43)**	**(32.96)**
Impairment of goodwill resulting on consolidation	-	(500.00)	-	-
Reported net profits / (loss) after tax	**115.25**	**(426.38)**	**(12.43)**	**(32.96)**
Basic and diluted earnings per share (in Rs)	2.97 and 2.96	(11.00)	(0.32)	(0.85)

2. Changes to share capital

During the year under review, there has been no change in the Company's capital structure and the Authorized Share Capital of the Company stands at Rs. 350 million.

3. Dividend

In view of requirement of funds for various business expansion activities in future, the directors do not recommend dividend for the financial year 2012-13.

4. Reserves

There has been no transfer of funds to reserves during financial year 2012-13.

5. Business performance

Total income in financial year ended March 31, 2013, on a consolidated basis, is Rs.1,339.42 million (2012: Rs. 1,272.14 million) and on a standalone basis is Rs.341.68 million (2012: Rs.308.61 million).

Your Company made an operating profit of Rs.227.49 million (2012: Rs.156.76 million) on a consolidated basis. The operating loss on a standalone basis stands at Rs.0.44 million (2012: Loss of Rs.65.29 million). The profit for the year is Rs.115.25 million (2012: excluding impairment of goodwill, Rs.73.63 million) on a consolidated basis. The loss for the financial year ended 31 March 2013 on standalone basis is Rs.12.43 million (2012: Rs.32.96 million).

Your Company has grown by 5.3 % during the year on a consolidated basis. During the year under review your Company increased its client-base globally, built up a robust pipeline and progressed further on large implementations. Your Company's vision is to become the Industry leader in transportation and logistics vertical and make significant headway in the supply chain/shippers market. By leveraging technology excellence, domain spread and expertise, your Company continues to mine existing customers who contribute to more than 90% of revenues. On a consolidated basis the Company has added assets worth Rs. 8.44 million (2012: Rs. 8.76 million) primarily consisting of computer hardware and furniture & fittings.

Your Company continues to focus on research and development and has incurred Rs.54.10 million (2012: Rs.76.58 million) during the year.

Your Company is operating in the markets such as Europe and the United States which are currently facing economic uncertainties and tough competition. However, your Company's strong value creating product lines and sales efforts have resulted in closure of 9 contracts during the year in the European, American and Indian market. We see a definite trend in which our target market is shifting towards. Customers are increasingly leaning towards low capital expenditure model of Software as a Service (SaaS). Among the 9 contracts signed during the year, we have signed 2 SaaS contracts in American market.

Our visibility products 4S Visilog® and 4S Visilog Plus® continue to find increased reception among our potential customers. Our pipeline also includes significant number of prospects at different stages of contract finalization.

In addition to our direct sales and inside sales efforts which have resulted in execution of new contracts, we also have increased our order book by account mining of existing customers under implementation in line with the strategy in the previous year

6. Liquidity

Your Company continues to generate cash from operations and has been able to manage its working capital requirements. Your Company has cash equivalents of Rs.214.86 million as at March 31, 2013 (2012: Rs.184.25 million) on a consolidated basis, of which Rs.11.46 million (2012: Rs.17.5 million) were invested in short term liquid instruments.

7. Subsidiaries

Four Soft Ltd has three direct subsidiaries; Four Soft B.V, The Netherlands, Four Soft Singapore Pte Ltd, Four Soft Malaysia Sdn Bhd, and the following six step-down subsidiaries Four Soft Netherlands B.V, Four Soft Nordic A/s, Four Soft UK Ltd, Four Soft USA Inc., Four Soft Japan KK and Four Soft Australia Pty Ltd. All subsidiaries are wholly owned by your Company.

During the year, your Company has neither made any acquisitions nor has setup any subsidiaries. There has been no material change in the nature of the subsidiaries listed aforesaid. A statement with brief financial data of each subsidiary is part of this annual report.

A consolidated financial statement of the Company and its wholly owned subsidiaries is attached as required by the Listing Agreement. The consolidated financial statements have been prepared in accordance with Accounting Standard 21 - "Consolidated Financial Statements" as notified by the Companies (Accounting Standards) Rules, 2006, as amended.

The Ministry of Corporate Affairs has granted general exemption under section 212(8) of the Companies Act, 1956 exempting companies from attaching copies of the Balance Sheet, Statement of Profit and Loss, Reports of the Board of Directors and Auditors of Subsidiaries as specified under Section 212 (1) of the Companies Act, 1956 subject to publication of certain summarized financial information of the subsidiaries in the Annual Report. Accordingly these documents related to subsidiaries are not attached to the Balance Sheet and the summarized financial information related to subsidiaries is included in the Annual Report. Full Annual Report including financial information of the subsidiaries will be available upon request by any member interested in obtaining the same. All the documents related to subsidiaries are kept in the head office of the Company for inspection by any interested shareholder.

8. Solutions offered

Presently, your Company offers solutions for freight forwarding industry, 3PLs and service providers, customs brokerage, contract and warehousing logistics, and for liners, non-vessel operating common carriers (NVOCCs) and agencies. Products in freight forwarding industry include 4S eTrans®, 4S Visilog® and 4S eTrans SME® and that for contract and 3PL warehousing providers include 4S eLog®. In addition, 4S iShipping targets the liners market, 4S eCustoms® targets the customs brokers & shippers and 4S Visilog Plus® which represents the Four Soft shipper logistics industry targets the shippers and manufacturers for their logistic needs. Your Company also offers IT- services including consulting, software development and system integration and implementation in the domain of logistics related IT.

9. Human resources

To remain competitive in the IT industry and achieve its business objectives, your Company understands the need of constantly attracting, grooming and retaining the best talent in the industry for its strategic success.

The Company has focused on transformation through qualitative recruitments across all levels and functions (Project Managers, Technical Designers, QA lead, to name a few). We have focused on premier institutes (IIT Hyderabad, BITS Hyderabad, and NIT to name a few) to hire bright candidates into the organization who have the potential to become the future leaders with their high drive to excel. A concentrated effort in recruitment was taken to make the staff more culturally diverse and further improve workplace demographics by recruiting people from different cities and IT hubs in India.

Talent development and continuous learning have been the focus area during the year. More hours (600+ hrs.) of training have been conducted spreading over technical, functional and behavioral growth of the resources. Constant improvements in behavioral skills and updations with advanced technologies have been the core areas for learning opportunities.

To have better control, improved process efficiency and quality, payroll administration and statutory compliances and filings were bought in-house. This has also resulted in a much lower operational cost than what was spent annually for outsourcing it. All these activities are managed and maintained by Company personnel.

Your Company follows performance with engagement methodology where each resource is entitled for having fun at work. Engagement activities with an objective of enhanced communication, cohesiveness and collaboration within the teams have been conducted at regular intervals. These activities have also acted as mode of de-stressing the resources who are sometimes hard pressed due to important project deliverables. Corporate wellness programs inclusive of health check-ups by related specialists paved their way into your Company's motto for better, fitter and engaged resources.

Your Company has successfully ranked 18th in top 20 IT companies across India with employee headcount less than 2000 in the DQ-CMR Best Employer Survey 2012. It has successfully marked its entry in Top 20 in most of the major categories viz. 'Preferred Employer' (18th), 'Managing Slowdown' (17th), 'Company Image' (18th) and 'HR Ranking' (13th). It was also conferred with "Best HR Strategic Plan Award" at India Human Capital Summit 2012. This award was given for having best HR strategies in line and supporting the business to achieve its vision.

With various new initiatives planned in the year ahead, your Company aspires to retain or improve its image as an employer of choice and keep attracting and retaining the best talent in the industry for sustained high performance and growth.

10. Processes

Your Company's quality system is built on three pillars: ISO 9000, CMMI and Lean Management. We have built our process definitions, standards, tools and documents so that the system is in conformance with all the three frameworks. We not only undertake extensive customer satisfaction surveys but also conduct internal audits to maintain and verify high levels of compliance. We are currently CMMI Level 5 Company. This continuous improvement model of CMMI is one of the most prestigious certifications and is a testimony of the organizational focus on process improvements. We initiated Lean Management in the year 2009 and we are reaping benefits of the same in all identified value streams. Measures that validate the success of this program are reduced amounts of rework in the Company, faster implementation cycle for standard implementations and increased automation levels in various functions. Lean is implemented in projects and functions focusing on reducing non value activities and increasing value to customer. Process and templates are reviewed applying lean principles and non-value process steps are removed. This has simplified process implementation for practitioners.

11. Corporate governance

As a good governance initiative, your Company continues to improvise on complying and providing additional disclosures apart from complying with the recommended SEBI guidelines on Corporate Governance. A report on corporate governance along with the certificate from a Company Secretary-in-Practice confirming compliance of conditions of corporate governance as stipulated under Clause 49 of the Listing Agreements with the stock exchanges form part of the Annual Report.

The Company has well framed policies such as the Whistleblower Policy, Fraud Detection Policy and the Code of Conduct for senior officers and executives in the Company. The Company has internal controls and documented procedures and continues to ensure compliance with the said policies.

12. Corporate social responsibility

At Four Soft we strongly believe in improving the quality of life of the communities we serve. To achieve this objective, the Four Soft CSR team has been actively working on improving the welfare of the socially and economically disadvantaged communities, especially those that exist in and around its areas of primary operation.

Your Company CSR policy encompasses initiatives to conserve, sustain and renew the environment, to encourage sustainable socio-economic development of the community and to improve the quality of life of the people living in the areas in which it operates. The greatest strength of the Company's CSR activity is that it is looked upon as a business process, like any other, not post-profit philanthropy. In line with the values of all its stakeholders and most importantly, based on a genuine concern for people and the community, we at Four Soft implemented various CSR activities during the year including the following:

- Donations to Kinnera Welfare Society (Old Age Home) - to mark the occasion of Gandhi Jayanti (02 October 2012), we have distributed woolen clothes, blankets, grocery and other consumables to the residents of the old age home.
- Tribes India (2nd November 2012) - With a noble cause and positive support to tribal craftsmanship in India, a kiosk facility was extended by Tribes India in your Company.
- Blood Donation camp (1st March 2013) - Over 25ltrs of blood for the NTR Memorial Trust blood bank was contributed by your Company staff. The blood bank provides blood free of cost to the poor and collects nominal fee from others.

  Consistent with Four Soft's approach to social responsibility towards nature, the Company continues its march towards "Going Green." Our green policy is consistent with your Company's commitment to good corporate citizenship and best management practices. We have continued the following initiatives as part of our campaign:

- Go Green Campaign: Dry waste collection by "Aashayein" on 23rd July 2012 as part of Environment - Employment - Education (EEE) campaign. This initiative leads to pollution free environment; provide employment opportunities to under privileged people through Aashayein by way of recruiting them for collecting dry waste from various corporates. Aashayein manufactures and sometimes provides dry waste to relevant small scale business units for recycling to make usable items like paper bags etc.
- Carpooling: As a more environmental friendly and sustainable way to travel, reducing carbon emissions and traffic congestion on the roads; carpooling by employees in your Company has been actively promoted.

  Your Company recognizes the importance of quality life, in the growth and development of individuals, country and the world. As such, it always works towards the betterment of the society by conducting various projects and events aligned with its goals.

13. Directors

As per Article 88 of the Articles of Association, Mr. Mohan Krishna Reddy, Director is retiring by rotation at this meeting and being eligible, offers himself for re-appointment.

Pursuant to the provisions of Clause 49 of the Listing Agreement, brief profile of the above director is provided in the notice to the Annual General Meeting.

The Board of directors of your Company recommends his re-appointment.

14. Auditors

M/s. Walker, Chandiok & Co, Chartered Accountants hold office until the conclusion of the forthcoming Annual General Meeting and have confirmed their eligibility and willingness to accept the office of the Auditors, if reappointed.

The Board of Directors recommends the appointment of M/s. Walker, Chandiok & Co, as the Statutory Auditors of the Company for the year 2013-14.

A Report of the Auditors on the financials of the Company is appended to this Annual Report. There are no qualifications in the Report.

15. Disclosures as per Listing Agreement

Clause 32:

The cash flow statement under indirect method is in accordance with the Accounting Standard on cash flow statement (AS-3) as notified by the Companies (Accounting Standards) Rules, 2006, as amended is appended to this Annual Report.

Director's responsibility statement as required under Section 217 (2AA) of the Companies Act, 1956

Your directors confirm that -

- In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period.
- The directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- The directors have prepared the annual accounts on a going concern basis. The financial statements have been audited by M/s. Walker, Chandiok & Co, Chartered Accountants - the statutory auditors.

16. Four Soft Limited Employee Welfare Trust

The Company has established Four Soft Limited Employees Welfare Trust ("the Trust") to administer the ESOP Scheme and as at March 31, 2013 had issued 1,170,200 equity shares of Rs.5 each, including 217,200 equity shares issued pursuant to issue of bonus shares in 2003.

Pursuant to the ESOP Scheme 2003 the trust has granted equity shares at an exercise price of Rs. 5 each to the eligible employees, which are subject to progressive vesting (1 year after date of issue of options) over a period of three years from the date of grant. As of March 31, 2013 the total shares held by the Trust is 143,987 (2012: 243,987). Mode of settlement of these stock options is equity.

Details of the equity shares issued under ESOP and the disclosures in compliance with clause 12 of the SEBI (Employees Stock Options Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 are set out in the annexure to this report.

17. Fixed deposits

Your Company has not accepted any fixed deposits and, as such, no amount of principal or interest was outstanding as of the balance sheet date.

18. Personnel

Particulars of employees as required under the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended:

There are no such employees who were in receipt of remuneration, which in aggregate, was not less than Rs .60 Lacs for the year 2012-13.

Conservation of energy, research and development, technology absorption, foreign earnings and outgo:

The particulars as prescribed under sub-section (1)(e) of Section 217 of the Companies Act 1956 read with the Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988, are set out in the annexure included in this report.

19. Acknowledgments

Your directors take this opportunity to convey their appreciation for the support and co-operation received during the year under review, from all the government authorities, shareholders, other stakeholders, clients, vendors, partners, bankers and other business associates. Your directors' wish to place on record their deep sense of appreciation for the dedicated and sincere services rendered by the employees at all levels.

By order of the Board of Directors

Sd/-
M. Raghuram
Company Secretary

Hyderabad, August 10, 2013

ANNEXURE I TO THE DIRECTORS' REPORT

Particulars pursuant to Companies (Disclosure of Particulars in the report of the Board of Directors) Rules, 1988

1. Conservation of energy

Your Company takes adequate measures to reduce energy consumption by using efficient computer terminals and by using latest technology. The impact of these efforts has enhanced energy efficiency. As the facility is located in L&T Cyber Towers, Hyderabad, air-conditioners, hydro-pneumatic pumps used are highly energy efficient. Since the energy cost forms a very small part of total expenses, the financial impact of these measures is not material and not measured.

2. Research and development (R&D) and technology absorption

In continuation with our strategy of Technology Management as the centre piece of our business model, we have taken various initiatives and steps. Technology has a bigger part in solving the business problems that leads to various improvements for the customers and society at large. Such overlapping confluence can happen in the field of analytics and Big Data, for example. Your company has a strong R&D team that has implemented a variety of technical solutions and the accumulated expertise gives it the foundation of launching centres of excellence in various niche areas.

We would continue to explore and invest in such areas. To give another example, we will also be moving in the direction of further decoupling the presentation and service layers in our products. This leads to a greater mix of offerings in terms of simplified calls, pluggable user interfaces, REST calls and mix-n-match of functional modules.

Critical aspect of rolling out new technologies is training for everyone. R&D team will always work with Training department for the realization of proper training. For the internal teams, delivering products on time and budget are most important concerns. The use of systems approach for change management with the usage of appropriate tools will be the key facilitators for meeting these goals. For the customers, we will continue to provide solutions that will enable in saving costs. We will continue to develop modules and features that will help in increased automation leveraging techniques like system intelligence, pre-filled templates, and bulk processing.

This combination of centres of excellence with simplified separation of products and increased automation will result in market-driven innovations that will help your company sustain its leadership position.

Being a product company, Four Soft's R&D activities revolve around continuously anticipating customer requirements, understanding the business problems of customers, identifying how our products can solve those business problems and development of our products to meet current and future needs of our customers.

Our domain experts continuously conduct research in the changes in the business of our customers, to suggest changes and improvements in our products. These changes and improvements may be in the nature of a) changes and/or additions in functionality of the products and b) changes and/or additions in the graphical user interface. In addition your company unceasingly explores avenues to develop new products in the logistics and supply chain domain. The product development team constantly incorporates changes/additions in the products and works hand in glove with our domain experts.

Benefits Derived

R&D initiatives of Four Soft create intellectual and intangible assets which are monetized by way of a) additional customization revenue from product improvements and enhancements and b) sale of new products to existing and new customers. In the year under review, your company successfully developed 4S eCustoms® for the US region and implementation is currently in progress at few of our US customers.

Your company will enhance the niche of R&D by obtaining international inputs with onsite engagements, publishing papers and articles in technical journals, making presentations in reputed institutions and seminars, and absorbing professionals with considerable development experience. These will enhance the brand of R&D within your company, and by delivering superior business propositions, they will enhance the brand value of your company in the market.

Your Company spent Rs.54.10 million in current year (2012: Rs. 76.58 million) towards research and development expenditure. We have not imported any technology in the current or previous year.

3. Foreign exchange earnings and outgo

(₹ in million)

Particulars	For the year ended March 31	
	2013	**2012**
Gross earning	336.40	348.55
Outflow (including imported software)	19.12	20.14
Net Foreign Exchange (NFE) earnings	317.28	328.41
NFE/Gross earnings %	94%	94%

ANNEXURE II TO THE DIRECTORS' REPORT

Disclosure pursuant to provisions of SEBI (ESOP and ESPS) Guidelines 1999 is given below

Sl No	Description	ESOP Scheme
1	No. of shares available under ESOP Scheme 2003	
	a. Originally allotted	953,000
	b. Consequent to Bonus issue and split of shares	217,200
	c. Total	1,170,200
2	No. of options granted	Refer Note1
3	Pricing formula	ESOP 2003 Scheme - Price of Rs. 5/- per share ESOP 2009 Scheme - Price of Rs. 10/- per share
4	Options vested as on March 31, 2013	NIL
5	Options exercised during the year	1,00,000
6	Options lapsed during the year	8,12,045
7	Total no. of options in force as on March 31, 2013	ESOP 2003 Scheme - 144108 ESOP 2009 Scheme - 122800
8	Variations of terms of options	Refer Note 2
9	Money realized by exercise of options	Rs. 5,00,000
10	Grant details to members of senior management team	No. of Members of senior management team to whom options were granted during the year: 04
11	Employees holding 5% or more of total options granted during the year	No. of employees holding 5% or more of total options granted during the year : 01
12	Identified employees, who were granted options during the financial year exceeding 1% of issued capital	NIL
13	Diluted EPS as per Accounting Standard 20	(0.32)
14	i. Method of calculation of employee compensation	The Company has calculated the employee cost. compensation cost using the intrinsic value of the stock options.
	ii. Difference between the employee compensation cost so computed at (i) above and the employee compensation cost that shall have been recognized if it had used the fair value of the options :	Rs. 7,53,585
	(iii) The impact of this difference on profits and on EPS of the Company:	
	Profit /(Loss) after Tax as reported:	Rs. (12,416,589)
	Less: Additional employees compensation cost based on Fair value	Rs. 7,53,585
	Adjusted Profit / (Loss) after Tax	Rs. (13,170,174)
	Adjusted EPS	
	Basic	Rs. (0.32)
	Diluted	Rs. (0.32)
15.	Weighted average exercise price and fair value of stock options granted:	N.A.
16.	Description of the method and significant assumptions used during the year to estimate the fair value of the options, including the following weighted average information	The Black Scholes option pricing model was developed for estimating fair value of traded options that have no vesting restrictions and are fully transferable. Since options pricing models require use of substantive assumptions, changes therein can materially affect fair value of options. The option pricing model does not necessarily provide a reliable measure of fair value of options.

17.	The main assumptions used in the Black Scholes option pricing model during the year ended were as follows:		
		2013	**2012**
	Risk free interest rate :	8.00 % to 8.25%	8.25% to 8.50%
	Expected life of options from the date of grant :	1 to 2 Years	1 to 2 Years
	Expected volatility :	0.55 to 0.87	0.51 to 0.57
	Expected dividend yield :	NIL	NIL

Note 1: No. of Options granted during 2012-13

1. under ESOP 2003 Scheme:

   Number of options granted to employees during the year ended March 31, 2013 is 144,108.

2. under ESOP 2009 Scheme:

   For the purpose of preparation of financial statements, the guidance note issued by the ICAI on "Accounting for Employees Share Based Payments", we have disclosed stock options likely to arise till March 31, 2013 (end of the said scheme). Number of options granted to employees during the year ended March 31, 2013 is 122,800.

Note 2 : Variations of terms of Options

Variation in ESOP 2003 Scheme:

In the Annual General Meeting held on 29 September 2008, the shareholders approved the following variations to ESOP Scheme:

a. There is no lock-in period after allotment of Employee Stock Option shares to employees account.

b. One-third of total grants offered to be vested on to employee on each completed year of service from the date of granting of option. In other words:

   - 33.33% of the total shares granted can be exercised by each employee on or after completion of 1st year from the date of grant.
   - 33.33% of the total shares granted can be exercised by each employee on or after completion of 2nd year from the date of grant.
   - 33.33% of the total shares granted can be exercised by each employee on or after completion of 3rd year from the date of grant.

Employee Share Purchase Scheme (ESPS) 2009

As per the Four Soft Employee Share Purchase Scheme 2009, 1,948,000 equity shares @ `20/- per share are planned to be issued to the employees based on the criteria set forth in the said Scheme.

For the year ended March 31, 2013, the Company has not allotted any shares to employees based on Four Soft Employee Share Purchase Scheme 2009.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT FOR THE YEAR 2012-13

Overview

The financial statements have been prepared in compliance with the requirements of the Companies Act 1956, and Accounting Principles Generally Accepted in India (Indian GAAP). The Management of Four Soft accepts responsibility for the integrity and objectivity of these financial statements, as well as for various estimates and judgments used therein. The estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis, in order that the financial statements reflect in a true and fair manner the form and substance of transactions, and reasonably present the Company's state of affairs and profits for the year.

The following discussion may include forward looking statements which may involve risks and uncertainties, including but not limited to the risks inherent to Company's growth strategy, dependency on certain clients, dependency on availability of qualified technical personnel and other factors discussed in this report.

1. Industry structure and developments

Four Soft is an enterprise applications and product Company that operates in the transportation, logistics and SCM (supply-chain management) market space. Four Soft has its suite of products for transportation, logistics, freight forwarding, customs, liner shipping, NVOCC, 3PL and 4PL companies. The target customers in 'transportation and logistics' vertical include service providers; and for 'supply chain execution / distribution' vertical, the target market includes shippers / manufacturing and 4PL companies. These are execution and mission critical applications for the customers.

Transport and logistics industry is growing at a 10%-14% globally and more importantly the future of this industry is heavily dependent upon the efficient delivery and visibility which requires more than current investment in IT by this industry.

The industry is characterized by application portfolio fragmentation, caused by many factors such as buying standalone applications over time, Company structures, in-house developed applications, mergers and acquisitions and outsourcing as well.

This also applies to all the SCM intensive manufacturing industries such as pharmaceutical, automobile and retail industry. These industries will soon be called IT driven supply-chain companies as information technology will increasingly play a pivotal role in the operating model of SCM companies which translates to opportunities for IT products and services companies across the globe.

As per a latest leading industry report, 35% of businesses surveyed identified the inability to synchronize end-to-end business process resulting in increased demand for SCM application convergence.

Further the report also estimates that 60% of the current multinational manufacturers will organize to manage logistics globally in order to gain economies of scale, visibility and manage other risks. In order to improve efficiency and lower costs, the report further elaborates that companies will focus on the execution elements of supply chain:

a) Network and inventory optimization

b) Warehouse and inventory management systems

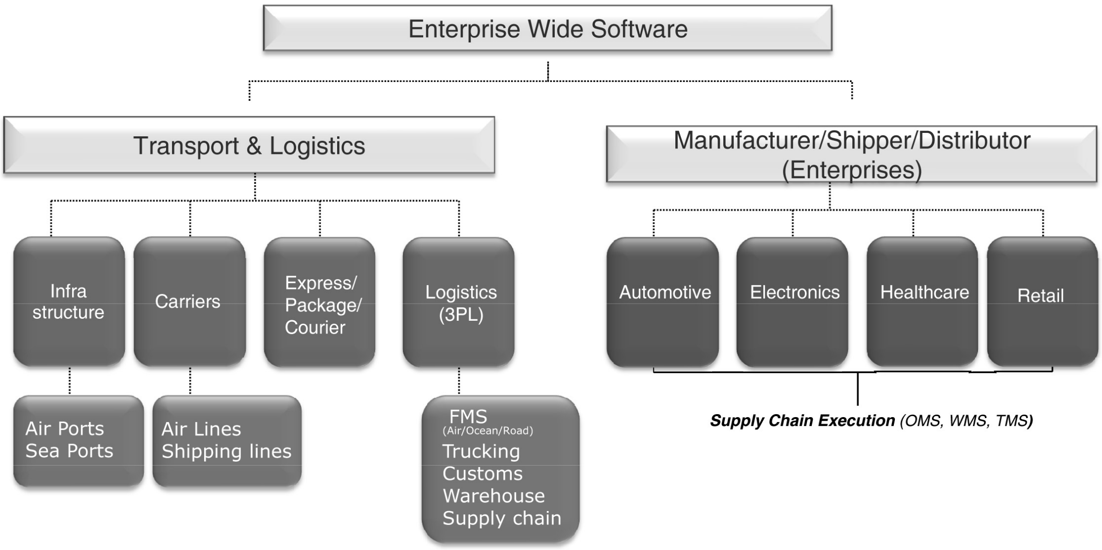
c) Transport management systems

Revenue for the worldwide SaaS market will grow by 18% in 2012 to US $14.5 billion, according to a leading industry report. The SaaS market will be worth US $14.5 billion in 2012, and is expected to expand up to US $22.1 billion by 2015.

SaaS adoption in 2012 will be driven by the growth of the platform-as-a-service developer communities as well as a growing interest in cloud computing. Organizations most commonly use SaaS for horizontal applications (i.e. applications that address business divisions, rather than specific industries) with common processes, however, there is increasing interest in vertical specific offerings too.

2. Business

2.1 Business segments and offerings



Four Soft has established its web - centric, next generation product portfolios on licensed, hosted and SaaS models. This has opened up a wide range of market space for the Company across the supply chain and other growing markets such as the electronics, automotive and retail.

The suite of software products offered by Four Soft are 4S eTrans®, 4S eLog®, 4S Visilog®, 4S VisilogPlus®, 4S eCustoms®, 4SeConnect® and 4S InfoTips™ collectively known as '4S eProducts' or 'eProducts'.

Our product portfolio enhances efficiency, provides visibility and integration across operations and also to other third party software and systems. The Company's product development centre (India Technology Centre) and global delivery centre are located at Hyderabad with sales and support offices in United Kingdom, The Netherlands, Denmark, the United States of America, Singapore, Australia and Japan. Four Soft continues to be a global leader in supply-chain execution software solutions for transportation, freight forwarding and logistics domain.

Freight forwarding solutions

Built on the cutting edge technology of J2EE, Spring & SOA architecture, our products for freight forwarding are multimodal, web-centric applications for transportation companies designed to give operational and financial control of global and domestic freight movements, from order to cash.

- 4S eTrans® is offered for large, medium and small customers and it provides real time data visibility and improved operational profitability. The SME version provides solutions for Small and Medium Enterprises.
- 4S Visilog® offers Track & Trace functionality to service providers who in turn could also be using other applications in this domain.

Contract logistics

Four Soft suite of products built for logistics service providers extends well beyond the capability of traditional warehouse and inventory management systems by integrating supply, fulfillment and partner collaboration into one enterprise service platform. The Warehouse Management Solutions (WMS) module contains all the functionality required by warehousing and distribution organizations. Its distributed processing approach supports a wide variety of facilities, including hub-and-spoke distribution centers. These capabilities help a 3PL provider meet the demands of continuous replenishment strategies while lowering inventory and shipping costs, and increasing visibility into the supply chain.

The solutions in the offering include 4S eLog®, a web centric WMS application that fulfills warehousing and contract logistics for 3PL companies with capabilities to handle order management, fulfillment and partner collaboration.

Shipper logistics

4S Visilogplus® is a world class business application designed as an efficient solution for managing supply chain activities in the distribution network, whether Company owned or outsourced to third parties. It enables step-by-step implementation and can be adapted and changed as per needs. Its open architecture makes it easy to integrate with other systems and capably extend ERP into supply chain execution. It is designed to handle business processes order management, transportation management, warehouse management and event management. It also enables various elements of the supply chain to be connected on real time basis using web technology and collaborate for overall benefits to the supply chain.

Customs brokerage

4S eCustoms® is a global customs framework, that supports multi-country customs declarations, deployable at country levels of customer choice. It targets the customs brokers, shippers that have self-declaration license and freight forwarders and 3PLs that also manage customs brokerage. The new technology also supports the ability to deploy it across multi terminals and branches spread across multi-locations, manage the filing from any of the location in a decentralized mode, and yet have control and visibility in centralized mode.

All our eProducts are sold and deployed in the conventional user license based as well as SaaS model in India, wherein the revenue model is on subscription basis for the usage of the system which is hosted by Four Soft. The SME customers see the SaaS model as an easily adaptable one, as they save upfront investment in terms of hardware as well as are free from implementation hurdles.

2.2 Business model

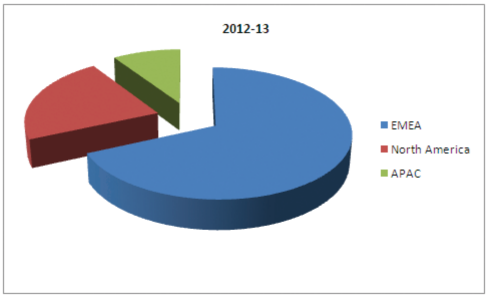
Four Soft sells its software products in various delivery models including hosted, SaaS and licensed basis. The licensed model is typically done on the 'named users' count, which increases as the customer's scale of operations increase. The revenue stream is sustainable since there is annual maintenance support contract for the licensed sales made. The service revenues would also come from the implementation services that are performed, helping the customer 'go live' with Four Soft products, at times, also in integrated mode with other existing software applications at customers' site. Further, changes in business environment and regulations need product modifications and enhancements which will result in revenue from customization service which contributes to overall increase in revenues. In the year under review there has been a growing interest in SaaS model and this could be an interesting development for the Company. This means expanding in the SME market segment and evaluation of the SaaS model by few large clients who may adopt licensed model. The revenue numbers on SaaS may not be substantial at the present time. However, the Company will be able to earn better margins in this model as scale increases.

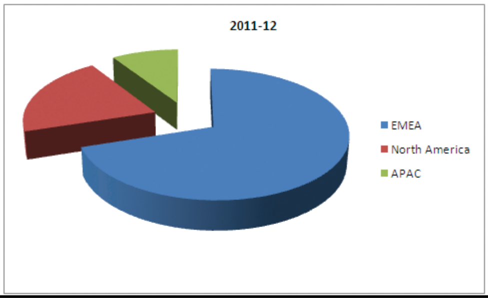
A detailed table representing revenues from various services is given below for easy understanding.

Consolidated numbers for the year ended March 31	**2013** ₹ in million	**% of revenue**	**2012** ₹ in million	**% of revenue**
Revenue from product related enhancements	851.28	64.25	831.97	65.86
Annual maintenance	371.79	28.06	340.95	26.99
Software licenses	88.99	6.72	78.53	6.22
Third party (Net)	12.99	0.98	11.80	0.93
Total	**1325.05**	**100.00**	**1,263.25**	**100.00**

2.3 Geographical mix

The long term potential of our revenue stream is from various geographic regions specified below. It could be observed that Europe, Middle East and Africa (EMEA) continues to be contributing to majority of the revenue share, given the number of logistics hubs it accommodates. Our focus on regions such as the Americas and Asia Pacific (APAC) has increased and will result in more evenly spread geographic concentration in future.





Consolidated numbers for the year ended March 31	2013 %	2012 %
EMEA	68.37	70.10
North America	22.24	20.63
APAC	9.39	9.27
Total	**100.00**	**100.00**

2.4 Customer base

Over the years, your Company has not only delivered "best-in-class" solutions but also successfully built long-term partnerships with 15 of the world's top 20 transport and logistics players. Four Soft understands the importance of expanding its business reach to sustain competition in the market space it operates which has enabled us to work with some of the prominent players from the shippers' domain.

Today, with over 400 customers, 60,000 plus users across 120 countries, our customers have entrusted us with the management of their global complex supply-chain networks including DHL, CEVA, DB Schenker, Panasonic, Flyjac, (A Hitachi Transport System Group Company) and Geodis Wilson.

2.5 Average revenue per employee on consolidated basis

In the products and solutions business, our average revenue per employee, a key measurement for increased productivity and profitability is seeing a better trend in this financial year. Your Company expects it continue increasing going forward. The below table depicts the growth:

Average revenue per employee	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
(₹ in Million)	0.63	1.54	1.87	2.14	3.27	2.37	1.85	1.93	2.51

2.6 Quality

Your Company is dedicated to maintain the highest level of quality standards and processes in its development and delivery teams and overall process improvement to achieve the quality certification. Your Company has been appraised with CMMI Level 5(Version 1.2) certification.

This achievement recognizes your Company for best-in-class processes related to design, development and maintenance of software that enables it to be a reliable partner for customers to solve their business problems.

Capability Maturity Model Integration (CMMI) is a process improvement approach that helps organizations improves their performance. CMMI can be used to guide process improvement across a project, a division, or an entire organization. CMMI in software engineering provides a framework for the organization to operate at high maturity levels with the essential elements of management by facts and data-driven decision making.

The appraisal was conducted by Quality Assurance Institute India Ltd, SEI Partner.

3. Strategy

Your Company's strategy has always been aimed at sustaining long term growth and continually improving margins. Vital elements of the Company's strategy to achieve the aforesaid objective is summarized in the chart below:

New customer acquisition: The profile of new clients targeted by your Company range from small and medium enterprises to large business houses globally. The flexibility of our business model ensures that we can cater to all types of customers. The capability of attract such a large spread of customers diversifies our risk and widens customer concentration across geographies.

Account management: Your Company houses strong domain expertise and experienced customer service professionals who endeavor to attain high customer satisfaction. Your Company's strategy is to leverage these attributes to mine our customers by offering additional value added services or products resulting in additional streams of revenue

Research and development: Sustained innovation and development efforts will continue to make differences in customer delivery and service. Outcomes of investments made in development over the years on new technologies will benefit in the coming years. Your Company plans to continue R&D initiatives in reducing development cycles, creating mobile versions of our products, enhancing SaaS capabilities to improve margins and deliver exemplary customer experience.

Focus on manufacturer/shipper vertical: Your Company has primarily provided products and solutions in the logistics and transportation vertical. In order to accelerate growth and strengthen future sustainability of business, the Company has commenced pursuing the manufacturer/shipper segment. This segment provides your Company immense opportunities to promote the Company's supply chain visibility and execution software products.

4. Opportunities and threats

4.1 Growth through organic mode

Organic and inorganic strategies implemented by Four Soft over the years have resulted in steady growth of the Company. Your Company has successfully integrated all its global operations and has emerged to become one of the most efficient organizations with proven delivery capability.

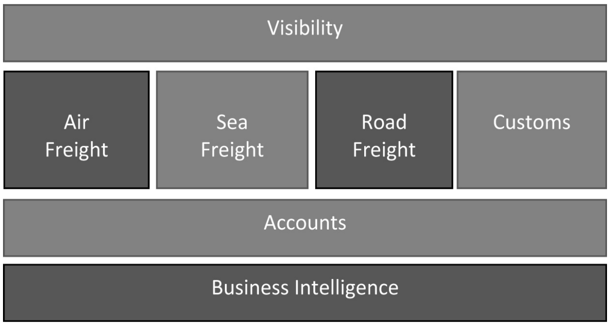
Your company has the following opportunities to accelerate organic growth:

a) Integrated solutions for transportation and logistics vertical

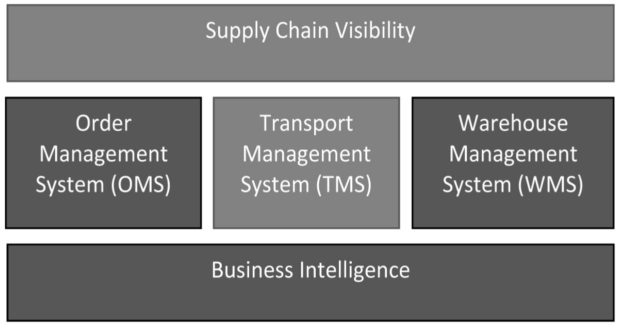
We believe we are the only Company capable of providing an integrated web-based solution to logistics and transportation segment. Our integrated products 4S eTrans®, 4S Visilog®, 4S eCustoms®, 4SeConnect®, 4S eAccounts® and 4S InfoTips™ provide an end-to-end business process flow enhancing customer productivity and efficiency in operations. The chart below indicates the integrated solutions mapping to logistics and transportation segment.

b) Increased focus on SCM and shipper logistics

The Company has plans to focus on shipper logistics vertical and SCM market. Vast opportunities in the shippers and SCM market coupled with strength and acceptability of supply chain visibility and execution products 4S eLog®, 4S Visilog® and 4S VisilogPlus® will help us in gaining a foothold in the segment. The Company's objective is to deliver an integrated solution complete with business intelligence. The chart below depicts our integrated offerings.



Integrated transportation and logistic solutions



Integrated supply chain execution solution

c) Software as a Service Model- LogiSaaS

Four Soft has already enabled all its suite of applications online in the SaaS model this year under the LogiSaaS brand. Your Company identified SaaS approach a huge opportunity from SMEs (small and medium enterprises). In line with expectation, the SaaS contracts executed by the Company are on the rise. We expect to significant volumes of SaaS contracts in future improving our margins.

d) Multiple geography customs platform

With rising customs compliances and unique nature of customs regulations of different geographies, a need for a common platform integrating customs applications of different countries has arisen for multinational companies. We believe your Company has the requisite domain and technical expertise and excellent relationship with regional customs application providers to create the necessary opportunity.

e) Diversifying into BPO services within the supply chain segment and remote infrastructure management services (RIMS)

By leveraging the existing domain knowledge and customer base we could provide services such as freight settlement reports, customer service and transaction entry to global freight forwarding companies. Your Company also offers a set of services that help businesses manage the hardware, networks and associated software using capabilities that are located away from their physical locations.

Experience gathered over the years in running our IT operations, has given us the expertise to manage the IT infrastructure of our customers remotely. Your Company now offers a one stop solution to cater to all IT infrastructure needs of customers. The Company has secured an order in the previous year from its existing customer for this offering.

The Company believes that being a product service provider, it has an advantage of understanding the business better and has the potential to start BPO/RIMS services within the existing customers and explore new opportunities with new customers.

4.2 Market opportunity and outlook

Four Soft has made inroads based on the opportunities that exists in the logistics and transportation domain. Your Company products portfolio has extended horizontally and vertically. Today, it offers integrated software solutions for Logistics & Transportation, Shipper Logistics and Services (BPO Services, RIMS etc.). Vertically, we have explored business opportunities in the growing market segments such as direct selling and retail. The Company also has offerings built on latest internet technologies, using J2EE, which in turn positions your Company as the best in the industry thereby providing an opportunity for product offerings across domains.

Slower global trade will force shippers look to improve efficiency and lower costs, the focus will shift to execution and visibility elements of supply chain management. These shifts will provide huge opportunities in all the parts of supply chain - Purchase-order management system (OMS), vendor management systems (VMS), warehousing management system (WMS) and transport management system (TMS). Your Company is poised to take advantage of these chances in the shippers market to enhance the value of the Company.

With the growing complexity of operations in this domain, it is extremely important to get the real-time visibility in the supply chain execution and ensure that information moves seamlessly across the supply chain, including internal systems and multiple external systems. Tracking and tracing the consignment is of great business interest to each of the business partner in the supply chain right from consignor to consignee including the service providers in the middle. Powerful transaction applications that would increase operational efficiency added with the capability to offer visibility and track and trace has good market potential in this domain and our applications typically target to offer this value proposition to the target market segments.

Four Soft operates its own IT infrastructure in a world class data center which has a heterogeneous mix of hardware and software platforms running mission critical applications for our own operations. Running our own data center gives us greater ability to protect the intellectual property we develop and also provide SaaS model of cloud computing and the hosted model where products licensed to our customers are deployed in our premises.

5. Risks and concerns

A. Market and competitive environment

The Transportation and Logistics domain continues to increase consolidation across various geographies. Four Soft is focused on this domain and any variations in this business environment may considerably impact the fortunes of the customers and thus effecting our revenues. Further, the Company is not focused on one product or service segment for the industry, but offers a wide range or suite of products that may reduce uncertainties on the market size and opportunities etc.

In order to restrict fierce competition, the IT industry serving this domain has been witnessing various mergers and acquisitions recently. However, your Company's focus is to acquire small players in the similar business either in US or Asia-Pacific to strengthen its local presence. The Company is also looking to penetrate into South American market.

Global logistics industry will undoubtedly grow rapidly in the coming years due to increased global trade, favorable government policies across globe, advancement in modes of transportation, manufacturing moving to low cost economies, emergence of global brands and retailing, importance of information and communication technologies, focus on inventory reductions and newer ways of logistics and supply chain services.

Four Soft has a substantial edge over competitors due to its highly advanced technologies, scalable architecture, delivery capabilities and its vast domain knowledge, apart from its proven capability with 15 of the top 25 largest freight forwarders as customers from across logistics and transportation domain.

B. Foreign exchange rate fluctuations

Four soft has been operating through its global subsidiaries spread across Europe, North America and Asia. Four Soft does not have high dependency on any specific currency as the Company's revenues are spread across various currencies. The revenues and cash flows are generated and received in each of its entities and hence the exposure is only to the extent natural hedge does not cover the risks. However, there will be risks in foreign exchange to the extent of its spending in Indian rupees which is not material at this point. We hope that the increase in Indian rupee revenues (domestic revenue) can mitigate the exposure to the extent of Indian rupee.

C. Technology obsolescence mode

The software products industry is highly characterized by rapid technological changes that could make our technology and service offerings obsolete, less competitive and difficult to sell. We are adapting ourselves to continuously improve the features, functionality, scalability, robustness and ability to meet the ever changing demands and needs of customers. Our failure to adapt to the challenges would affect our ability to compete and retain customers and market share.

Four Soft has the necessary technical resources, tools and methodologies in place to address the threat of technical obsolescence. We undertake testing with the latest available technical tools, architecture in our product development environment.

D. Geographic concentration of revenues

Concentration of revenue from any country exposes your Company to the risks inherent to economic slowdown, local laws, work culture and ethics of that country. Four Soft's substantial revenues are contributed by Europe; however these revenues are spread across the United Kingdom, the Netherlands and Denmark. Your Company monitors geographic concentration periodically to maintain a balance.

Since your Company caters primarily to one industry segment - logistics and transportation segment - any major laws or changes in this industry would affect your Company's business. However, being in the enterprise software solutions arena, your Company always monitors the growth of the industry segment, which is witnessing growth in South-East and Far-East Asia. Further changes in laws or changes in industry may result in additional customization revenue to the Company.

Your Company relies on repeat business based on strength of client relationships and major portion are from existing clients. As number of clients increases, it limits your Company's pricing flexibility, strengthens client's negotiation capability and any change in client's IT strategy will adversely affect your Company's revenues. As a proactive measure your Company analyses the risks due to change in client's business and focus on areas where it can proactively add value to improve competitiveness of clients.

E. Acquisitions

Inorganic growth through acquisitions has been the significant element of our strategy. It is critical to manage integration seamlessly across the organization during the acquisition phase, as our ability to serve customers is at higher than expected levels and thus demands our associates' contribution to make the acquisitions successful. Most of these acquisitions are focused on acquiring customers in different geographies and few of them are low margin companies and to turn around them to profitable and higher margin companies is always challenging. We need to continue leveraging the strengths of combined entities. The Company believes that it has executed the acquisitions in a smooth manner with proper strategy and planning.

F. Variability of quarterly operating results

There is likely variance of quarterly operating results of the Company due to IT investment trends by customers, achievement of milestones in software projects, additional staffing, timing and integration of acquired businesses, foreign exchange fluctuation gain / (loss). The past operating results and quarterly comparisons may not indicate the current or future performance. The Company constantly endeavors to safeguard against such risks mitigating through best practices, advanced processes, future proof investments and imparting latest tools and skills to employees, and reasonably well protected against any such risks in future.

G. Intellectual property infringement

As product development depends on the intellectual property created by its employees, we need to ensure that the same do not infringe any other proprietary technology rights. We have intellectual property policies in place to take care of trade secrets, copyright and trademarks laws and confidentiality agreements for our employees, third parties offering only limited protection. The steps taken by us as well as laws of most advanced countries do not offer effective protection of intellectual proprietary rights. Third parties could claim infringement of proprietary rights against the Company or also assert the same against our customers, which would require protracted defense and costly litigations on behalf of our customers.

Litigation may be necessary in the future to protect our technology proprietary rights and trade secrets, resulting in substantial costs and harming our business, despite all our efforts to prevent third parties infringing our proprietary rights.

H. Strategy

The Company strategy has always been to strengthen our leadership position in this domain irrespective of market dynamics and this will enable us to have a global leader positioning and thus increasing our scope of offerings to existing and potential clients. The existing engagement with our clients is mostly offering one or more of our suite of solutions. The Company is offering the next level of value added services to its customers. We continue to have recurring business from existing customers along with maintaining a long term relationship. We have continued to expand our global operations through client services across the globe through own offices as well as partners. Currently our presence is in over 8 countries with direct offices.

We continue to invest in employees, technology tools for R&D, recruitment and honing employee skills, increase domain expertise and promote brand visibility through tradeshows, sponsorships and investor relations. We also continue to develop alliances with leading technology providers to take advantage of emerging technology for mutual benefit and cost competitiveness.

The current industry we operate is highly competitive in nature, most of the software being developed by in-house IT departments and international companies setting up their offshore development centers in India. Recently industry ERP majors have also started focusing on this domain; however we continue to lead the pack with technology advantage and proven delivery capabilities and shorter implementation life cycle.

6. Internal control systems and their adequacy

Management maintains internal control systems designed to provide reasonable assurance that assets are safeguarded, transactions are executed in accordance with management's authorization and properly recorded, and accounting records are adequate for preparation of financial statements and other financial information. The internal audit function also carries out Operations Review Audits to improve the processes and strengthen control of the existing processes. The audit committee periodically reviews the functions of internal audit.

The Company's internal audit team under the supervision of audit committee and dedicated professionals assess the adequacy of internal controls and means to enhance the same from time to time. These controls basically cover financial reporting, contingency plans for remedial measures, and validated tools to test controls and functions documented.

7. Culture, values and leadership

Your Company is emerging as a global player in supply chain for transportation, logistics, and distribution execution software. Your Company has a written code of conduct and ethics to make employees aware of ethical requirements and whistle blower policy for reporting violations, if any.

Your Company has internal structured succession planning to take care of loss of any member of senior management or other key management personnel. Since inception your Company is committed to developing next generation leaders and conduct personality development and development work of skills acquired by them over the years.

With around 500 strong workforce spread across various nationalities and geographies, your Company encourages an 'Equal Employment Opportunity Policy' which discourages discrimination for employment on account of sex, race, color, religion, physical challenge and so on.

DISCUSSION ON CONSOLIDATED FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

A. Financial Condition

I. Share Capital:

The Company has two classes of shares - Equity and Preference Shares. The authorized share capital is Rs.350 million divided into 5,60,77,600 equity shares of Rs. 5/- each and 6,96,120, 14% redeemable preference shares of Rs. 100/- each.

During the year under review, there was no change in the Company's authorized share capital and continues to stand at Rs.350 million

The Issued, subscribed and fully paid up share capital of the Company is Rs.194.80 million (2012: Rs.194.66 million).

II. Reserves and Surplus:

The closing balance of securities premium account was Rs.650.05 million (2012: 648.99 million). Rs.1.07 million (2012: Rs.0.88 million) was transferred on account of exercise of stock options respectively.

The capital reserve remained unchanged at Rs.14.28 million. The closing balance of general reserve was Rs.3.76 million (2012: Rs.2.60 million).

The balance of profit and loss account as on the balance sheet date is Rs. 404.58 million (2012: Rs. 289.33 million). Net profit after tax for the year was Rs.115.26 million (2012: Rs. 426.38 million loss after tax) which is transferred to balance sheet.

The closing balance of foreign currency translation reserve is Rs.85.99 million (2012: Rs. 76.31 million).

III. Long term borrowings:

Long term borrowings (Term loan from bank) as at the balance sheet date aggregated to Rs. 146.05 million (2012: Rs. 237.63 million). Reduction represents repayment of term loan during the year.

IV. Long term provisions

Long term provision pertains to provision for employee benefits in relation to gratuity measured as per Accounting Standard-15 "Employee benefits".

V. Current Liabilities:

1. Short term borrowings

Short term borrowing (overdraft facility) as at the balance sheet date aggregated to Rs. 111.64 million (2012: Rs. 58.00 million).

2. Trade payables

Trade payables amounted to Rs. 101.65 million (2012: Rs.115.94 million)

3. Other current liabilities

Other current liabilities consist of advance from customers of Rs. 99.62 million (2012: Rs. 169.07 million), statutory dues payable of Rs. 9.59 million (2012: Rs. 6.36 million) and other payables.

4. Short term provisions

Short term provisions pertain to provision for employee benefits in relation to compensated absences and provision for taxes.

VI. Fixed assets:

Addition to the gross block of tangible fixed assets during the year is Rs. 7.99 million including Rs. 5.11 million towards computer equipment, Rs. 0.20 million towards office equipment and Rs. 2.68 million towards furniture and fittings.

Addition to gross block of intangible assets during the year amount to Rs. 0.45 million.

The carrying value of goodwill as at March 31, 2013 is Rs. 1,248.73 million (2012: Rs. 1,234.85 million).

VII. Long term loans and advances

Long Term loans and advances as at balance sheet date aggregated to Rs. 52.57 million (2012: Rs. 43.05 million). It primarily consists of capital advances and security deposits to electricity, telephone department, other statutory bodies and advance tax.

VIII. Current assets:

1. Current investments:

Current investments during the year amount to Rs. 11.46 million (2012: Rs. 17.5 million). These investments consist of investment in short term debt mutual funds.

2. Trade receivables:

Trade receivables considered good and realizable as on the balance sheet date are Rs. 192.20 million (2012: Rs. 247.64 million). All the trade receivables are generally considered good and realizable and necessary provisions for doubtful and bad debts have been made. The provision for doubtful debts as at balance sheet is Rs.17.48 million (2012: Rs. 18.64 million). Trade receivables are 15% (2012: 20%) of total revenues.

3. Cash and bank balance:

Cash and bank balances are Rs. 203.39 million (2012: Rs. 166.41 million). Of the above Rs. 173.40 million (2012: Rs. 162.53 million) is held in foreign bank accounts as on the balance sheet date.

4. Short term loans and advances:

Short term loans and advances as at the balance sheet date aggregated to Rs. 57.45 million (2012: Rs. 63.23 million). It primarily consists of prepaid expenses, advance income tax, indirect tax receivables and also includes provision for doubtful advances of Rs. 3.09 million (2012: Rs. 2.90 million).

5. Other current assets:

Other current assets primarily consist of unbilled revenue of Rs. 34.45 million (2012: Rs. 30.47 million)

B. Results of operations

The financial results of the Company on the consolidated basis for year ended March 31, 2013 and March 31, 2012 are depicted in the below table

Particulars	2013		2012		Variation	
	₹ Million	% of Revenue	₹ Million	% of Revenue	₹ Million	%
Revenue from product realted enhancements	851.28	64	831.97	66	19.31	2
Annual maintenance	371.79	28	340.95	27	30.84	9
Sale of licenses	88.98	7	78.53	6	10.45	13
Sale of third party licenses (Net)	12.99	1	11.80	1	1.19	10
Total Revenue from operations (A)	**1325.05**	**100.00**	**1,263.25**	**100.00**	**61.80**	**5**
Employee benefits expense	827.10	62	817.86	65	9.24	1
Other expenses	284.83	21	297.52	24	(12.69)	(4)
Total Expenses (B)	1111.93	84	1115.38	88	(3.45)	(0.3)
Other Income (C)	14.37	1	8.89	1	5.48	62
Operating Profit (EBITDA) (A-B+C)	**227.49**	**17**	**156.76**	**12**	**70.73**	**45**
Less: Finance costs	20.58	2	23.82	2	(3.24)	(14)
Less: Depreciation and amortization	18.44	1	18.63	1	(0.19)	(1)
Profit before exceptional items and tax	188.47	14	114.31	9	74.16	65
Less: Exceptional items	28.15	2	-	-	28.15	100
PBT and after exceptional items	**160.32**	**12**	**114.31**	**9**	**46.01**	**40**
Less: Tax expense	45.07	3	40.69	3	4.38	11
Profit/(loss) after tax and exceptional items	**115.25**	**9**	**73.62**	**6**	**41.63**	**57**
Impairment of goodwill	-	-	(500.00)	(40)	500.00	100
Net profit / (loss)	115.25	9	(426.38)	(34)	541.63	(127)

Increase in revenue is contributed by increase in all the streams of revenue that is licenses, services & AMC. Existing customers in US & Denmark and New customers in India & Japan have contributed to the Increase.

Expenditure

1. **Personnel Expenses:**

   During the year personnel expenses increased slightly by Rs. 9.24 million (1% increase). Increments, exchange rate fluctuations and incentive payments were expected to cause the personal cost to substantially. However reduction in the number of employees from 578 in 2011-12 to 528 in 2012-13 has negated the effect of the increments and foreign exchange fluctuations. The payroll cost was 62% of revenues compared to 65% in the previous year.

2. **Other expenses:**

   Operating expenses decreased by 4% due to rationalization and consolidation of office premises across all the regions. The Consolidation has resulted in substantial decrease in office rent and maintenance .

3. **Operating Profits:**

   Operating profit increased by Rs. 70.73 million in the year under review primarily due to increase in revenue and stable costs. Operating profit was 17% of the total revenues in current financial year compared to 12% in the previous year.

4. **Depreciation and amortization:**

   Depreciation and amortization during the year is Rs.18.44 million (2012: Rs.18.63 million).

5. **Financial costs:**

   Interest expense was decreased by Rs. 3.24 million on account of repayment of Term Loan. Total interest expense was 2% of the revenues as is the case of previous year.

6. **Tax expense:**

   Tax expense includes income tax and deferred tax. Increase in the tax expense is on account of the provision for current tax on profit before tax for the year.

7. **Impairment of goodwill:**

   Company acquired certain subsidiaries to strengthen its presence in the European and North American markets. However, the economic down-turn and technological changes has impacted revenues and margins much earlier than management's estimate. Consequently, in 2012, the Company has assessed the carrying value of goodwill in relation to such subsidiaries and has recorded an impairment of goodwill aggregating to Rs. 500.00 million for the year ended 31 March 2012. No impairment has been recognized in the current year.

8. **Liquidity:**

   During the year Company has a) generated Rs. 98.98 million from operating activities, b) repaid long-term borrowings of Rs. 93.66 million, c) invested in fixed assets of Rs. 7.66 million, d) invested in current investment of Rs. 6.04 million. The resultant increase in cash is Rs. 36.95 million from the previous year.

9. **Earnings per share:**

   Basic and diluted earnings per share were Rs. 2.97 and Rs. 2.96 respectively. (2012: Rs. (11.00)).

   Given below is the list of Contracts signed by Four Soft Group during the year 2012-13.

Customer Name	Product	Country
MetaPack	Services	UK
Green Carrier	4SAXSFreight	Sweden
Panasonic India Pvt Ltd	4SeLog	India
TL Logicom / Suzuyo System Technology (SST)	4SeTrans, 4SeLog, 4SVisilog and 4SeConnect	Japan
Bahri	BPI	
	(Business Process Integration)	Middle East
Walker Logistics	4S Visilog (SaaS)	US
American Lamprecht	4S Visilog (SaaS)	US
NDO America Inc	IT Consulting Services	US
Marcatus QED	4S Visilog Plus, 4S Visilog and 4S Infotips	Canada

DISCUSSION ON STANDALONE FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

Note: It is suggested to read the consolidated figures as they represent the true performance of the Company in view of the global operations of the organization.

A. Financial condition

I. Share capital:

The Company has only two classes of shares - Equity and Preference Shares. The authorized share capital is Rs. 350 million divided into 5,60,77,600 equity shares of Rs.5/- each and 6,96,120 14% redeemable preference shares of Rs.100/- each.

During the year under review, there was no change in the Company's authorized share capital and continues to stand at Rs. 350 million.

The Issued, subscribed and fully paid up share capital of the Company is Rs.194.80 million (2012: Rs.194.66 million).

II. Reserves and surplus:

During the year, your Company recorded a net loss after tax of Rs. 12.42 million (2012: Rs. 32.96 million). The total reserves and surplus as on the balance sheet date is Rs. 721.53 million (2012: Rs. 731.65 million). Stock compensation expense for the year was Rs. 2.30 million. (Reversal of stock compensation expense for 2012: Rs. 1.45 million).

III. Long term provisions

Long term provision pertains to employee benefits in relation to gratuity recognized as per Accounting Standard-15 Employee benefits.

IV. Current liabilities

a. Trade payable amounted to Rs. 71.70 million (2012: Rs. 67.94 million)
b. Other current liabilities include income received in advance from customers of Rs. 13.20 million (2012: Rs. 25.57 million), dues to subsidiaries and statutory payables.
c. Short term provision related to provision for compensated absence recognized as per Accounting Standard-15 Employee benefits.

V. Fixed Assets:

During the year under review, the total additions to the gross block of tangible assets amounted to Rs. 2.36 million. The capital expenditure was funded out of internal accruals.

(₹ in million)

S.No.	Particulars	Additions
1	Computers	2.17
2	Office equipment	0.19
	Total	**2.36**

The total additions to the gross block of intangible assets amounted to Rs.0.24 million. During the previous year the Company also capitalized internally developed software to the extent of Rs. 35.09 million.

VI. Non-current investments:

During the year no non-current investments were made. Existing investments represents investments in wholly owned subsidiaries.

VII. Long term loans and advances

Loans and advance as at balance sheet date aggregated to Rs. 38.37 million (2012: Rs. 33.61 million). It primarily consists of capital advances and security deposits to electricity, telephone and other statutory bodies and advance taxes.

VIII. Current Assets

1. Current investments

Current investments during the year amount to Rs.11.46 million (2012: Rs.17.5 million). These investments consist of short term debt mutual funds.

2. Trade receivables

Trade receivables, considered good and realizable as of March 31, 2013 amounts to Rs.179.16 million (2012: Rs. 107.50

million). All the trade receivables are generally considered good and realizable and necessary provisions for doubtful and bad debts have been made. The trade receivables are 55% (2012: 37%) of revenues from operations. The provision for doubtful debts as at the balance sheet date is Rs. 1.68 million (2012: Rs.1.17 million).

3. **Cash and Bank Balances**

The bank balance includes rupee accounts, foreign currency accounts and deposits. Cash and bank balances are Rs. 30.00 million (2012: Rs. 3.88 million). Cash and Bank balance constitutes 2.80% of the total assets (2012: 0.41%).

4. **Short term loans and advances**

a. Loans and advances to related parties have decreased to Rs.34.35 million from Rs. 42.01 million in previous year. (Related parties consist of wholly owned subsidiaries).

b. Other loans and advances are primarily towards indirect tax receivables and others receivables.

5. **Other Current Assets**

Other current assets include:

Unbilled revenues of Rs. 13.12 million (2012: Rs. 3.26 million).

B. Results of operations

I. Income

Income from sale of product and product related enhancements for the year ended March 31, 2013 and March 31, 2012.

(₹ in million)

Particulars	2013	% of revenue	2012	% of revenue
Sale of licenses	21.95	7	3.99	1
Annual maintenance	26.49	8	24.37	8
Revenue from product related enhancements	275.17	85	264.51	91
Total	**323.61**	**100**	**292.86**	**100%**

In the current year the revenues have increased by 10.50%. The increase is primarily on account of sale of e-product services to U.S and India. The revenue from eproduct service is expected to increase in coming years.

II. Expenditure

The abstract of profit and loss statement is as follows: (₹ in million)

Particulars	2012-13	% of revenue	2011-12	% of revenue
Total revenue	341.68	100	308.61	100
Less: Employee benefits expense	250.56	73	273.73	89
Less: Other expenses	91.56	27	100.17	33
Operating profit / (loss) (EBITDA)	**(0.44)**	**(0.25)**	**(65.29)**	**(21)**
Less: Depreciation and amortization	11.50	3	11.76	4
Less: Financial costs	0.49	0	0.30	0
Profit / (loss) before exceptional item and tax	**(12.43)**	**(4)**	**(77.35)**	**25**
Add: Exceptional items	-	-	*68.00	22
Profit / (loss) before tax	(12.43)	(4)	(9.35)	(3)
Less: Tax expense	-	-	23.61	8
Profit / (loss) after tax	(12.43)	(4)	(32.96)	(11)

* represents the revenue from sale of intellectual property rights for the customs product for Europe to Four Soft Nordic A/s.

1. Employee benefits expense:

During the year under review, the employee benefits expenses were at 73% of its total revenue as compared to 89% during the previous year. The decrease in employee benefits expense is on account of decrease in the number of employees from 578 in 2011-12 to 528 in 2012-13. However, the decrease is partially offset by increase to the tune of 8% to 9%.

2. Other expenses:

Other expense primarily consists of rent expense, office maintenance and travelling expense.

3. Operating loss

During the year the Company incurred an operating loss of Rs. 0.44 million (2012: Rs. 65.29 million), representing 0.13% (2012: 21%) of total revenues. Strong pipeline of our next generation products and improved sales in the current year resulted in substantial reduction of operating loss.

4. Depreciation and amortization

The Company provided a sum of Rs. 11.50 million (2012: Rs. 11.76 million) towards depreciation representing 3.4 % of total revenues (2012: 4%). The decrease in depreciation and amortization is on account of disposal of certain assets.

5. Financial expenses

Financial expenses primarily consist of bank charges.

6. Provision for tax

Due to loss of Rs. 12.42 million in the current year, the Company has not provided for current and deferred tax expense as per accounting standards.

7. Net loss

The net loss of the Company amounted to Rs.12.43 Million for the current financial year and net loss of Rs. 32.96 million in the previous year.

8. Liquidity

As of March 31, 2013 the Company had cash and cash equivalents to the extent of Rs. 29.73 million (2012: Rs. 3.62 million) and Rs. 11.46 million (2012: Rs. 17.50 million) in short term debt mutual funds.

9. Earnings per equity share (basic & diluted)

Earnings per share are computed on basis of number of common stock outstanding as on the date of balance sheet. Basic and diluted earnings per share is Rs. (0.32) (2012:Rs. (0.85))

Corporate Governance Report

Report on Corporate Governance forming part of Directors Report of Four Soft Ltd for the year ended 31 March 2013 pursuant to Annexure I C (Mandatory Requirements) read with Clause 49 of the Listing Agreement with the Stock Exchanges in India.

Corporate governance philosophy

Corporate governance is a continuing process which ensures integrity, transparency and accountability in dealing with employees, shareholders, customers and the community at large. Companies across the world practice the concept of Corporate Governance in order to protect stakeholders' interest including shareholders, employees, customers, suppliers and vendors. Companies adopt corporate governance policies to bring transparency, accountability and fairness in business practices.

Four Soft in its continuous initiative and drive towards good governance and accountability, has upheld the corporate governance through ethical business practices, integrity and transparent business operations. Four Soft Ltd has full support of the Board and employees in the corporate governance initiative.

Your directors place on record the Corporate Governance report for the year 2012-2013.

A. Board Composition

1. Size and composition of the Board

The Company has an optimum combination of executive and non-executive directors with more than fifty per cent of the Board comprising of non-executive directors. All independent non-executive directors comply with the requirement of independent directors definition of Clause 49 of the Listing Agreement entered into with the stock exchanges.

The names and categories of the directors on the Board, their attendance at Board meetings held during the year and the number of directorships and committee memberships held by them in other companies is given below.

Name of the Director	Category of Directorship	No. of shares held in the company as on 31.03.2013	Number of Board meetings		Attendance at last AGM	No. of Directorships in other Companies			No. of Committee Positions held in		
						Indian					
			Held	Attended		Public Companies	Private Companies	Foreign Companies	This Company	Other Companies	Committee Chairman
Palem Srikanth Reddy	Executive Chairman and Managing Director	8849732	6	6	Yes	-	3	9	1	-	-
KV Ramakrishna	Non-Executive and Nominee Director	Nil	6	2	No	2	2	-	4	3	-
Srinivas Prasad	Non-Executive and Independent Director	Nil	6	6	No	-	-	-	2	-	-
Dr.T.R.Sivarama krishnan	Non-Executive and Independent Director	22	6	1	Yes	-	-	-	3	-	-
Mohan Krishna Reddy	Non-Executive and Independent Director	100	6	4	No	1	5	-	3	-	-
Prof. Janat Shah	Non-Executive Independent Director	Nil	6	-	No	1	1	-	3	-	-
Soujanya Reddy	Non-Executive Director	175701	6	5	No	-	2	-	-	-	-

2. Particulars of directors appointed / reappointed during the year

As per provisions of Article 88, Mr. Mohan Krishna Reddy, director retire at the ensuing general meeting and being eligible, offers himself for re-appointment.

The retiring director seeks re-appointment at the ensuing Annual General Meeting and the Board recommends the reappointment of the retiring Director.

B. Board meetings

Six Board meetings were held during the financial year ended 31 March, 2013. The dates of the Board meetings are May 26, 2012, August 10, 2012, September 01, 2012, October 30, 2012, January 22, 2013 and March 09, 2013.

The Company Secretary in consultation with the Chairman & Managing Director circulates the agenda papers for Board meetings well in advance before the meeting. The directors actively participate in the discussions at the Board meetings. The Company has granted leave of absence to directors from attending Board meetings after due requisition from them.

C. Board Committees

The Company presently has four committees - the Audit Committee, Remuneration/Compensation Committee, Share Transfer and Investor Grievance Committee and the Nomination Committee. Majority of directors who constitute the committee members are independent directors. The Chairman of the Board in consultation with the Company Secretary decides the frequency of the Board and committee meetings. Recommendations of the committee are submitted to the Board for approval.

1. AUDIT COMMITTEE

The audit committee reviews, acts and reports to Board of Directors on the following matters:

- Auditing and accounting matters, including appointment of statutory and internal auditors
- Compliance with legal and statutory requirements
- Integrity of Company financial statements
- Scope of annual audit, fees paid to statutory and internal auditors
- Statement of related party transactions.
- Performance of internal audit functions, accounting standards.

The financial results are submitted to the audit committee and the Board. The audit committee reviews the un-audited quarterly, half-yearly and annual financial results with the management before submitting to the Board for its approval. The Company's Managing Director, Chief Financial Officer, its statutory auditors and its internal auditors are permanent invitees to the audit committee meetings.

The detailed charter of the Committee as per the revised Clause 49 of the Listing Agreements with the stock exchanges read with Section 292A of the Companies Act, 1956 is posted in our website www.four-soft.com/investors/corporate governance.

The audit committee comprises of independent and non-executive directors. All the members of the audit committee are financially literate and the Chairman Dr. T.R. Sivaramakrishnan is a financial management expert.

Four meetings of audit committee were held during the year on May 26, 2012, August 10, 2012, October 30, 2012 & January 22, 2013.

Following are the members of the audit committee and the number of meetings attended by each member of audit committee is as follows:

Name of Members of Audit Committee	Designation	Number of meetings held	Number of meetings attended
Dr.T.R. Sivaramakrishnan	Chairman, Non-executive Independent Director	4	1
Srinivas Prasad	Member, Non-Executive and Independent Director	4	4
Mohan Krishna Reddy	Member, Non-Executive and Independent Director	4	4
KV Ramakrishna	Member , Non-Executive and Nominee Director	4	2
Prof. Janat Shah	Member, Non-Executive and Independent Director	4	-

2. Remuneration Committee/Compensation Committee

The Company has constituted a Remuneration/Compensation Committee and the brief terms of reference of Remuneration /Compensation Committee are:

(a) To determine salaries, benefits, and stock option grants to directors of the Company.

(b) To recommend the ESOP Trust under the ESOP plan drawn from time to time.

The Remuneration/Compensation committee comprises of mainly independent and non-executive directors. Two meetings of remuneration committee were held during the year on May 26, 2012 and October 30, 2012. Following are the members of the Remuneration / Compensation Committee and the number of meetings attended by each member of committee is as follows:

Name of Director	Designation	Number of meetings held	Number of meetings attended
Dr.T.R.SivaRamakrishnan	Chairman	2	1
KV Ramakrishna	Member	2	1
Mohan Krishna Reddy	Member	2	2

Executive Director of the Company is paid remuneration as per limits specified under Schedule - XIII of Companies Act, 1956. Details of remuneration paid to Palem Srikanth Reddy, Chairman & Managing Director of the Company is specified under the relevant section in the annual report. Payment of this remuneration has the necessary sanction of the shareholders and it is in accordance with the provisions of Companies Act, 1956.

The remuneration payable is always recommended by Remuneration Committee and is approved by the Board and shareholders of the Company. Sitting Fees are paid to independent non-executive directors for attending every meeting of the Board of Directors (other than committee meetings). Sitting fees payable to non-executive directors of the Company for attending Board meetings were increased from Rs. 5,000 per meeting to Rs. 20,000 per meeting in the Board meeting held on 12 November 2010. Presently, sitting fees is payable to Prof. Janat Shah, Mr. Mohan Krishna Reddy and Mr. Srinivas Prasad as per the resolution taken in the Board meeting dated 12 November 2010.

The Non-executive directors do not draw any remuneration from the Company except sitting fees which are paid at the rate of Rs. 20,000 per person per Board meeting subject to a maximum ceiling limit of Rs. 100,000 per person in a financial year. No sitting fees is payable for attending the committee meetings.

Details of sitting fees paid to the directors for the year 2012-13 are given below:

Name of the Director	Sitting fees paid in ₹
a. Srinivas Prasad	-
b. Mohan Krishna Reddy	60,000
c. Prof. Janat Shah	-

It is the policy of your Company to remunerate its executives on par with industry standards commensurate with qualification and experience.

The Remuneration committee also oversees the recommendation and administration of ESOP schemes. None of the directors are granted any stock options by the Company.

Number of shares held by the directors of the company as on 31 March 2013 is as follows:

Name of the Director	No. of shares
a. Palem Srikanth Reddy	8849732
b. KV Ramakrishna	Nil
c. Dr.T.R.Sivaramakrishnan	22
d. Srinivas Prasad	Nil
e. Mohan Krishna Reddy	100
f. Prof. Janat Shah	Nil
g. Soujanya Reddy	175701

3. Share Transfer and Investor Grievance Committee

The Investor Grievance Committee administers the following:

- Transfer, transmission of shares
- Issue of duplicate share certificates, as and when required
- Redressal of shareholders / investors grievances from time to time.

The investor grievance committee consists of following independent and non-executive directors and the committee met four times during the year 2012-13 on the following dates: May 26, 2012, August 10, 2012, October 30, 2012 and January 22, 2013.

Name of Director	Designation	Number of meetings held	Number of meetings attended
Dr.T.R. Sivaramakrishnan	Chairman	4	1
Srinivas Prasad	Member	4	4
Mohan Krishna Reddy	Member	4	4
K.V. Ramakrishna	Member	4	2
Prof. Janat Shah	Member	4	-

It is also noted that the shareholding in dematerialization mode 95.40%is as against 95.39% during the previous year.

a. Name and Designation of Compliance Officer:

Mr. M. Raghuram, Company Secretary

b. Status of share transfers as on the date:

There are no pending share transfers as on the date of this report.

c. Details of Investor Correspondence/ grievances for the year 2012-2013

The break-up of the complaints / grievances received and redressed are given below:

Non receipt of Annual Report	5
Non receipt of dividend warrant	2
Total complaints received and redressed	7

There has been no shareholder's complaint unresolved during the year.

4. Nomination Committee

The Nomination Committee was constituted by the Board of directors. The Nomination Committee administers the following:

- Selecting and appointing independent directors.
- Evaluation of Board and its members.
- Draw up skill sets required on the Board based on the Company's current and future
- Strategic priorities identify and evaluate candidates that meet these predefined criteria.

Members of Nomination Committee

Palem Srikanth Reddy	Chairman
K.V.Ramakrishna	Member
Prof. Janat Shah	Member

There were no meetings of Nomination Committee held during the year under report.

D. General Body Meetings

Details of the last three Annual General Meetings, with date, time and venue,

Financial Year	*SRs	Date	Time	Venue
2009-10	2	28.09.2010	11.00a.m.	Chip Auditorium, Cyber Towers, Hitech City, Hyderabad - 81.
2010-11	-	28.09.2011	11.00 a.m.	Chip Auditorium, Cyber Towers, Hitech City, Hyderabad - 81.
2011-12	-	29.09.2012	11.00 a.m.	Chip Auditorium, Cyber Towers, Hitech City, Hyderabad - 81.

*SRs - Number of special resolutions passed.

An Extra-Ordinary General Meeting was held on 21 December 2009 at the Chip Auditorium, Cyber Towers, Hi-tech City, Hyderabad-81 for seeking approval for allotment of equity shares/options under Employee Stock Option Scheme-2009 and Employee Stock Purchase Scheme - 2009.

No resolution was passed through postal ballot during last year.

DISCLOSURES:

i) There have been no materially significant transactions, pecuniary transactions or relationships between the Company and directors, management, subsidiary or related parties except those disclosed in the financial statements for the year ended March 31, 2013.

ii) The Company has followed the Accounting Standards prescribed by The Companies (Accounting Standards) Rules, 2006, as amended in preparation of financial statements.

iii) The Company has complied with the requirements of the Stock Exchanges, SEBI and other statutory authorities on all matters relating to capital markets during the last three years. No penalties or strictures have been imposed on the Company by stock exchange(s) or SEBI or any statutory authority on any matter related to capital markets during last three years.

iv) The Company has complied with all the applicable mandatory requirements of the revised Clause 49 of the Listing Agreement and also has complied with the following non-mandatory requirements as prescribed in Annexure I D to Clause 49 of the Listing Agreement with the stock exchanges:

  (a) The Company has set up a Compensation (Remuneration) Committee. Please see the Para on Compensation Committee for details.

  (b) During the period under review, there is no audit qualification in the Company's financial statements. The Company continues to adopt best practices to ensure regime of unqualified financial statements.

  (c) The Company has formulated a Whistleblower Policy which provides a mechanism for employees to raise concerns that relate to violation of the Code of Conduct, accounting, internal accounting controls, auditing matters and applicable national and international laws including statutory / regulatory rules and regulations. No personnel has been denied access to the audit committee.

  (d) The Board of Directors will explore the possibility of introducing all non-mandatory items in a need-based manner.

Means of communication

i. The quarterly, half-yearly and annual financial results are declared to both NSE and BSE immediately after the conclusion of the Board meetings in which the results were considered.

ii. The Financial results are normally published in Mint and Surya newspapers. The results are also posted on the Company website www.four-soft.com. The website also displays all official news releases and presentations made to institutional investors or to analysts.

iii. Management discussion and analysis report forms part of the annual report.

GENERAL SHAREHOLDER INFORMATION

1.	Date, time and venue of 14th AGM	27th November, 2013 at 11.00 A.M 8-2-703/2/B, Plot No.2, Road No. 12, Banjara Hills, Hyderabad - 500 034, Andhra Pradesh, India
2.	Financial calendar	2012-13 The Company follows 'April to March' as the Financial Year. The results of every quarter are declared within 45 days from the end of the quarter. The Audited Annual Results are usually declared before May 31st every year.
3.	Dates of book closure	November 21, 2013 to November 27, 2013 (both days inclusive)
4.	Listing on stock exchanges	National Stock Exchange of India Ltd. (NSE) and the The Stock Exchange, Mumbai (BSE). Listing fees for the year 2012-13 has been paid to both the stock exchanges.
5.	Stock code	Bombay Stock Exchange Ltd (BSE) : 532521 National Stock Exchange of India Ltd (NSE) : FOURSOFT
6.	Electronic connectivity	National Securities Depository Ltd (NSDL) & Central Depository Services (India) Ltd. ISIN: INE218G01017
7.	Registered office	8-2-703/2/B, Plot No.2, Road No. 12, Banjara Hills, Hyderabad - 500 034, A.P India Tel: +91-40-6638 4915, 6638,4916 Website: http://palred.com/tempfoursoft/
8.	Registrar and share transfer agents	Share transfers in physical form and other communication regarding share transfer, certificates, dividends, change of address, etc., may be addressed to: Karvy Computershare Private Limited UNIT: Four Soft Limited Plot No. 17-24, Vittal Rao Nagar Madhapur, Hyderabad - 500 081, India Tel : 040 - 44655000 Fax : 23420814 Email : einward.ris@karvy.com
9.	Share transfer system	Applications for transfer of shares held in physical form are received at the office of the Registrars and Share Transfer Agents of the Company. Shares lodged for physical transfer would be registered within a period of 8 days on proactive measure and duly transferred. It would be dispatched to the concerned shareholders within a week from date of approval of transfers by the Share Transfer Committee. For this purpose, the Share Transfer Committee meets as often as required. Adequate care is taken to ensure that no transfers are pending for more than a fortnight. Shares are dematerialized and sent to shareholders concerned within 14 days. Pursuant to Clause 47 (c) of the Listing Agreement with stock exchanges, certificates on half-yearly basis are issued by a Company Secretary-in-Practice for due compliance with share transfer formalities by the Company. Pursuant to the SEBI (Depositories and Participants) Regulations, 1996, certificates have been received from a Company Secretary-in-Practice for timely dematerialization of the Company's shares and for conducting a reconciliation of share capital audit on a quarterly basis for reconciliation of the Company's share capital.

10.	Dematerialization of shares and liquidity	95.40% of the Company's paid-up equity share capital has been dematerialized upto March 31, 2013. Trading in equity shares of the Company is permitted only in dematerialized form.
11.	Outstanding ADRs / GDRs / Warrants and convertible instruments, conversion date and likely impact on equity	Not applicable
12.	Investor correspondence	1. For any assistance regarding dematerialization of shares, share transfer, transmission, change of address, non-receipt of dividend or any other query relating to shares or for any generation correspondence, contact **Karvy Computershare Pvt. Ltd.** **UNIT: Four Soft Limited** Plot No. 17-24, Vittal Rao Nagar Madhapur, Hyderabad - 500 081, India Tel : 040 - 44655000 Fax : 23420814 Email : einward.ris@karvy.com 2. **Mr. M. Raghuram** Company Secretary & Compliance Officer Four Soft Limited 8-2-703/2/B, Plot No.2, Road No. 12, Banjara Hills, Hyderabad - 500 034, A.P India Tel: +91-40-6638 4915, 6638,4916 Website: http://palred.com/tempfoursoft/ 3. For queries on Financial Statements **Mr. Harish Naidu** DGM - Finance & Accounts, Four Soft Limited 8-2-703/2/B, Plot No.2, Road No. 12, Banjara Hills, Hyderabad - 500 034, A.P India Tel: +91-40-6638 4915, 6638,4916 Email: harish.naidu@palred.com

13. Stock market data

Monthly closing high and low quotations of shares traded on National and Mumbai Stock Exchanges for the year 2012-13 given below

Year 2012-13	NSE			BSE		
Month	**High (Rs)**	**Low (Rs)**	**Shares traded**	**High (Rs)**	**Low (Rs)**	**Shares traded**
April	09.20	07.75	1,59,534	09.30	07.70	92,199
May	08.95	06.95	1,48,896	08.95	06.90	59,503
June	08.15	06.04	1,53,567	08.14	07.00	1,09,523
July	08.80	07.25	1,85,672	08.80	06.61	89,408
August	11.60	07.10	4,26,044	11.00	07.20	1,92,346
September	09.35	08.00	1,39,660	09.30	08.08	1,01,097
October	09.45	08.05	86,144	09.33	08.11	89,185
November	12.35	09.15	2,00,747	12.69	09.33	4,01,515
December	22.20	11.80	5,43,310	22.50	11.76	14,45,108
January	23.80	16.70	6,25,305	23.90	16.70	13,20,234
February	18.40	13.00	5,31,000	18.35	13.00	4,11,090
March	17.50	10.90	4,15,283	17.42	11.00	3,74,575

14. **Distribution of shareholding on the basis of categories of shareholders as on 31 March 2013 is as under:**

Category code	Category of shareholder	No. of shareholders	Total No. of shares	Percentage to total shares
(A)	**Shareholding of promoter and Promoter Group**			
(1)	**INDIAN**			
(a)	Individual /HUF	1	8849732	22.72
(b)	Others	3	411796	1.06
	Sub-Total A(1) :	**4**	**9261528**	**23.77**
(2)	**FOREIGN**			
(a)	Individuals (NRIs/Foreign Individuals)			
(b)	Bodies corporate			
	Sub-Total A(2) :	**0**	**0**	
	Total shareholding of promoter and promoter group			
	Total A=A(1)+A(2)	**4**	**9261528**	**23.77**
(B)	**PUBLIC SHAREHOLDING**			
(1)	**INSTITUTIONS**			
(a)	Financial institutions /banks	1	300	0.00
(b)	Foreign institutional investors	2	358670	0.92
(c)	Venture capital funds	1	3949447	10.14
	Sub-Total B(1) :	**4**	**4308417**	**11.06**
(2)	**NON-INSTITUTIONS**			
(a)	Bodies corporate	409	2687348	6.90
(b)	Individuals			
	(i) Individuals holding nominal share capital upto ₹1 lakh	20214	9958999	25.64
	(ii) Individuals holding nominal share capital in excess of ₹1 lakh	70	6740653	17.30
(c)	Others			
	Foreign bodies	2	1596308	4.10
	Trusts	3	145008	0.37
	Overseas corporate bodies	4	1884081	4.84
	Non resident indians	108	829477	2.13
	Foreign nationals	8	1478095	3.79
	Clearing members	25	41494	0.11
	Sub-Total B(2) :	**20843**	**25389799**	**65.17**
	Total Public Shareholding B=B(1)+B(2) :	**20847**	**29698216**	**76.23**
	Total (A+B) :	**20851**	**38959744**	**100.00**

15. 15. Distribution of shareholding as on March 31, 2013 is as under:

No of equity shares held	No of shareholders	% of shareholders	Total shares	Amount of shares	% of total amount
1 - 5000	18910	90.69	4625823	23129115	11.87
5001 - 10000	917	4.40	1435754	7178770	3.69
10001 - 20000	448	2.15	1324553	6622765	3.40
20001 - 30000	200	0.96	1020289	5101445	2.62
30001 - 40000	81	0.39	579797	2898985	1.49
40001 - 50000	79	0.38	739934	3699670	1.90
50001 - 100000	101	0.48	1391645	6958225	3.57
100001 and above	115	0.55	27841949	139209745	71.46
TOTAL:	**20851**	**100.00**	**38959744**	**194798720**	**100.00**

16. Details of demat suspense account

Financial year	Aggregate No of shareholders and outstanding shares as on 01 April 2011	No of shareholders who approached the company for transfer of shares during the year	No of shareholders to whom shares were transferred	Aggregate No of shareholders and outstanding shares as on 31 March 2012
2012-2013	25 shareholders and 4500 outstanding shares	-	-	22 shareholders and 4500 outstanding shares

Procedure for claiming shares lying in the unclaimed suspense account

In terms of Clause 5A of the Listing Agreement, unclaimed shares shall be transferred to an "Unclaimed Suspense Account" opened by the Company for the purpose and the shares lying therein shall be dematerialized with a depository participant. The voting rights of such shares shall remain frozen till the rightful owner claims the shares.

Accordingly the Company has opened a demat account with Depository Participant Karvy Stock Broking Limited.

Allottees who have not yet claimed their shares are requested to make their claim to the secretarial department at the Registered office of the Company situated at 5Q1 A3, 5th floor, Cyber Towers, Hitec City, Madhapur, Hyderabad - 500 081, A.P India.

Other information

A. Unclaimed dividends

Under the Companies Act, 1956, dividends, that are unclaimed for a period of seven years is required to be transferred to the Investor Education and Protection Fund administered by the Central Government. We provide below a table providing for the dates of declaration of dividend and the due dates for transfer of un-claimed dividends to Investor Education and Protection Fund (IEPF).

Financial Year	Date of Declaration of Dividend	Unclaimed Amount ₹	Due date for transfer to IEPF
2005-06	29 September 2006	1,74,011.00	6 November 2013
2008-09	10 August 2009	94,760.00	10 September 2016

After completion of seven years, as per the above table, no claims shall lie against the said fund or the Company for the amounts of dividend so transferred nor shall any payment be made in respect of such claims.

B. Electronic clearing service / mandates /bank details

The members may please note that electronic clearing service details contained in the Benpos downloaded from NSDL and CDSL would be reckoned for dividend whenever declared. Shareholders desirous of modifying those instructions should write to their respective Depository participants.

C. Nomination in case of shares held in physical form

The Companies Act, 1956 provides facility for making nomination by shareholders in respect of their holding of shares. Such nomination greatly facilitates transmission of shares from the deceased shareholder to his/her nominee without having to go through the succession certificate/probate of will process.

D. Reconciliation of Share Capital Audit and Certificate on Corporate Governance

A qualified Company Secretary in practice has carried out quarterly reconciliation of share capital audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Ltd. (CDSL) and the total issued and listed capital. The audit confirms that the total / paid up capital is in agreement with the aggregate total number of shares in physical form and the total number of dematerialized shares held in NSDL and CDSL.

The Certificate on Corporate Governance dated August 10, 2013 obtained from Mr. S Sarveswara Reddy, SS Reddy & Associates, Company Secretaries in whole-time practice is also given at relevant page in annual report.

E. CEO / CFO certification

As required under Clause 49 V of the Listing Agreement with the stock exchanges, the Chairman & Managing Director and the Chief Financial Officer of the Company have certified to the Board regarding financial statements for the year ended March 31, 2013.

F. Code of Conduct

All the directors and senior management personnel have affirmed compliance with the Code of Conduct/Ethics as approved and adopted by the board of directors and a declaration to that effect signed by the Managing Director is attached and forms part of this report. These codes have been posted on the Company's website www.four-soft.com.

G. Code of insider trading

In compliance with the provisions of SEBI (Prohibition of Insider Trading) Regulations, 1992, (as amended from time to time) and to preserve the confidentiality and prevent misuse of unpublished price sensitive information, the Company has adopted and implemented a Code of Conduct for prohibition of insider trading for directors and specified employees of the Company, relating to dealing in the shares of the Company. This code lays down the guidelines which provide for periodical disclosures from designated employees as well as pre-clearance of transactions by such persons. The Company regularly monitors the transactions undertaken by the employees and also intimates the stock exchanges about the transactions of the designated employees as mandated under the regulations.

H. Whistleblower policy

Your Company has put in place a whistleblower policy. In terms of this policy, all employees are encouraged to report any instance/s of unethical behavior, fraud, violation of the Company's Code of Conduct or any behavior which may otherwise be inappropriate and harmful to the Company. The policy provides a mechanism for employees to raise concerns that relate to violation of the Code of Conduct, accounting, internal accounting controls, auditing matters and applicable national and international laws including statutory / regulatory rules and regulations. This policy has been communicated to all employees and has also been posted on the Company's intranet for ready access. The Company further confirms that no personnel have been denied access to the audit committee.

I. Fraud detection policy

Your Company has also put in place a Corporate Fraud Detection Policy to facilitate the development of controls which will aid in the detection and prevention of fraud against Four Soft Limited (Company). It is the intent of the Company to promote consistent organizational behavior by providing guidelines and assigning responsibility for the development of controls and conduct of investigations.

REQUEST TO INVESTORS

'Green initiative'

The Ministry of Corporate Affairs ("MCA") has taken a "Green Initiative in Corporate Governance" by allowing paperless compliances by companies through electronic mode. In accordance with the recent circular no. 17/2011 dated 21 April 2011 and circular no. 18/2011 dated 29 April 2011 issued by MCA, companies can now send various notices and documents, including annual report, to its shareholders through electronic mode to the registered e-mail addresses of shareholders.

It is a welcome move from the government to contribute towards a greener environment. This will be an opportunity for every shareholder to join hands with the Company in its corporate social responsibility initiatives.

Advantages of opting for E-communication:

- RReceive communication promptly
- Reduce paper consumption and save trees
- Eliminate wastage of paper
- Receipt of communication promptly
- Avoid loss of documents in postal transit
- Saving costs on paper and postage

Accordingly, the Company had sent e-mails through our Registrars and Share Transfer Agents M/s. Karvy Computershare Pvt. Ltd. to the shareholders who have updated their email addresses with their Depository Participants (DP) requesting them to intimate their preference (physical or soft copy) for the Annual Report 2013. The Company has forwarded the Annual Report 2013 including the notice inviting for the Annual General Meeting 2013 to the shareholders based on their preference.

Appreciating the spirit of the circular issued by MCA, henceforth, we intend to dispatch the various notices/documents including audited financial results, directors' report, auditor's report, general meeting notices etc. to the email id of shareholders who have updated their email addresses with their depository participants. We request you to update your email address with your depository participant to ensure that the annual report and other documents reach you on your preferred email.

In case you desire to register a different e-mail ID, please update the same with your depository participant. Please also keep your DP informed as and when there is a change in your email address.

Please note that documents sent through email will also be available on the Company's website www.four-soft.com and physical copies of the same will also be available at the registered office as mentioned above for inspection during office hours.

In case you still desire to receive the above mentioned documents physically, the Company would provide the same at no extra cost. For receiving documents in physical form, please mail your requests to Companysecretary@four-soft.com.

As a step towards greater shareholder participation and sharing of material information related to the Company, your Company intends to acquaint the shareholders with all material events and financial performance of the Company through email on a regular basis.

Investors holding shares in electronic form are requested to deal only with their respective depository participant for change of address/ email id, nomination facility, bank account number, etc.

As required by the SEBI, investors shall furnish details of their respective bank account number and name and address of the bank for incorporating in the dividend warrants to reduce the risk to them of fraudulent encashment.

Sd/-

Place : Hyderabad
Date : August 10, 2013

Palem Srikanth Reddy
Chairman & Managing Director

CEO/CFO certification

We hereby certify that:

(a) We have reviewed financial statements and the cash flow statement for the year ended March 31, 2013 and that to the best of our knowledge and belief:

(i) These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

(ii) These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

(b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.

(c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies."

(d) There have been no instances of:

(i) Significant changes in internal control over financial reporting during the year 2012-13;

(ii) Significant changes in accounting policies during the year; and

(iii) Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting."

Sd/-
Palem Srikanth Reddy
Chairman & Managing Director

Sd/-
Biju Nair
Chief Financial Officer

Place: Hyderabad
Date : May 30, 2013.

DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL WITH THE COMPANY'S CODE OF CONDUCT

As required under Clause 49 (D) (ii) of the Listing Agreement with Stock Exchange in India, I, Palem Srikanth Reddy, Chairman and Managing Director of the Company hereby declare and confirm to the best of my knowledge that the Board members and senior management team of the Company have affirmed the compliance with the Business Code of Conduct and Ethics as on March 31, 2013.

Sd/-

Palem Srikanth Reddy
Chairman & Managing Director

Place: Hyderabad
Date : May 30, 2013.

COMPLIANCE CERTIFICATE

To
The Members of
Four Soft Ltd.
Hyderabad

We have examined the compliance of conditions of corporate governance by Four Soft Limited, for the year ended March 31, 2013 as stipulated in Clause 49 of the Listing Agreement of the Company with the stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination has been limited to a review of procedures and implementations thereof, adopted by the Company for ensuring the compliance with the conditions of corporate governance as stipulated in the said clause. it is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanation given to us and the representation made by the directors and the Management, we certify that the Company has complied with the conditions of corporate governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For S.S. REDDY & ASSOCIATES
Company Secretaries in whole-time practice

Sd/-
S.Sarveswar Reddy

Place: Hyderabad
Date : August 10, 2013.

Independent Auditors' Report

To the Board of Directors of Four Soft Limited

Report on the Financial Statements

1. We have audited the accompanying Consolidated financial statements of Four Soft Limited ("the Company") and its subsidiaries, (hereinafter collectively referred to as the"Group"), which comprise the Consolidated Balance Sheet as at 31 March 2013, and the Consolidated Statement of Profit and Loss and Consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

2. Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on the financial statements of the subsidiaries, as noted below, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
   i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31 March 2013;
   ii) in the case of the Consolidated Statement of Profit and Loss, of the profit for the year ended on that date; and
   iii) in the case of the Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

Other Matter

7. We did not audit the financial statements of certainsubsidiaries included in the consolidated financial statements, whose financial statements reflect total assets (after eliminating intra-group transactions) of ₹422,095,312as at 31 March 2013; total revenues (after eliminating intra-group transactions) of ₹933,923,716 and net cash flows aggregating to ₹36,540,592 for the year then ended. These financial statements have been audited by other auditors whose audit reports have been furnished to us by the management, and our audit opinion on the consolidated financial statements of the Group for the year then ended to the extent they relate to the financial statements not audited by us as stated in this paragraph is based solely on the audit reports of the other auditors. Our opinion is not qualified in respect of this matter.

For **Walker, Chandiok & Co**
Chartered Accountants
Firm Registration No.: 001076N

Per Sanjay Kumar Jain
Partner
Membership No.: 207660

Place: Hyderabad
Date: 30 May 2013

Consolidated Balance Sheet as at 31 March 2013

(All amounts in ₹ except otherwise stated)

	Notes	As at 31 March 2013	As at 31 March 2012
Equity and liabilities			
Shareholders' funds			
Share capital	3	194,795,720	194,661,785
Reserves and surplus	4	1,161,093,827	1,033,858,464
Total shareholders' funds		**1,355,889,547**	**1,228,520,249**
Non-current liabilities			
Long-term borrowings	5	52,420,041	144,800,128
Deferred tax liabilities	12 (a)	2,631,540	-
Long-term provisions	6	5,545,070	5,063,635
Total non-current liabilities		**60,596,651**	**149,863,763**
Current liabilities			
Short-term borrowings	7	111,639,806	58,006,238
Trade payables		101,650,367	115,942,016
Other current liabilities	8	226,115,994	307,845,249
Short-term provisions	9	70,674,167	89,962,269
Total current liabilities		**510,080,334**	**571,755,772**
Total		**1,926,566,532**	**1,950,139,784**
Assets			
Non-current assets			
Fixed assets			
- Tangible assets	10	50,592,185	54,864,507
- Intangible assets	11	1,282,907,604	1,273,825,469
		1,333,499,789	**1,328,689,976**
Deferred tax assets	12 (b)	41,139,311	52,774,954
Long-term loans and advances	13	52,573,437	43,049,430
Other non-current assets		341,742	341,742
Total non-current assets		**1,427,554,279**	**1,424,856,102**
Current assets			
Current investments	14	11,462,750	17,500,000
Trade receivables	15	192,197,878	247,641,587
Cash and bank balances	16	203,392,277	166,412,624
Short-term loans and advances	17	57,454,036	63,230,494
Other current assets	18	34,505,312	30,498,977
Total current assets		**499,012,253**	**525,283,682**
Total		**1,926,566,532**	**1,950,139,784**

The accompanying notes 1 to 32 are integral part of the consolidated financial statements.
This is the Consolidated Balance Sheet referred to in our report of even date.

For **Walker, Chandiok & Co**
Chartered Accountants

per **Sanjay Kumar Jain**
Partner

Place: Hyderabad
Date: 30 May 2013

For and on behalf of the Board of Directors of
Four Soft Limited

Srinivas Prasad Edara
Director

Mohan Krishna Reddy
Director

PalemSrikanth Reddy
Chairman and Managing Director
Signed on 17-06-2013

Biju S. Nair
Chief Financial Officer and
Chief Operating Officer

Raghuram Mallela
Company Secretary

Place: Hyderabad
Date: 30 May 2013

Consolidated Statement of Profit and Loss for the year ended 31 March 2013

(All amounts in ₹ except otherwise stated)

		Notes	For the year ended 31 March 2013	2012
I.	Revenue from operations	19	1,325,047,826	1,263,247,004
II.	Other income	20	14,369,536	8,888,966
III.	Total revenue		**1,339,417,362**	**1,272,135,970**
IV.	Expenses:			
	Employee benefits expense	21	827,096,686	817,856,426
	Finance cost	22	20,576,406	23,822,643
	Depreciation and amortization	10,11	18,438,820	18,633,455
	Other expenses	23	284,829,214	297,518,208
	Total expenses		**1,150,941,126**	**1,157,830,732**
V.	Profit before exceptional items and tax		188,476,236	114,305,238
VI.	Exceptional items	24	(28,150,305)	(500,000,000)
VII.	Profit/(Loss) before tax		160,325,931	(385,694,762)
VIII.	Tax expense:			
	(a) Current tax		30,165,862	52,706,084
	(b) Deferred tax expense/(benefit)		14,904,885	(12,020,795)
Tax expense			**45,070,747**	**40,685,289**
Profit/(Loss) for the year			**115,255,184**	**(426,380,051)**
Earnings/(loss) per equity share (EPES)		25		
Equity shares of par value ₹5 each				
Basic			2.97	(11.00)
Diluted			2.96	(11.00)
Weighted average number of equity shares considered in computing EPES				
Basic			38,755,276	38,755,276
Diluted			38,907,805	38,755,276

The accompanying notes 1 to 32 are integral part of the consolidated financial statements.
This is the Consolidated Statement of Profit and Loss referred to in our report of even date.

For **Walker, Chandiok & Co**
Chartered Accountants

per **Sanjay Kumar Jain**
Partner

Place: Hyderabad
Date: 30 May 2013

For and on behalf of the Board of Directors of
Four Soft Limited

Srinivas Prasad Edara
Director

Mohan Krishna Reddy
Director

PalemSrikanth Reddy
Chairman and Managing Director
Signed on 17-06-2013

Biju S. Nair
Chief Financial Officer and
Chief Operating Officer

Raghuram Mallela
Company Secretary

Place: Hyderabad
Date: 30 May 2013

Consolidated Cash Flow Statement for the year ended 31 March 2013

(All amounts in ₹ except otherwise stated)

		For the year ended 31 March	
		2013	**2012**
Cash flow from operating activities			
Profit/(loss) before tax		160,325,931	(385,694,762)
Adjustment to reconcile profit before tax to net cash flows:			
- Depreciation and amortization expense		18,438,820	18,633,455
- Impairment of goodwill		-	500,000,000
- Loss on sale of fixed assets		-	610,856
- Liabilities no longer required written back		-	(5,073,030)
- Employee stock compensation expense		2,300,625	(1,445,721)
- Provision for doubtful debts, net		1,819,384	4,463,650
- Unrealized foreign exchange gain/(loss)		2,451,664	(4,097,963)
- Dividends from non-trade current investments		(1,682,736)	(291,823)
- Interest income		(319,930)	(369,519)
- Interest expense		15,722,115	19,874,154
- Service tax credit		(5,821,664)	-
Operating profit before working capital changes		**193,234,209**	**146,609,297**
Movements in working capital:			
Decrease in long-term loans and advances		(8,729,782)	(569,067)
Increase/(decrease) in trade receivables		47,460,375	(12,844,724)
Increasein short-term loans and advances		26,861,290	3,834,559
Decrease in other current assets		(4,006,335)	(28,952,606)
Decrease /(increase) in trade payables		(12,676,381)	10,648,333
(Decrease)/increase in other current liabilities		(81,121,846)	40,816,314
Increase/(decrease) in long-term provisions		481,435	(387,952)
Increase/(decrease) in short-term provisions		2,081,031	(3,084,138)
Cash generated from operations		**163,583,996**	**156,070,016**
Income taxes paid		(64,600,498)	(44,047,771)
Net cash from operating activities	**(A)**	**98,983,498**	**112,022,245**
Cash flow from investing activities			
Purchase of fixed assets, net		(7,658,466)	(18,400,839)
Purchase of short-term investments		6,037,250	-
Sale of short-term investments		-	(17,500,000)
Dividend received		1,682,736	291,823
Interest received		319,930	369,519
Net cash from/(used in) investing activities	**(B)**	**381,450**	**(35,239,497)**
Cash flow from financing activities			
Repayment of long-term borrowings		(93,664,166)	(71,858,710)
Proceeds from short-term borrowings, net		53,633,568	43,372,763
Interest paid		(17,129,700)	(20,384,231)
Net cash used in by financing activities	**(C)**	**(57,160,298)**	**(48,870,178)**

	For the year ended 31 March 2013	2012
Foreign exchange fluctuation (D)	**(5,258,284)**	**(6,441,849)**
Net increase in cash and cash equivalent (A+B+C+D)	36,946,366	21,470,721
Cash and cash equivalents at the beginning of the year	166,144,442	142,782,321
Cash and cash equivalents at the end of the year	203,090,808	164,253,042
Components of cash and cash equivalents include:		
Cash and bank balances (as per note 16 of the financial statements)	203,124,118	166,144,442
Effect of unrealized exchange gain	(33,310)	(1,891,400)
Cash and cash equivalents considered for consolidated cash flow statement	203,090,808	164,253,042

This is the Cash Flow Statement referred to in our report of even date.

For **Walker, Chandiok & Co**
Chartered Accountants

per **Sanjay Kumar Jain**
Partner

Place: Hyderabad
Date: 30 May 2013

For and on behalf of the Board of Directors of
Four Soft Limited

Srinivas Prasad Edara
Director

Mohan Krishna Reddy
Director

PalemSrikanth Reddy
Chairman and Managing Director
Signed on 17-06-2013

Biju S. Nair
Chief Financial Officer and
Chief Operating Officer

Raghuram Mallela
Company Secretary

Place: Hyderabad
Date: 30 May 2013

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ except otherwise stated)

1. Company overview

Four Soft Limited (the 'Company' or 'Four Soft') is one of the leading transportation and logistics software productscompany providing innovative and integrated enterprise solutions. Founded in 1999, Four Soft provides solutions to enterprises across the supply chain management market. Four Soft is headquartered in Hyderabad, India and has 8 development centers across the globe to cater to large clientele. The Company's equity shares are listed on Bombay Stock Exchange ('BSE') and National Stock Exchange ('NSE').

2. Summary of significant accounting policies

(a) Basis of consolidation

The consolidated financial statements of Four Soft together with its subsidiaries (collectively referred as the 'Group' or the 'consolidating entities') are prepared under historical cost convention on accrual basis and comply in all material respects with the mandatory Accounting Standards ('AS') notified pursuant to the Companies (Accounting Standard) Rules, 2006 ('the Rules'), the provisions of the Companies Act, 1956 ('the Act') and pronouncements of the Institute of Chartered Accountants of India ('ICAI'). The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible in the same manner as the Company's separate financial statements. Difference in accounting policy has been disclosed separately.

Investments in subsidiaries, except where the investments are acquired exclusively with a view to its subsequent disposal in the near future, are accounted in accordance with accounting principles as defined in the Accounting Standard 21 'Consolidated Financial Statements' as notified by the Rules ('AS 21').

The financial statements of the consolidating entities are added on a line-by-line basis and inter-company balances and transactions including unrealized gain/ loss from such transactions are eliminated upon consolidation. The following wholly owned subsidiaries have been considered for the purpose of preparation of consolidated financial statements:

Names of the wholly owned subsidiaries	Country of incorporation	Date of acquisition/ Incorporation
Four Soft B.V.	The Netherlands	1 October 2004
Four Soft Singapore Pte. Limited	Singapore	28 May 2005
Four Soft Malaysia Sdn. Bhd.	Malaysia	28 May 2005
Four Soft Japan KK	Japan	26 June 2006
Four Soft Netherlands B.V.	The Netherlands	2 September 2005
Four Soft UK Limited	United Kingdom	2 September 2005
Four Soft USA, Inc.	United States of America	2 September 2005
Four Soft Nordic A/s	Denmark	1 January 2007
Four Soft Australia Pty Limited	Australia	1 January 2007

(b) Use of estimates

The preparation of the financial statements in conformity with Indian GAAP requires management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the financial statements and reported amounts of income and expenses during the year. Examples of such estimates include,cost estimate to complete contracts, provision for doubtful receivables and loans and advances, diminution in the value of long-term investments, income taxes, future obligation under employee benefit plans, unbilled revenue and estimated useful lives of tangible and intangible assets. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

(c) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Sale of goods and services

Revenue from the sale of user licenses for software applications is recognized on delivery or subsequent milestone schedule as per the terms of the contract with the customers. Revenue from time and material contracts is recognized as the related services are rendered. Revenue from annual maintenance services is recognized proportionately over the period in which services are rendered.

Revenue from services on fixed-priced and fixed time frame contracts is recognized on completion and delivery of services to the customers when the outcome of the contract cannot be assessed with reasonable certainty or on proportionate completion method when there is no significant uncertainty exists regarding the amount of consideration that will be derived from rendering the services.

Costs and earnings in excess of billings are classified as unbilled revenue while billings in excess of costs and earnings are classified as unearned revenue. Provision for estimated losses on contracts/engagements is made in the year in which such loss becomes probable and can be reasonably estimated.

Interest

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the rates applicable.

Dividends

Income from dividend is recognized when the Group's right to receive payment is established by the balance sheet date.

Rental income

Rental income from operating lease is recognized on a straight-line basis over the term of the lease.

(d) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation, impairment losses and specific grant/subsidies, if any. Cost comprise of purchase priceand any attributable costto bring the asset to its working condition for its intended use.Finance costs relating to acquisition of fixed assets which take substantial period of time to get ready for use are included to the extent they relate to the period till such assets are ready for intended use.

Gain or losses arising from derecognition of an fixed asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized. Assets under installation or under construction as at the balance sheet date are shown as 'Capital work -in-progress'.

Depreciation on tangible assets

Depreciation is provided using the written down value method as per the useful lives of the assets estimated by management, or at the rates prescribed under Schedule XIV to the Act whichever is higher, except:

i. Four Soft USA, Inc. uses modified accelerated cost recovery system for depreciating its fixed assets.

ii. Tangible fixed assets of all the other subsidiaries are depreciated over the estimated useful lives, using the straight line method.

The rates of depreciation used by the Group are as under:

Assets	Rate (%)
Buildings	5.60
Computers	40.00
Office equipment	13.91
Furniture and fittings	18.10

Leasehold improvements are depreciated on written down value over the lease period of three to five years or useful lives of the assets estimated by management, whichever is lower.

(e) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development cost, are not capitalized and expenditure is reflected in the statement of profit and loss in the year in which is expenditure is incurred.

Research and development cost

Research costs are expensed as incurred. Development expenditure incurred on an individual project is recognized as an intangible asset when the Company can demonstrate all the following:

-the technical feasibility of completing the intangible asset so that it will be available for use or sale

-its intention to complete the asset

-its ability to use or sell the asset

-how the asset will generate future economic benefits

-the availability of adequate resources to complete the development and to use or sell the asset

-the ability to measure reliably the expenditure attributable to the intangible asset during development

Following initial recognition of the development expenditure as an asset, the asset,is carried at cost less accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized on straight line basis over the period of expected future benefit from the related project i.e. the estimated useful life of 10 years. Amortization is recognised in the statement of profit and loss.

Goodwill

Goodwill represents the excess of purchase consideration over the net book value of net assets acquired. Goodwill is evaluated periodically for impairment and impairment losses are recognized where applicable.

(f) Leases

Finance leases, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalized. If there is no reasonable certainty that the Group will obtain the ownership by the end of the lease term, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item are classified as operating leases. Operating lease payments are recognized as an expense in the statement ofprofit and loss on a straight-line basis over the lease term. Lease income by sublease of office premises is recognized in the statement of profit and loss on a straight line basis over the lease term. Initial direct costs such as legal costs, brokerage costs are recognized immediately in the statement of profit and loss.

(g) Impairment

Impairment of tangible and intangible assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) net selling price and its value-in-use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Company's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to projected future cash flows after the fifth year.

Impairment losses are recognized in the statement of profit and loss.

After impairment, depreciation is provided on the revised carrying amount of the depreciable/amortizable asset over its remaining useful life.

(h) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments.

Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline, other than temporary, in the value of the investments. Current investments are carried at lower of cost and fair value determined on individual investment basis.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

(j) Foreign currency transactions

Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and foreign currency at the date of the transaction.

Conversion

Foreign currency monetary items are reported at year-end rates. Non-monetary items which are carried in terms of historical cost denominated in foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Exchange differences

Exchange differences arising on the settlement of foreign currency monetary items or on reporting monetary items of the Company at rates different from those at which they were initially recorded during the year, or reported in previous consolidated financial statements, are recognized as income or as expenses in the year in which they arise.

(k) Foreign currency translation

Exchange difference relating to non-integral foreign operations is disclosed as 'foreign currency translation reserve account' in the consolidated balance sheet until the disposal of the net investment. On the disposal of a non-integral foreign operation, the cumulative amount of the exchange difference is recognized as income or expense in the period in which gain or loss on disposal is recognized.

In accordance with the accounting principles prescribed under Accounting Standard 11 'The Effects of Changes in Foreign Exchange Rates' as notified by the Rules, the Group has designated all its foreign operations, as 'non-integral foreign operations'.

(l) Taxes on income

Tax expense comprises of current and deferred tax.

Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with respective tax laws of the consolidating entities. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognized only to the extent there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

At each balance sheet date the Group re-assesses unrecognized deferred tax assets and recognizes it to the extent it has become reasonably certain that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Group writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

(m) Employee stock option scheme

Measurement and disclosure of the employee share-based payment plans is done in accordance with the Securities Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended and the guidance note on 'Accounting for Employee Share-based Payments', issued by the ICAI. The excess of market value of the stock on the date of grant over the exercise price of the option is recognized as deferred employee stock compensation and is charged to statement of profit and loss on straight-line method over the vesting period of the options. The unamortized portion of cost is shown under stock options outstanding.

(n) Retirement and other employee benefits

Defined benefit contribution plan

In respect of the Company, retirement benefits in the form of provident fund scheme are charged to the statement of profit and loss of the year when the contribution to the respective fund is due. There are no other obligations other than the contribution payable to the respective fund.

In respect of Four Soft B.V., Four Soft Netherlands B.V., and Four Soft UK Limited, retirement benefits in the form of pension scheme are charged to the statement of profit and loss of the year when the contribution to respective fund is due. There are no other obligations other than the contribution payable to the respective fund.

In respect of Four Soft USA Inc. retirement benefits in the form of 401(k) plan for eligible employees are charged to the statement of profit and loss of the year when the contribution to respective fund is due. Contributions by the consolidating entity are discretionary and there are no other obligations other than the contribution payable to the respective fund.

Defined benefit obligation plan

In respect of the Company, gratuity liability is a defined benefit obligation and provided for on the basis of an actuarial valuation made on projected unit credit method at the end of each financial year. Actuarial gains and losses are recognized in full in the statement of profit and loss in the period in which they occur.

Other short-term benefits

The Group's compensation absences are in the nature of short-term benefit and are provided for based on estimates.

(o) Provisions and contingent liabilities

A provision is recognized when the Group has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on management estimate required to settle the obligation at the balance sheet date. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

(p) Segment reporting

The Group's management has identified four geographical segments viz. India, Europe, USA and Rest of the World. Segments have been identified and reported taking into account the differing risks and returns and the internal business reporting systems. Inter segment sales are generally accounted at fair values and the same have been eliminated in consolidation. The accounting policies of the segments are substantially the same as those described in the 'Summary of significant accounting policies' as above.

(q) Earnings per equity share

Basic earnings per equity share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per equity share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares. In computing the dilutive earnings per share, only potential equity shares that are dilutive and that either reduces the earnings per share or increases loss per share are included.

(r) Cash flow statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments.

3. Share capital

	As at 31 March	
	2013	**2012**
Authorized shares		
56,077,600 (2012: 56,077,600) equity shares of ₹5 each	280,388,000	280,388,000
696,120 (2012: 696,120) 14% redeemable optionally convertible cumulative preference shares of ₹100 each	69,612,000	69,612,000
Issued, subscribed and fully paid-up shares		
38,959,744 (2012: 38,959,744) equity shares of ₹5 each	194,798,720	194,798,720
Less: Unpaid calls	3,000	3,000
Less: Amount recoverable from Four Soft Employee Welfare Trust	-	133,935
Total issued, subscribed and fully paid-up share capital	**194,795,720**	**194,661,785**

(a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

Equity Shares	31 March 2013		31 March 2012	
	No. of Shares	**Amount**	**No. of Shares**	**Amount**
At the beginning of the year	38,959,744	194,795,720	38,959,744	194,795,720
Issued during the year	-	-	-	-
Outstanding at the end of the year	**38,959,744**	**194,795,720**	**38,959,744**	**194,795,720**

(b) Terms/rights attached to equity shares

TheCompany has only one class of equity shares outstanding having a par value of ₹5 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian rupees. The dividend proposed by the Board of Directors, if any, is subject to the approval of the shareholders in the ensuing General Meeting.

(c) Details of shareholders holding more than 5% shares in the Company

	31 March 2013		31 March 2012	
	No. of Shares	**% of holding**	**No. of Shares**	**% of holding**
Mr. Palem Srikanth Reddy	8,849,732	22.71%	8,704,158	22.34%
Kotak Mahindra Trusteeship Services Limited	3,949,447	10.14%	3,949,447	10.14%

(d) Shares reserved for issue under options

(i) The Company has established Four Soft Limited Employees Welfare Trust (the 'Trust') to administer the ESOP ("Employee stock option plan") Scheme and as at 31 March 2013 had issued 1,170,200 equity shares of ₹5 each. Pursuant to the ESOP Scheme the trust has granted equity shares at an exercise price of ₹5 each to the eligible employees, which are subject to progressive vesting (1 year after date of issue of options) over a period of three years from the date of the grant. As of 31 March 2013 the total shares held by the Trust is 143,987 (2012: 243,987). Mode of settlement of these stock options is equity.

(ii) The stock compensation and amortization expenses/(income) during the year ended 31 March 2013 amounted to ₹2,300,625 (2012: ₹(1,445,721)) including a prior period expenditure of ₹188,295 (2012: Nil)

(iii) Changes in number of shares representing stock options outstanding as at the year ended on 31March 2013 were as follows:

	For the year ended			
	31 March 2013		31 March 2012	
	No. of Shares	Weighted average exercise price	No. of Shares	Weighted average exercise price
Outstanding at the beginning of the year	1,183,595	12.54	1,454,676	9.71
Granted during the year	144,108	8.11	1,042,350	10.00
Forfeited/ cancelled during the year	86,259	21.05	1,229,755	19.88
Exercised during the year	100,000	5.00	45,340	5.00
Expired during the year	812,045	5.00	38,336	5.00
Outstanding at the end of the year	329,399	12.58	1,183,595	12.54
Exercisable at the end of the year	-	-	36,510	21.05

(iv) Proforma disclosures - Impact of fair value method on the reported net profit and earnings per share is as follows:

	For the year ended 31 March	
	2013	2012
Net profit/(loss) (as reported)	115,255,184	(426,380,051)
Add: Employee stock compensation under intrinsic value method	2,300,625	(1,445,721)
Less: Employee stock compensation under fair value method	3,054,210	1,201,943
Proforma (loss)/profit	**114,501,599**	**(429,027,715)**
Earnings/(loss) per share		
Basic		
- As reported	2.97	(11.00)
- Proforma	2.93	(11.07)
Diluted		
- As reported	2.96	(11.00)
- Proforma	2.92	(11.07)

The fair value of options was estimated at the date of grant using the Black Scholes method with the following assumptions:

	For the year ended 31 March	
	2013	2012
Risk-free interest rate	8.00 to 8.25%	8.25 to 8.50%
Expected life	1 to 2 years	1 to 2 years
Expected volatility	0.55 to 0.87	0.51 to 0.57
Expected dividend yield	-	-

The weighted average share price at the date of exercise for stock options exercised during the year was ₹5 (2012: ₹14.19). Options outstanding at 31 March 2013 had an exercise price of ₹5 to ₹21.05, and a weighted average remaining contractual life of 14.07 months (2012: 19.24 months).

4. Reserves and surplus

	As at 31 March	
	2013	**2012**
Securities premium account		
Balance as per last financial statements	648,985,709	648,108,341
Additions during the year	1,065,000	877,368
Closing balance	**650,050,709**	**648,985,709**
Capital reserve		
Balance as per last financial statements	14,280,000	14,280,000
Closing balance	**14,280,000**	**14,280,000**
General reserves		
Balance as per last financial statements	2,598,214	2,598,214
Add: Transferred during the year	1,161,020	-
Closing balance	**3,759,234**	**2,598,214**
Stock option outstanding reserve		
Balance as per last financial statements	2,609,329	8,117,316
Add: Compensation for employee stock options	2,118,330	-
Less: Transferred to general reserve on stock options lapsed	1,161,020	-
Less: Forfeiture of options prior to vesting of options	-	4,630,619
Less: Transferred to securities premium reserve on exercise of stock options	1,065,000	877,368
	2,501,639	**2,609,329**
Less: Deferred employee stock compensation	69,988	252,283
Closing balance	**2,431,651**	**2,357,046**
Surplus in statement of profit and loss		
Balance as per last financial statements	289,325,761	715,705,812
Add: Netprofit/(loss) during the year	115,255,184	(426,380,051)
Closing balance	**404,580,945**	**289,325,761**
Foreign currency translation reserve		
Balance as per last financial statements	76,311,734	2,007,863
Add: Current year translation adjustment	9,679,554	74,303,871
Closing balance	**85,991,288**	**76,311,734**
Total reserves and surplus	**1,161,093,827**	**1,033,858,464**

5. Long-term borrowings

	As at 31 March	
	2013	**2012**
Secured		
Term loans from banks	146,046,944	237,626,854
Less: Amounts disclosed under "other current liabilities"	93,626,903	92,826,726
	52,420,041	**144,800,128**

Term loan taken by a subsidiary is secured by:

1. First ranking mortgage and first ranking hypothecation on all movable and immovable assets of Four Soft B.V., Four Soft Netherlands B.V., Four Soft UK Limited, Four Soft Nordic A/s and Four Soft USA, Inc.
2. Corporate guarantee of Four Soft Limited.
3. Pledge of shares held by Four Soft B.V. of Four Soft Netherlands BV, Four Soft UK Limited, Four Soft Nordic A/s and Four Soft USA, Inc.
4. Pledge of shares held by Four Soft in Four Soft B.V.

As per the repayment schedule the Group pays a quarterly installment which is effective up to 12 August 2014. The applicable rate of interest is 'LIBOR (London interbank offered rate) plus 5 percent'.

6. Long-term provisions

	As at 31 March	
	2013	**2012**
Provision for employee benefits		
- Gratuity (See note 21)	5,545,070	5,063,635
	5,545,070	**5,063,635**

7. Short-term borrowings

	As at 31 March	
	2013	**2012**
Secured		
Working capital loans from banks	111,639,806	58,006,238
	111,639,806	**58,006,238**

The working capital loan taken by a subsidiary is fully secured by:

1. First ranking mortgage and first ranking hypothecation on all movable and immovable assets of Four Soft B.V., Four Soft Netherlands B.V., Four Soft UK Limited, Four Soft Nordic A/s and Four Soft USA, Inc.
2. Corporate guarantee of Four Soft Limited.
3. Pledge of shares held by Four Soft B.V. of Four Soft Netherlands B.V., Four Soft UK Limited, Four Soft Nordic A/s and Four Soft USA, Inc.
4. Pledge of shares held by Four Soft in Four Soft B.V.
5. First ranking mortgage on building owned by Four Soft Limited.

The Group has an overdraft limit of •2,500,000 and the applicable rate of interest is "LIBOR plus 5.5 percent".

8. Other current liabilities

	As at 31 March	
	2013	**2012**
Unearned income	99,617,260	169,065,074
Unpaid dividend	268,159	268,182
Dues to a director	1,652,913	2,382,522
Statutory dues payable	9,588,160	6,360,228
Current maturities of long-term borrowings	93,626,903	92,826,726
Others	21,362,599	36,942,517
	226,115,994	**307,845,249**

9. Short-term provisions

	As at 31 March	
	2013	**2012**
Provision for employee benefits		
- Employee benefits	47,922,914	46,066,259
- Compensated absences	4,934,914	4,710,538
Others		
- Provision for tax	17,816,339	39,185,472
	70,674,167	**89,962,269**

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ except otherwise stated)

10. Tangible assets

	Buildings	Computers	Office equipment	Furniture and fittings	Leasehold improvements	Vehicles	Total
Gross block							
As at 1 April 2011	38,614,517	144,168,841	41,830,383	70,758,568	3,652,714	807,717	299,832,740
Additions during the year	-	3,586,187	346,946	3,954,188	-	-	7,887,321
Disposals during the year	(8,363,692)	(11,620,259)	(7,387,230)	(6,505,444)	-	(842,344)	(34,718,969)
Exchange difference	343,818	11,567,026	908,715	6,722,036	-	34,627	19,576,222
As at 31 March 2012	**30,594,643**	**147,701,795**	**35,698,814**	**74,929,348**	**3,652,714**	**-**	**292,577,314**
Additions during the year	-	5,114,009	199,588	2,680,525	-	-	7,994,122
Disposals during the year	-	(3,217,351)	-	(194,372)	-	-	(3,411,723)
Exchange difference	-	1,352,623	59,288	992,136	-	-	2,404,047
As at 31 March 2013	**30,594,643**	**150,951,076**	**35,957,690**	**78,407,637**	**3,652,714**	**-**	**299,563,760**
Accumulated depreciation							
Up to 1 April 2011	17,830,876	129,891,018	22,421,592	64,981,882	3,512,193	456,674	239,094,235
Charge for the year*	1,163,884	6,646,759	2,897,706	2,851,819	42,541	23,229	13,625,938
On disposals	(8,363,692)	(11,620,259)	(6,715,793)	(6,505,444)	-	(499,481)	(33,704,669)
Exchange difference	343,819	10,909,308	1,216,924	6,207,674	-	19,578	18,697,303
Up to 31 March 2012	**10,974,887**	**135,826,826**	**19,820,429**	**67,535,931**	**3,554,734**	**-**	**237,712,807**
Charge for the year*	1,098,705	6,131,974	2,164,759	2,761,457	97,980	-	12,254,875
On disposals	-	(3,155,051)	-	(150,974)	-	-	(3,306,025)
Exchange difference		1,212,129	39,975	1,057,814	-	-	2,309,918
Up to 31 March 2013	**12,073,592**	**140,015,878**	**22,025,163**	**71,204,228**	**3,652,714**	**-**	**248,971,575**
Net block							
As at 31 March 2013	**18,521,051**	**10,935,198**	**13,932,527**	**7,203,409**	**-**	**-**	**50,592,185**
As at 31 March 2012	19,619,756	11,874,969	15,878,385	7,393,417	97,980	-	54,864,507

* During the year depreciation amounting to ₹Nil (2012: ₹271,844) was capitalized to Intangible assets.

Difference in accounting policies on tangible fixed assets

As per the requirement of AS 21, in the preparation of consolidated financial statements, the accounting policies of the consolidating entities are required to be aligned with those of the Group to the extent practicable. The following accounting policy followed by various consolidating entities is not aligned with those of the Group:

Depreciation in all consolidating subsidiaries except in case of Four Soft Malaysia Sdn. Bhd. and Four Soft Japan KK is provided on straight line method. The Group has not ascertained the impact of such differential accounting policy on the consolidated financial statements as at and for the year ended 31 March 2013. The amount of net tangible /intangible fixed assets and depreciation/amortization thereon included in the net fixed assets of the Group is ₹56,891,265 (2012: ₹60,780,265) and ₹10,378,440(2012: ₹9,286,949), respectively.

11. Intangible assets

	Goodwill	Software	Internally developed software	Total
Gross block				
As at 1 April 2011	1,674,679,341	53,843,266	-	1,728,522,607
Additions during the year	-	869,000	-	869,000
Internal Development	-	-	35,087,435	35,087,435
Exchange difference	96,567,638	4,692,885	-	101,260,523
As at 31 March 2012	**1,771,246,979**	**59,405,151**	**35,087,435**	**1,865,739,565**
Additions during the year	-	446,972	-	446,972
Exchange differences	13,880,862	(2,387,976)	-	11,492,886
As at 31 March 2013	**1,785,127,841**	**57,464,147**	**35,087,435**	**1,877,679,423**
Accumulated amortization				
Up to 1 April 2011	-	45,190,287	-	45,190,287
Charge for the year	-	3,524,989	1,754,372	5,279,361
Exchange difference	-	5,048,355	-	5,048,355
Up to 31 March 2012	**-**	**53,763,631**	**1,754,372**	**55,518,003**
Charge for the year	-	2,675,202	3,508,743	6,183,945
Exchange difference	-	(3,326,222)	-	(3,326,222)
Up to 31 March 2013	**-**	**53,112,611**	**5,263,115**	**58,375,726**
Impairment				
Up to 1 April 2011	36,396,093	-	-	36,396,093
Charge for the year	500,000,000	-	-	500,000,000
Up to 31 March 2012	**536,396,093**	**-**	**-**	**536,396,093**
Charge for the year	-	-	-	-
Up to 31 March 2013	**536,396,093**	**-**	**-**	**536,396,093**
Net block				
As at 31 March 2013	**1,248,731,748**	**4,351,536**	**29,824,320**	**1,282,907,604**
As at 31 March 2012	1,234,850,886	5,641,520	33,333,063	1,273,825,469

12. Deferred taxes

	As at 31 March	
	2013	**2012**
a. Deferred tax liability		
Unearned income	978,176	-
Difference in depreciation in block of assets	1,653,364	-
Total deferred tax liability	**2,631,540**	**-**
b. Deferred tax asset		
Business losses	36,861,117	42,944,390
Difference in depreciation in block of assets	1,431,087	-
Unearned income	-	8,739,351
Provision for doubtful advances/expenses	2,320,682	1,166,446
Provision for doubtful debts	526,425	949,680
Less: Deferred tax liabilities	-	1,024,913
Total deferred tax assets (net)	**41,139,311**	**52,744,954**

The Group has recognised deferred tax asset on carry forward business losses based on the assessment of future profitability and business plan approved by the Board of Directors. Future profitability is ascertained taking into account the revenues from the new contracts signed during the year ended 31 March 2013.

13. Long-term loans and advances

	As at 31 March	
	2013	**2012**
Capital advances	401,437	794,224
Security deposits	15,739,349	18,888,058
Advance tax (net of provision)	36,432,651	23,367,148
	52,573,437	**43,049,430**

14. Current investment

	As at 31 March	
	2013	**2012**
Non-trade investments (at lower of cost or fair value)		
Investments in mutual funds (quoted)		
114,404.411 (2012: 174,881.081) units of Birla Sun Life Cash Plus	11,462,750	17,500,000
Aggregate amount of quoted investments (Market value ₹11,462,750)	**11,462,750**	**17,500,000**

15. Trade receivables

	As at 31 March	
	2013	**2012**
Unsecured		
Outstanding for a period exceeding six months from the date they are due for payment		
- Considered good	8,404,992	3,725,718
- Considered doubtful	17,296,710	16,490,369
	25,701,702	**20,216,087**
Other receivables		
- Considered good	183,792,887	243,915,870
- Considered doubtful	179,767	2,147,997
Gross trade receivables	209,674,356	266,279,954
Less: Provision for doubtful debts	(17,476,478)	(18,638,367)
Total trade receivables, net	**192,197,878**	**247,641,587**

16. Cash and bank balances

	As at 31 March	
	2013	**2012**
Cash and cash equivalents		
Balances with banks in current accounts	202,894,091	165,990,861
Cash on hand	230,027	153,581
Total cash and cash equivalents (a)	**203,124,118**	**166,144,442**
Other bank balances:		
Balances with banks in unpaid dividend accounts **(b)**	268,159	268,182
Total cash and bank balances (a+b)	**203,392,277**	**166,412,624**

17. Short-term loans and advances

	As at 31 March	
	2013	**2012**
Unsecured, considered good (except otherwise stated)		
Prepaid expenses	33,176,895	42,798,636
Service tax receivable	20,941,848	14,071,265
Value added tax receivable	119,259	1,311,160
Others	6,301,845	7,950,622
Gross short-term loans and advances	60,539,847	66,131,683
Less: Provision for doubtful advances	3,085,811	2,901,189
Short-term loans and advances, net	**57,454,036**	**63,230,494**

18. Other current assets

	As at 31 March	
	2013	**2012**
Unsecured, considered good		
Unbilled revenue	34,450,062	30,469,201
Interest accrued on fixed deposits	55,250	29,776
	34,505,312	**30,498,977**

19. Revenue from operations

	As at 31 March	
	2013	**2012**
Sale of licenses	88,980,083	78,530,414
Sale of services	851,284,909	831,969,906
Annual maintenance services	371,790,463	340,948,284
Sale of third party licenses (net)	12,992,371	11,798,400
	1,325,047,826	**1,263,247,004**

20. Other income

	As at 31 March	
	2013	2012
Interest on fixed deposit	319,930	369,519
Exchange difference (net)	3,124,640	-
Bad debts/advances recovered	114,509	261,678
Dividend income from non-trade investments	1,682,736	291,823
Liabilities no longer required written-back	-	7,119,193
Miscellaneous income	9,127,721	846,753
	14,369,536	**8,888,966**

21. Employee benefits expense

	As at 31 March	
	2013	2012
Salaries and wages	739,929,690	735,851,592
Employee stock compensation expenses	2,300,625	-
Contribution to provident and other funds	32,401,871	31,088,888
Gratuity and compensated absences	16,427,932	17,785,896
Staff welfare expenses	36,036,568	33,130,050
	827,096,686	**817,856,426**

(a) Defined contribution plan

During year ended 31 March 2013, the Group contributed ₹9,800,770 (2012: ₹12,467,987) to provident fund and ₹120,691(2012: ₹485,519) towards employee state insurance fund.

(b) Defined benefit plan - Gratuity

Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy. The following tables summarize the components of net benefit expense recognized in the statement of profit and loss and the funded status and amounts recognized in the balance sheet for the gratuity:

	For the year ended 31 March	
	2013	2012
A. Net gratuity expense recognized in the statement of profit and loss		
Current service cost	1,473,496	1,196,901
Interest cost on benefit obligation	537,292	449,756
Expected return on plan assets	(106,883)	(109,612)
Net actuarial gain recognized in the year	836,265	(677,438)
Net gratuity expense	**2,740,170**	**859,607**
B. Details of provision recognized in the balance sheet		
Defined benefit obligation	7,127,314	6,321,085
Fair value of plan assets	(1,323,509)	(1,257,450)
Net provision for gratuity	**5,803,805**	**5,063,635**
Actual return on plan assets	**45,605**	**102,511**

	For the year ended 31 March	
	2013	**2012**
C. Changes in the present value of the defined benefit obligation are as follows:		
Opening defined benefit obligation	6,321,085	6,780,212
Interest cost	537,292	449,756
Current service cost	1,473,496	1,196,901
Past service cost (Vested Benefit)	-	-
Benefits paid	(1,979,546)	(1,421,245)
Actuarial gains on obligation	774,987	(684,539)
Closing defined benefit obligation	**7,127,314**	**6,321,085**
D. Changes in the fair value of plan assets are as follows:		
Opening fair value of plan assets	1,257,450	1,328,625
Expected return	106,883	109,612
Contributions	2,000,000	1,247,559
Benefits paid	(1,979,546)	(1,421,245)
Actuarial gains / (losses) on plan assets	(61,278)	(7,101)
Closing fair value of plan assets	**1,323,509**	**1,257,450**
E. The principal assumptions used in determining gratuity obligations for the Company's plans are shown below:		
Discount rate	8% p.a.	8.50% p.a.
Expected rate of return on assets	8% p.a.	8.50% p.a.
Future salary rise	5% p.a.	5% p.a.
Attrition rate:		
- For 0-4 years	15% p.a.	15% p.a.
- 5 years and above	2% p.a.	2% p.a.

Expected employer's contribution next year ₹5,545,070 (2012: ₹2,745,217). The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled. The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors.

F. Amounts for the current and previous four periods are as follows:

	For the year ended 31 March				
	2009	**2010**	**2011**	**2012**	**2013**
Defined benefit obligation	7,494,424	4,387,876	6,780,212	6,321,085	7,127,314
Planned assets	2,041,359	2,084,088	1,328,625	1,257,450	1,323,509
Surplus/(Deficit)	(5,453,065)	(2,303,788)	(5,451,587)	(5,063,635)	(5,803,805)
Experienced adjustment to plan liabilities	(2,074,730)	(734,723)	(318,670)	(643,300)	299,401
Experienced adjustment to plan assets	(84,707)	14,242	3,000	(7,101)	(61,278)

22. Finance costs

	For the year ended 31 March	
	2013	**2012**
Interest expense	15,722,115	19,874,154
Bank charges	4,854,291	3,948,489
	20,576,406	**23,822,643**

23. Other expenses

	For the year ended 31 March	
	2013	2012
Rent	48,253,515	63,879,626
Fee, rates and taxes	7,467,199	6,818,661
Office maintenance	51,310,489	61,024,232
Payments to auditor	6,848,497	6,580,518
Implementation expenses	27,301,091	24,285,591
Advertisement and recruitment	5,642,261	3,002,592
Business promotion	7,055,161	8,745,296
Communication	16,855,183	17,484,073
Postage and courier	1,062,197	994,298
Insurance	4,392,868	4,637,893
Electricity and water	12,663,604	11,633,655
Travelling and conveyance	59,318,074	61,231,472
Legal and professional fees	34,068,620	20,917,397
Provision for doubtful debts	1,819,384	4,463,650
Donations	203,916	128,986
Miscellaneous expenses	567,155	1,690,268
	284,829,214	**297,518,208**

24. Exceptional item

a) During the year the Company has vacated a leased office space in United Kingdom (UK) which was occupied by its wholly owned subsidiary Four Soft UK Limited.Pursuant to the cancellation of the lease agreement with the lessor, the Company paid as surrender amount of ₹28,150,305 in relation to the cancellation of the lease. The cancellation is expected to result in significant savings in lease costs in the ensuing years.
The surrender of lease being capital in nature is disallowed under tax laws of UK and the tax expense on disallowance of such surrender amounting to ₹6,756,073 is included in the current tax expense for the year.

b) In 2005 the Group had acquired certain subsidiaries to strengthen its presence in the European and North American markets. However, the economic down-turn and technological changes has impacted revenues and margins much earlier than management's estimate. Consequently, in the previous year the Group has assessed the carrying value of goodwill in relation to such subsidiaries and had recorded an impairment of goodwill aggregating to ₹500,000,000 for the year ended 31 March 2012.

Net impact of exceptional items on the financial statements

For a like comparison with the previous year financial statements, the consolidated profit after tax excluding exceptional items is ₹150,161,562 (2012: 73,619,949).

25. Earnings per equity share (EPES)

	For the year ended 31 March	
	2013	2012
Net profit/(loss) as per statement of profit and loss	115,255,184	(426,380,051)
Weighted average number of equity shares considered in computation of basic EPES	38,755,276	38,755,276
Effect of dilutive equity shares	152,529	-
Weighted average number of equity shares considered in computation of diluted EPES	**38,907,805**	**38,755,276**

26. Contingent liabilities

	As at 31 March	
	2013	2012
Claims against the company not acknowledged as debt		
- Income tax*	113,480,599	52,541,539
- Service tax	-	3,563,314

*Claims against the Group not acknowledged as debts include demand from the Income tax authorities for payment of additional tax amounting to ₹113,480,599, including interest of ₹41,022,975 for the assessment years 2007-08 and 2008-09. The claim arose on account of transfer pricing adjustments. The matter for these assessment years are pending before the Income Tax Appellate Tribunal ("ITAT") and the management believes that the ultimate outcome of this proceeding will not have an adverse effect on the Group's financial position and profits owing to a favorable decision on the matters covered before the ITAT for the assessment year 2006-07.

27. Segment reporting

For the year ended 31 March 2013

	India	Europe	USA	Rest of the world	Total	Eliminations	Consolidated
1. Revenue							
(a) External sales	83,328,698	905,876,796	294,696,487	41,145,845	1,325,047,826	-	1,325,047,826
(b) Inter-segment sales	240,280,483	4,901,591	54,731,153	24,553,759	324,466,986	324,466,986	
(c) Total revenue	**323,609,181**	**910,778,387**	**349,427,640**	**65,699,604**	**1,649,514,812**	**324,466,986**	**1,325,047,826**
2. Results							
(a) Segment result	(30,003,469)	165,169,422	7,285,489	(15,885,605)	126,565,837	(68,117,269)	194,683,106
(b) Finance cost					46,014,530	25,438,124	20,576,406
(c) Other income					134,793,884	120,424,348	14,369,536
(d) Exceptional items (see note 24 a)					28,150,305	-	28,150,305
(d) Income taxes					30,165,862	-	30,165,862
(e) Deferred taxes					14,904,885	-	14,063,885
(f) Net profit							**115,255,184**
3. Other information - as at 31 March 2013							
(a) Segment assets	408,951,382	2,130,781,927	210,686,167	144,215,237	2,894,634,713	1,009,207,492	1,885,427,221
Unallocated corporate assets							41,139,311
Total							**1,926,566,532**
(b) Segment liabilities	153,913,843	1,125,316,700	140,722,817	106,503,207	1,526,456,567	958,411,122	568,045,445
Unallocated corporate liabilities							2,631,540
Total							**570,676,985**
(c) Capital expenditure	1,796,495	5,411,787	380,718	69,466	7,658,466	-	7,658,466
(d) Depreciation and amortization	11,497,155	15,950,550	1,293,999	190,186	28,931,890	10,493,070	18,438,820
(e) Other non-cash expenses	503,448	261,670	999,643	3,706,967	5,471,728	3,652,344	1,819,384

For the year ended 31 March 2012

		India	Europe	USA	Rest of the world	Total	Eliminations	Consolidated
1.	**Revenue**							
	(a) External sales	56,869,367	880,732,218	264,118,828	61,526,592	1,263,247,005	-	1,263,247,005
	(b) Inter-segment sales	303,994,897	3,959,161	3,232,464	20,412,810	331,599,332	331,599,332	-
	(c) Total revenue	**360,864,264**	**884,691,379**	**267,351,292**	**81,939,402**	**1,594,846,337**	**331,599,332**	**1,263,247,005**
2.	**Results**							
	(a) Segment result	(24,788,248)	156,646,227	9,282,662	6,938,055	148,078,696	22,519,418	125,559,278
	(b) Finance cost					54,525,213	30,702,570	23,822,643
	(c) Other income					385,905,075	377,016,110	8,888,965
	(d) Exceptional items (see note 24 b)					500,000,000	-	500,000,000
	(e) Income taxes					52,706,084	-	52,706,084
	(f) Deferred taxes					(12,020,795)	-	(12,020,795)
	Net profit							**(426,380,051)**
3.	**Other information - as at 31 March 2012**							
	(a) Segment assets	380,258,252	2,320,292,511	139,247,314	174,185,574	3,013,983,651	1,116,618,821	1,897,364,830
	Unallocated corporate assets							52,774,954
	Total							**1,950,139,784**
	(b) Segment liabilities	115,238,681	1,436,814,462	79,737,765	148,157,776	1,779,948,684	1,058,329,149	721,619,535
	Unallocated corporate liabilities							-
	Total							**721,619,535**
	(c) Capital expenditure	36,607,973	73,364,504	754,770	-	110,727,247	67,243,483	43,483,764
	(d) Depreciation and amortization	11,758,557	12,290,367	826,472	233,445	25,108,841	6,475,386	18,633,455
	(e) Other non-cash expenses	1,293,181	7,891,152	2,264,101	566,604	12,015,038	6,394,627	5,620,411

28. Related party disclosures

Names of the related party	Country	Nature of relationship
Four Soft Employee Welfare Trust	India	Controlling interest
Mr. Palem Srikanth Reddy	India	Key management personnel (KMP)
Mr. Biju S. Nair	India	KMP
Sonata Information Technology Limited	India	Enterprises significantly influenced by KMP or their relative
Palpremium Online Media Pvt Ltd	India	Enterprises significantly influenced by KMP or their relatives.

The details of the related party transactions entered into by the Group during the year ended 31 March 2013 are as follows:

	For the year ended 31 March	
	2013	**2012**
A. KMP		
Remuneration		
Mr. PalemSrikanth Reddy	2,946,000	1,800,000
Mr. Biju S Nair	2,300,004	1,880,004
Employee Stock Options		
During the year the Group has allotted 100,000 equity shares of ₹5 each to Mr. Biju S. Nair at an exercise price of ₹5 each on exercise of stock options granted in the previous year.		
B. Enterprises significantly influenced by KMP :		
Sonata Information Technology Limited		
Purchase of third party license	1,635,026	2,435,500
PalPremium Online Media Private Limited		
Professional services	530,817	402,898
C. Balance receivable/(payable) as at 31 March		
Four Soft Employee Welfare Trust	36,877	37,102
Mr. Palem Srikanth Reddy	(1,652,914)	(2,382,522)

29. Transfer Pricing

The Company is required to use certain specified methods in computing arm's length price in respect of international transactions with its associated enterprises and is also required to maintain prescribed information and documents in connection with such transactions. The appropriate methods to be adopted depend on the nature of transactions/class of transactions, class of associated persons, functions performed and other factors as prescribed under Rule 10B of the Income Tax Rules, 1962. The Company is in the process of updating the Transfer Pricing documentation for the year ended 31 March 2013 following detailed Transfer Pricing update conducted for the financial year ended 31 March 2012. In the opinion of management, the same would not have any impact on these financial statements. Accordingly, these financial statements do not include the effect of the transfer pricing implications, if any.

30. Research and development costs

During the year ended 31 March 2013 the Group has incurred expenses amounting to ₹54,098,117(2012: ₹76,581,382) towards research and development included under various heads of expenses.

31. Leases

Operating Lease

The Group's significant leasing arrangements are in respect of operating leases for premises. The leasing arrangements which are non-cancellable generally range between 1 year to 6 years and are usually renewable by mutual consent on agreed terms. Rental expenses under non-cancellable leases are ₹58,063,658(2012:₹78,804,717).

The Group's lease obligation under non-cancellable lease arrangements is as given below:

	For the year ended 31 March	
	2013	**2012**
Minimum lease payments:		
Not later than one year	26,949,990	53,585,758
Later than one year and not later than five years	78,952,455	130,866,878
Later than five years	1,733,061	15,170,401
	107,635,506	**199,623,037**
The total of future minimum sub-lease payments expected to be received under non-cancellable sub-leases at the consolidated balance sheet date	3,245,538	9,409,626
Sub-lease payments received (or receivable) recognized in the statement of profit and loss for the year	3,142,020	18,487,059

32. Previous year comparatives

The previous year comparatives have been regrouped/reclassifiedwherever necessary, to confirm to the current year presentations.

This is the summary of significant accounting policies and other explanatory information referred to in our report of even date.

For **Walker, Chandiok & Co**
Chartered Accountants

per **Sanjay Kumar Jain**
Partner

Place: Hyderabad
Date: 30 May 2013

For and on behalf of the Board of Directors of
Four Soft Limited

Srinivas Prasad Edara
Director

Mohan Krishna Reddy
Director

PalemSrikanth Reddy
Chairman and Managing Director
Signed on 17-06-2013

Biju S. Nair
Chief Financial Officer and
Chief Operating Officer

Raghuram Mallela
Company Secretary

Place: Hyderabad
Date: 30 May 2013

Independent Auditors' Report

To the Members of Four Soft Limited

Report on the Financial Statements

1. We have audited the accompanying financial statements of Four Soft Limited, ("the Company"), which comprise the Balance Sheet as at 31 March 2013, and the Statement of Profit and Loss and Cash Flow Statementfor the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation of these financial statements, that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
   i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2013;
   ii) in the case of the Statement of Profit and Loss, of the lossfor the year ended on that date; and
   iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

7. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
8. As required by sub-section(3) of section 227 of the Act, we report that:
   a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
   b. in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
   c. the financial statements dealt with by this report are in agreement with the books of account;
   d. in our opinion, the financial statements comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Act; and
   e. on the basis of written representations received from the directors, as on 31 March 2013 and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2013 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act.

For **Walker, Chandiok & Co**
Chartered Accountants
Firm Registration No: 001076N

per **Sanjay Kumar Jain**
Partner
Membership No: 207660

Place : Hyderabad
Date : 30 May 2013

Annexure to the Independent Auditors' Report of even date to the members of Four Soft Limited, on the financial statements as at and for the year ended 31 March 2013.

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, we report that:

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The Company has a regular program of physical verification of its fixed assets under which fixed assets are verified in a phased manner over a period of three years, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

(c) In our opinion, a substantial part of fixed assets has not been disposed-off during the year.

(ii) The Company does not have any tangible inventory. Accordingly, the provisions of clause 4(ii) of the Order are not applicable.

(iii) (a) The Company has granted unsecured loans to two parties covered in the register maintained under Section 301 of the Act. The maximum amount outstanding during the year is ₹41,241,861and the year-end balance is ₹31,798,726.

(b) In our opinion, the rate of interest and other terms and conditions of such loans are not, *prima facie*, prejudicial to the interest of the Company.

(c) In respect of loans granted, receipt of the principal amount and the interest is regular.

(d) There is no overdue amount in respect of loans granted to such parties.

(e) The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, the provisions of clauses 4(iii)(f) and 4(iii)(g) of the Order are not applicable.

(iv) Owing to the nature of its business, the Company does not maintain any physical inventories or sell any goods. Accordingly, clause 4(iv) of the Order with respect to purchase of inventories and sale of goods is not applicable. In our opinion, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and for the sale of services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.

(v) (a) In our opinion, the particulars of all contracts or arrangements that need to be entered into the register maintained under Section 301 of the Act have been so entered.

(b) Owing to the unique and specialized nature of the items involved and in the absence of any comparable prices, we are unable to comment as to whether the transactions made in pursuance of such contracts or arrangements have been made at the prevailing market prices at the relevant time.

(vi) The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the Companies (Acceptance of Deposits) Rules, 1975. Accordingly, the provisions of clause 4(vi) of the Order are not applicable.

(vii) In our opinion, the Company has an internal audit system commensurate with its size and the nature of its business.

(viii) To the best of our knowledge and belief, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Act, in respect of Company's products/ services. Accordingly, the provisions of clause 4(viii) of the Order are not applicable.

(ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues, as applicable, have generally been regularly deposited with the appropriate authorities, though there has been a slight delay in a few cases. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they became payable.

(b) The dues outstanding in respect of service tax and income-tax on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (₹)	Financial year	Forum where dispute is pending
The Income Tax Act, 1961	Income tax	52,541,539	2006-07	Income Tax Appellate Tribunal
The Income Tax Act, 1961	Income tax	60,939,060	2007-08	Income Tax Appellate Tribunal

(x) In our opinion, the Company has no accumulated losses at the end of the financial year *but it has incurred cash losses in the current and the immediately preceding financial year.*

(xi) The Company has no dues payable to a financial institution or a bank or debenture-holders during the year. Accordingly, the provisions of clause 4(xi) of the Order are not applicable.

(xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of clause 4(xii) of the Order are not applicable.

(xiii) In our opinion, the Company is not a chit fund or a nidhi/ mutual benefit fund/ society. Accordingly, provisions of clause 4(xiii) of the Order are not applicable.

(xiv) In our opinion, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable.

(xv) In our opinion, the terms and conditions on which the Company has given guarantee for loans taken by its wholly owned subsidiary from a bank are not, *prima facie*, prejudicial to the interest of the Company.

(xvi) The Company did not have any term loans outstanding during the year. Accordingly, the provisions of clause 4(xvi) of the Order are not applicable.

(xvii) In our opinion, no funds raised on short-term basis have been used for long-term investment by the Company.

(xviii) During the year, the Company has not made any preferential allotment of shares to parties and companiescovered in the register maintained under Section 301 of the Act. Accordingly, the provisions of clause 4(xviii) of the Order are not applicable.

(xix) The Company has neither issued nor had any outstanding debentures during the year.Accordingly, the provisions of clause 4(xix) of the Order are not applicable.

(xx) The Company has not raised any money by public issues during the year. Accordingly, the provisions of clause 4(xx) of the Order are not applicable.

(xxi) No fraud on or by the Company has been noticed or reported during the period covered by our audit.

For **Walker, Chandiok & Co**
Chartered Accountants
Firm Registration No.: 001076N

per **Sanjay Kumar Jain**
Partner
Membership No.: 207660

Place: Hyderabad
Date: 30 May 2013

Balance Sheet as at 31 March 2013

(All amounts in ₹ except otherwise stated)

	Notes	As at 31 March 2013	As at 31 March 2012
Equity and liabilities			
Shareholders' funds			
Share capital	3	194,795,720	194,661,785
Reserves and surplus	4	721,529,251	731,645,215
Total shareholder's funds		**916,324,971**	**926,307,000**
Non-current liabilities			
Long-term provisions	5	5,545,070	5,063,635
Total non-current liabilities		**5,545,070**	**5,063,635**
Current liabilities			
Trade payables	7	71,698,046	67,941,807
Other current liabilities	8	75,454,247	41,054,921
Short-term provisions	5	1,216,480	1,178,318
Total current liabilities		**148,368,773**	**110,175,046**
Total		**1,070,238,814**	**1,041,545,681**
Assets			
Non-current assets			
Fixed assets			
- Tangible assets	9	40,673,905	44,830,777
- Intangible assets	10	32,418,715	37,273,974
		73,092,620	**82,104,751**
Non-current investments	11	661,287,430	661,287,430
Long-term loans and advances	12	38,373,545	33,606,942
Other non-current assets		341,742	341,742
Total non-current assets		**773,095,337**	**777,340,865**
Current assets			
Current investments	13	11,462,750	17,500,000
Trade receivables	14	179,158,199	107,503,763
Cash and bank balances	15	29,994,144	3,884,252
Short-term loans and advances	16	63,350,554	64,027,060
Other current assets	17	13,177,830	71,289,741
Total current assets		**297,143,477**	**264,204,816**
Total		**1,070,238,814**	**1,041,545,681**

The accompanying notes 1 to 35are an integral part of these financial statements.
This is the Balance Sheet referred to in our report of even date.

For **Walker, Chandiok & Co**
Chartered Accountants

per **Sanjay Kumar Jain**
Partner

Place: Hyderabad
Date: 30 May 2013

For and on behalf of the Board of Directors of
Four Soft Limited

Srinivas Prasad Edara
Director

Mohan Krishna Reddy
Director

PalemSrikanth Reddy
Chairman and Managing Director
Signed on 17-06-2013

Biju S. Nair
Chief Financial Officer and
Chief Operating Officer

Raghuram Mallela
Company Secretary

Place: Hyderabad
Date: 30 May 2013

Statement of Profit and Loss for the year ended 31 March 2013

(All amounts in ₹ except otherwise stated)

		Notes	For the year ended 31 March 2013	2012
I.	Revenue from operations	18	323,609,181	292,864,264
II.	Other income	19	18,073,678	15,744,801
III.	**Total revenue**		**341,682,859**	**308,609,065**
IV.	Expenses:			
	Employee benefits expense	20	250,559,345	273,727,124
	Finance costs	21	486,799	304,267
	Depreciation and amortization	9, 10	11,497,155	11,758,557
	Other expenses	22	91,556,149	100,166,831
	Total expenses		**354,099,448**	**385,956,779**
V.	Loss before exceptional items and tax		(12,416,589)	(77,347,714)
VI.	Exceptional items	27	-	68,000,000
VII.	Loss before tax		**(12,416,589)**	**(9,347,714)**
VIII.	Tax expense:			
	(a) Current tax		-	-
	(b) Deferred tax expense		-	23,607,311
Loss for the year			**(12,416,589)**	**(32,955,025)**
Earnings per equity share (EPES)				
Basic and diluted EPES			(0.32)	(0.85)
Par value of equity shares			5	5
Weighted average number of equity shares considered in calculating basic and diluted EPES			38,755,276	38,755,276

The accompanying notes 1 to 35 are an integral part of these financial statements.
This is the Statement of Profit and Loss referred to in our report of even date.

For **Walker, Chandiok & Co**
Chartered Accountants

per **Sanjay Kumar Jain**
Partner

Place: Hyderabad
Date: 30 May 2013

For and on behalf of the Board of Directors of
Four Soft Limited

Srinivas Prasad Edara
Director

Mohan Krishna Reddy
Director

PalemSrikanth Reddy
Chairman and Managing Director
Signed on 17-06-2013

Biju S. Nair
Chief Financial Officer and
Chief Operating Officer

Raghuram Mallela
Company Secretary

Place: Hyderabad
Date: 30 May 2013

Cash Flow Statement for the year ended 31 March 2013

(All amounts in ₹ except otherwise stated)

	For the year ended 31 March	
	2013	**2012**
Cash flow from operating activities		
Loss before tax	(12,416,589)	(9,347,714)
Adjustments to reconcile profit before tax to cash provided by operating activities:		
- Depreciation and amortization expense	11,497,155	11,758,557
- Employee stock compensation expense	2,300,625	(1,445,721)
- Liabilities no longer required written back	643,477	-
- Unrealized foreign exchange gain (net)	1,014,810	(12,074,953)
- Interest on fixed deposits	(25,474)	(23,158)
- Interest on loans to subsidiaries	(1,880,788)	(5,726,940)
- Dividends from non-trade current investments	(1,682,736)	(291,823)
- Employee benefits	709,023	(3,394,713)
- Provision for doubtful debts	503,448	689,992
- (Profit)/Loss on sale of fixed assets	(64,795)	603,189
- Service tax credit	(5,821,664)	-
Operating loss before working capital changes	(5,223,508)	(19,253,284)
Movements in working capital:		
- Increase in sundry debtors	(75,429,515)	(12,246,846)
- Decrease in short-term loans and advances	3,420,855	3,044,324
- (Increase)/decrease in long-term loans and advances	(4,766,603)	2,886,874
- Decrease/(increase) in other current assets	60,018,173	(69,726,781)
- Increasein current liabilities	39,781,831	6,861,744
Cash generated from/(usedin) operations	**17,801,233**	**(88,433,969)**
Income taxes paid	(5,159,390)	(13,832,078)
Net cash generated from/(usedin) operating activities(A)	**12,641,843**	**(102,266,047)**
Cash flow from investing activities		
- Purchase of fixed assets	(2,590,718)	(11,045,114)
- Sale of fixed assets	170,493	30,568
- Receiptof loans and advances to subsidiaries	7,668,311	116,651,257
- Sale of short-term investments	-	(17,500,000)
- Purchase of short-term investments	6,037,250	-
- Interest received	-	5,733,506
- Dividends received from non-trade current investment	1,682,736	291,823
Net cash from investing activities (B)	**12,968,072**	**94,162,040**

Cash Flow Statement for the year ended 31 March 2013

(All amounts in ₹ except otherwise stated)

	For the year ended 31 March	
	2013	**2012**
Cash flow from financing activities		
Proceeds from issuance of equity shares on exercise of stock options	500,000	-
Net cash from financing activities (C)	**500,000**	-
Net increase/(decrease) in cash and cash equivalent (A+B+C)	26,109,915	(8,104,007)
Cash and cash equivalents at the beginning of the year	3,616,070	11,720,077
Cash and cash equivalents at the end of the year	**29,725,985**	**3,616,070**

This is the Cash Flow Statement referred to in ourreport of even date.

For **Walker, Chandiok & Co**
Chartered Accountants

per **Sanjay Kumar Jain**
Partner

Place: Hyderabad
Date: 30 May 2013

For and on behalf of the Board of Directors of
Four Soft Limited

Srinivas Prasad Edara
Director

Mohan Krishna Reddy
Director

PalemSrikanth Reddy
Chairman and Managing Director
Signed on 17-06-2013

Biju S. Nair
Chief Financial Officer and
Chief Operating Officer

Raghuram Mallela
Company Secretary

Place: Hyderabad
Date: 30 May 2013

Summary of significant accounting policies and other explanatory information

(All amounts in ₹ except otherwise stated)

1. Company Overview

Four Soft Limited (the 'Company' or 'Four Soft') is one of the world's leading transportation and logistics software products company providing innovative and integrated enterprise solutions. Founded in 1999, Four Soft provides solutions to enterprises across the supply chain management market. Four Soft is head quartered in Hyderabad, India and has 8 development centers across the globe to cater to its large clientele. The Company's equity shares are listed on Bombay Stock Exchange ('BSE') and National Stock Exchange ('NSE').

2. Summary of significant accounting policies

(a) Basis of preparation of financial statements

The financial statements are prepared under historical cost convention in accordance with the generally accepted accounting principles in India ('Indian GAAP') and comply in all material respects with the mandatory Accounting Standards ('AS') prescribed in the Companies (Accounting Standard) Rules, 2006 ('the Rules'), with the relevant provisions of the Companies Act, 1956 ('the Act'), pronouncements of the Institute of Chartered Accountants of India ('ICAI') and other relevant provisions of the Act. The financial statements have been prepared on an accrual basis and the accounting policies applied by the Company are consistent with those used in the previous year.

(b) Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. Examples of such estimates include completeness of contracts, cost estimate to complete contracts, provision for doubtful receivables and loans and advances, diminution in the value of long-term investments, income taxes, future obligation under employee benefit plans, unbilled revenueand estimated useful lives of tangible and intangible assets. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

(c) Tangible assets

Tangible assets are stated at cost less accumulated depreciation and impairment losses if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Finance costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready for its intended use.

Gain or losses arising from derecognition of an fixed asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

Assets under installation or under construction as at the balance sheet date are shown as 'capital work-in-progress'.

(d) Depreciation on tangible assets

Depreciation is provided using the written down value method as per the useful lives of the fixed assets estimated by management, or at the rates prescribed under Schedule XIV to the Act whichever is higher. The rates used by the Company are:

Assets	Rate (%)
Buildings	5.60
Computers	40.00
Office equipment	13.91
Furniture and fittings	18.10

Leasehold improvements are depreciated on written down value over the lease period of three to five years or useful lives as estimated by management, whichever is lower.

(e) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development cost, are not capitalized and expenditure is reflected in the statement of profit and loss in the year in which is expenditure is incurred.

Research and development cost

Research costs are expensed as incurred. Development expenditure incurred on an individual project is recognized as an intangible asset when the Company can demonstrate all the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale

-its intention to complete the asset

-its ability to use or sell the asset

-how the asset will generate future economic benefits

-the availability of adequate resources to complete the development and to use or sell the asset

- the ability to measure reliably the expenditure attributable to the intangible asset during development

Following the initial recognition of the development expenditure as an asset, the asset is carried at cost less accumulated amortization and accumulated impairment losses if any. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized on straight line basis over the period of expected future benefit from the related project i.e. the estimated useful life of 10 years. Amortization is recognized in the statement of profit and loss.

(f) Impairment

The carrying amounts ofassets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

(g) Leases

If there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term.

(h) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments.

(i) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Sale of goods and services

Revenue from the sale of user licenses for software applications is recognized on delivery or subsequent milestone schedule as per the terms and contract with the customers. Revenue from time and material contracts is recognized as the related services are rendered. Revenue from annual maintenance services is recognized proportionately over the period in which services are rendered.

Revenue from services on fixed-priced and fixed time frame contracts is recognized on completion and delivery of services to the customers when the outcome of the contract cannot be assessed with reasonable certainty or on proportionate completion method when there is no significant uncertainty exists regarding the amount of consideration that will be derived from rendering the services.

Costs and earnings in excess of billings are classified as unbilled revenue while billings in excess of costs and earnings are classified as unearned revenue. Provision for estimated losses on contracts/engagements is made in the year in which such loss becomes probable and can be reasonably estimated.

Interest

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the rates applicable.

Dividends

Income from dividend is recognized when the Company's right to receive payment is established by the reporting date.

Rental income

Rental income from operating lease is recognized on a straight-line basis over the term of the lease.

(j) Foreign currency transactions

Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transactions.

Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

(k) Retirement and other employee benefits

Provident fund

A retirement benefit in the form of provident fund scheme is a defined contribution and the contribution is charged to the statement of profit and loss of the year when the contribution to the respective fund is due. There are no other obligations other than the contribution payable to the respective fund.

Gratuity

Gratuity liability is a defined benefit obligation and provided for on the basis of an actuarial valuation made on projected unit credit method at the end of each financial year. Actuarial gains and losses are recognized in full in

Compensated absences

Compensated absences are in the nature of short-term benefit and provided for based on estimates.

(l) Employee stock option scheme

Measurement and disclosure of the employee share-based payment plans is done in accordance with Securities Exchange

Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the guidance note on 'Accounting for Employee Share-based Payments', issued by the ICAI. The excess of market value of the stock on the date of grant over the exercise price of the option is recognized as deferred employee stock compensation and is charged to statement of profit and loss on straight-line method over the vesting period of the options. The unamortized portion of cost is shown under stock options outstanding.

(m) Income taxes

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income tax Act, 1961. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognized only to the extent there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized.

At each balance sheet date the Company re-assesses unrecognized deferred tax assets and recognizes it to the extent it has become reasonably certain that sufficient future taxable income will be available against which such deferred tax assets can be realized.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Minimum Alternative Tax (MAT) credit is recognized as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance note issued by the ICAI, the said asset is created by way of a credit to the statement profit and loss and shown as MAT credit entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal income tax during the specified period.

(n) Earnings per equity share

Basic earnings per equity share are calculated by dividing the net profit for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per equity share, the net profit for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.In computing the dilutive earnings per share, only potential equity shares that are dilutive and that either reduces the earnings per share or increases loss per share are included.

(o) Provisions and contingent liabilities

A provision is recognized when the Company has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on management estimate required to settle the obligation at the balance sheet date. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

(p) Cash flow statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments.

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

3. Share capital

	As at 31 March	
	2013	**2012**
Authorized shares		
56,077,600 (2012: 56,077,600) equity shares of ₹5 each	280,388,000	280,388,000
696,120 (2012: 696,120) 14% redeemable optionally convertible cumulative preference shares of ₹100 each	69,612,000	69,612,000
Issued, subscribed and fully paid-up equity shares		
38,959,744 (2012: 38,959,744) equity shares of ₹5 each	194,798,720	194,798,720
Less: Calls in arrears	3,000	3,000
Less: Amount recoverable from Four Soft Employee Welfare Trust	-	133,935
[143,987equity shares (2012: 243,987), including 143,987 (2012: 217,200) bonus shares allotted to the trust]		
Total issued, subscribed and fully paid-up share capital	**194,795,720**	**194,661,785**

(a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

	31 March 2013		31 March 2012	
	No. of Shares	**Amount**	**No. of Shares**	**Amount**
At the beginning of the year	38,959,744	194,798,720	38,959,744	194,798,720
Issued during the year	-	-	-	-
Outstanding at the end of the year	**38,959,744**	**194,798,720**	**38,959,744**	**194,798,720**

(b) Terms/rights attached to equity shares

The Company has only one class of equity shares having a par value of ₹5 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian rupees. The dividend proposed by the Board of Directors, if any, is subject to the approval of the shareholders in the ensuing General Meeting.

(c) Details of shareholders holding more than 5% shares in the Company:

	As at 31 March 2013		As at 31 March 2012	
	No. of Shares	**% of holding**	**No. of Shares**	**% of holding**
PalemSrikanth Reddy	8,849,732	22.71%	8,704,158	22.34%
Kotak Mahindra Trusteeship Services Limited	3,949,447	10.14%	3,949,447	10.14%

As per records of the Company's share transfer agent, and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownership of shares.

(d) Shares reserved for issue under options

(i) The Company has established Four Soft Limited Employees Welfare Trust (the 'Trust') to administer the ESOP Scheme and as at 31 March 2013 had issued 1,170,200 equity shares of ₹5 each.Pursuant to the ESOP Scheme the trust has granted equity shares at an exercise price of ₹5 each to the eligible employees, which are subject to progressive vesting (1 year after date of issue of options) over a period of three years from the date of the grant. As of 31 March 2013 the total shares held by the Trust is 143,987 (2012: 243,987). Mode of settlement of these stock options is equity.

(ii) The stock compensation amortization expenses/(income) during the year ended 31 March 2013 amounted to ₹2,300,625(2012:₹(1,445,721)) including a prior period expenditure of ₹188,295 (2012: Nil).

(iii) Changes in number of shares representing stock options outstanding as at the year ended on 31 March 2013 were as follows:

	As at 31 March 2013		As at 31 March 2012	
	No. of Shares	**Weighted average exercise price**	**No. of Shares**	**Weighted average exercise price**
Outstanding at the beginning of the year	1,183,595	12.54	1,454,676	9.71
Granted during the year	144,108	8.11	1,042,350	10.00
Forfeited/cancelled during the year	86,259	21.05	1,229,755	19.88
Exercised during the year	100,000	5.00	45,340	5.00
Expired during the year	812,045	5.00	38,336	5.00
Outstanding at the end of the year	329,399	12.58	1,183,595	12.54
Exercisable at the end of the year	-	-	36,510	21.05

	For the year ended 31 March	
(iv) Proforma disclosures:	**2013**	**2012**
Net loss (as reported)	(12,416,589)	(32,955,025)
Add: Employee stock compensation under intrinsic value method	2,300,625	(1,445,721)
Less: Employee stock compensation under fair value method	3,054,210	1,201,943
Proforma loss	**(13,170,174)**	**(35,602,689)**
Earnings/(loss) per share		
Basic and diluted		
- As reported	(0.32)	(0.85)
- Proforma	(0.34)	(0.92)

The fair value of options was estimated at the date of grant using the Black Scholes method with the following assumptions:

	For the year ended 31 March	
	2013	**2012**
Risk-free interest rate	8.00 to 8.25%	8.00 to 8.25%
Expected life	1 to 2 years	1 to 4 years
Expected volatility	0.55 to 0.87	0.47 to 0.57
Expected dividend yield	-	-

The weighted average share price at the date of exercise for stock options exercised during the year was ₹5 (2012: ₹14.19). Options outstanding at 31 March 2013 had an exercise price of ₹5 to ₹21.05, and a weighted average remaining contractual life of 14.07 months (2012: 19.24 months).

4. Reserves and surplus

	As at 31 March	
	2013	**2012**
Securities premium account		
Balance as per last financial statements	648,985,709	648,108,341
Additions during the year	1,065,000	877,368
Closing balance	**650,050,709**	**648,985,709**
Capital reserve		
Balance as per last financial statements	14,280,000	14,280,000
Closing balance	**14,280,000**	**14,280,000**
Employee stock options outstanding		
Balance as per last financial statements	2,609,329	8,117,316
Add: Gross compensation for options granted during the year	2,118,330	-
Less: Transferred to general reserve on stock options lapsed	1,161,020	-
Less: Forfeiture of options prior to vesting of options	-	4,630,619
Less: Transferred to securities premium reserve on exercise of stock options	1,065,000	877,368
	2,501,639	**2,609,329**
Less: Deferred employee stock compensation	69,988	252,283
Closing balance	**2,431,651**	**2,357,046**
General reserves		
Balance as per last financial statements	2,598,214	2,598,214
Add: Transferred during the year	1,161,020	-
Closing balance	**3,759,234**	**2,598,214**
Surplus in statement of profit and loss		
Balance as per last financial statements	63,424,246	96,379,272
Add: Net loss during the year	(12,416,589)	(32,955,026)
Closing balance	**51,007,657**	**63,424,246**
Total reserves and surplus	**721,529,251**	**731,645,215**

5. Provisions

	Non-Current		Current	
	As at 31 March		As at 31 March	
	2013	**2012**	**2013**	**2012**
Provision for employee benefits				
- Gratuity	5,545,070	5,063,635	258,735	-
- Compensated absences	-	-	957,745	1,178,318
	5,545,070	**5,063,635**	**1,216,480**	**1,178,318**

6. Deferred income taxes

	As at 31 March	
	2013	**2012**
Deferred tax liability		
Depreciation	10,972,439	5,921,197
Employee benefits	-	265,779
Deferred tax asset		
Employee benefits	1,055,564	-
Accumulated losses	9,753,531	5,875,610
Provision for doubtful debts	163,344	311,366
Net deferred tax	**-**	**-**

Deferred income tax asset aggregating to ₹19,102,875 (2012: 23,612,879) on account of unabsorbed business losses under Indian tax laws has not been recognized due to virtual certainty assessment.

7. Trade payables

There are no micro and small enterprises, as defined under the provisions of the Micro, Small and Medium Enterprises Development Act, 2006, to whom the Company owes dues as at the reporting date. The micro and small enterprises have been identified by management on the basis of information available with the Company and have been relied upon by the auditors.

8. Other current liabilities

	As at 31 March	
	2013	**2012**
Unearned income	13,201,271	25,573,787
Unpaid dividends	268,159	268,182
Dues to a director	1,652,914	2,382,522
Dues to subsidiaries	55,609,561	8,354,232
Other payables:		
- Statutory dues	4,359,834	4,113,690
- Rent deposit	362,508	362,508
	75,454,247	**41,054,921**

Notes to the financial statements

(All amounts in ₹ except otherwise stated)

9. Tangible assets

	Buildings	Computers	Office equipment	Furniture and fittings	Leasehold improvements	Total
Gross block						
As at 1 April 2011	30,594,644	54,360,135	31,886,669	17,446,651	3,652,713	137,940,812
Additions made during the year	-	304,583	346,946	-	-	651,529
Disposals during the year	-	-	(1,005,887)	(2,908,904)	-	(3,914,791)
As at 31 March 2012	**30,594,644**	**54,664,718**	**31,227,728**	**14,537,747**	**3,652,713**	**134,677,550**
Additions made during the year	-	2,168,641	186,018	-	-	2,354,659
Disposals during the year	-	(3,217,348)	-	(194,442)	-	(3,411,790)
As at 31 March 2013	**30,594,644**	**53,616,011**	**31,413,746**	**14,343,305**	**3,652,713**	**133,620,419**
Accumulated depreciation						
Up to 1 April 2011	9,811,003	46,237,530	13,522,282	12,002,181	3,512,192	85,085,188
Charge for the year *	1,163,884	3,262,693	2,588,052	985,449	42,541	8,042,619
On disposals	-	-	(372,130)	(2,908,904)	-	(3,281,034)
Up to 31 March 2012	**10,974,887**	**49,500,223**	**15,738,204**	**10,078,726**	**3,554,733**	**89,846,773**
Charge for the year *	1,098,707	2,241,828	2,164,757	802,565	97,980	6,405,837
Disposals	-	(3,155,051)	-	(151,045)	-	(3,306,096)
Up to 31 March 2013	**12,073,594**	**48,587,000**	**17,902,961**	**10,730,246**	**3,652,713**	**92,946,514**
Net block						
As at 31 March 2013	**18,521,050**	**5,029,011**	**13,510,785**	**3,613,059**	**-**	**40,673,905**
As at 31 March 2012	19,619,757	5,164,495	15,489,524	4,459,021	97,980	44,830,777

* During the year depreciation amounting to ₹Nil (2012: ₹271,780) was capitalized to intangible assets.

10. Intangible assets

	Acquired Software	Internally developed software	Total
Gross block			
As at 1 April 2011	38,161,133	-	38,161,133
Additions made during the year	869,009	35,087,435	35,956,444
As at 31 March 2012	**39,030,142**	**35,087,435**	**74,117,577**
Additions made during the year	236,059	-	236,059
As at 31 March 2013	**39,266,201**	35,087,435	74,353,636
Accumulated amortization			
Up to 1 April 2011	32,855,885	-	32,855,885
Charge for the year	2,233,346	1,754,372	3,987,718
Up to 31 March 2012	**35,089,231**	**1,754,372**	**36,843,603**
Charge for the year	1,582,573	3,508,745	5,091,318
Up to 31 March 2013	**36,671,804**	**5,263,117**	**41,934,921**
Net block			
As at 31 March 2013	**2,594,397**	**29,824,318**	**32,418,715**
As at 31 March 2012	3,940,911	33,333,063	37,273,974

11. Non-current investments

	As at 31 March	
	2013	**2012**
Trade investments (Unquoted)		
Investment in wholly owned subsidiaries (fully paid-up)		
31 (2012: 31) equity shares of US Dollar 0.01 each, in Four Soft USA, Inc., USA	727,500	727,500
66,245 (2012: 66,245) equity shares of Euro 1 each, in Four Soft B.V., Netherlands	618,133,185	618,133,185
930,000 (2012: 930,000) equity shares of Singapore Dollar 1 each, in Four Soft Singapore Pte. Ltd., Singapore	38,435,758	38,435,758
70,000 (2012: 70,000) Class A preference shares of Singapore Dollar 1 each, in Four Soft Singapore Pte. Ltd., Singapore	3,988,362	3,988,362
10,000,000 (2012: 10,000,000) equity shares of Malaysian Ringgit 1 each, in Four Soft Sdn. Bhd., Malaysia	2,625	2,625
Aggregate amount of unquoted investments	**661,287,430**	**661,287,430**

12. Long-term loans and advances

	As at 31 March	
	2013	**2012**
(Unsecured, considered good)		
- Capital advances	401,437	794,224
- Advance tax (net of provision)	28,379,098	23,219,708
- Security deposits	9,593,010	9,593,010
	38,373,545	**33,606,942**

13. Current Investments

	As at 31 March	
	2013	**2012**
Non-trade investments(at lower of cost or fair value)		
Investments in mutual funds (quoted)		
114,404.411 (2012: 174,881.081) units of Birla Sun Life Cash Plus	11,462,750	17,500,000
Aggregate amount of quoted investments (Market value ₹11,462,750)	**11,462,750**	**17,500,000**

14. Trade receivables

		As at 31 March	
		2013	**2012**
(Unsecured)			
Outstanding for a period exceeding six months from the date they are due for payment			
- Considered good		39,505,593	30,571,837
- Considered doubtful		1,678,296	1,174,848
		41,183,889	**31,746,685**
Less: Provision for doubtful debts		1,678,296	1,174,848
	(A)	**39,505,593**	**30,571,837**
Other receivables (considered good)	**(B)**	139,652,606	76,931,926
Total trade receivables, net	**(A+B)**	**179,158,199**	**107,503,763**

15. Cash and bank balances

	As at 31 March	
	2013	**2012**
Cash and cash equivalents		
Balances with banks in current accounts	29,714,680	3,588,636
Cash on hand	11,305	27,434
Total cash and cash equivalents (a)	**29,725,985**	**3,616,070**
Other bank balances:		
Balances with banks in unpaid dividend accounts	268,159	268,182
Total other bank balances (b)	**268,159**	**268,182**
Total cash and bank balances (a) + (b)	**29,994,144**	**3,884,252**

16. Short-term loans and advances

	As at 31 March	
	2013	**2012**
(Unsecured, considered good)		
Loans and advances to subsidiaries	34,345,577	42,013,888
Other loans and advances		
- Prepaid expenses	5,589,762	6,071,688
- Service tax receivable	20,941,848	14,071,265
- Value added tax receivable	119,259	1,311,160
- Others	2,354,108	559,059
Short-term loans and advances, net	**63,350,554**	**64,027,060**

Disclosure pursuant to Clause 32 of Listing Agreement

Loans and Advances in the nature of loans, including interest accrued to subsidiaries and to companies in which directors are interested

	As at 31 March	
	2013	**2012**
Outstanding balance		
Four Soft BV	25,166,081	23,630,237
Four Soft Singapore Pte.Ltd.	7,254,854	16,660,762
Four Soft Netherlands B.V	454,040	432,651
Four Soft USA Inc	1,470,602	1,290,237
	34,345,577	**42,013,887**
Maximum balance outstanding at any time during the year		
Four Soft BV	25,166,081	143,261,313
Four Soft Singapore Pte.Ltd.	16,697,989	16,660,762
Four Soft Netherlands B.V	454,040	432,651
Four Soft USA Inc.	1,470,602	1,290,237

17. Other current assets

	As at 31 March	
	2013	**2012**
(Unsecured, considered good)		
Unbilled revenue	13,122,580	3,259,965
Interest accrued on fixed deposits	55,250	29,776
Other receivables from subsidiaries	-	68,000,000
	13,177,830	**71,289,741**

18. Revenue from operations

	For the year ended 31 March	
	2013	**2012**
Sale of licenses	21,953,459	3,989,968
Sale of services	275,166,843	264,506,944
Annual maintenance services	26,488,879	24,367,352
	323,609,181	**292,864,264**

19. Other income

	For the year ended 31 March	
	2013	**2012**
Interest on fixed deposit	25,474	23,158
Interest on loan to subsidiaries	1,880,788	5,726,940
Foreign exchange gain, net	6,030,482	4,200,181
Dividend income from non-trade investments	1,682,736	291,823
Liabilities no longer required written back	643,477	3,398,256
Miscellaneous income	7,810,721	2,104,443
	18,073,678	**15,744,801**

20. Employee benefits expense

	For the year ended 31 March	
	2013	2012
Salaries, wages and bonus	230,292,941	255,215,964
Contribution to provident and other funds	9,921,461	12,953,506
Gratuity	3,253,395	859,607
Employee stock compensation expenses	2,300,625	-
Staff welfare expenses	4,790,923	4,698,047
	250,559,345	**273,727,124**

a. Defined contribution plan

During year ended 31 March 2013, the Company contributed ₹9,800,770 (2012: ₹12,467,987) to provident fund and ₹120,691 (2012: ₹485,519) towards employee state insurance fund.

b. Defined benefit plan

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy. The following tables summarize the components of net benefit expense recognized in the statement of profit and loss and the funded status and amounts recognized in the balance sheet for the gratuity:

	For the year ended 31 March	
	2013	2012
A. Net gratuity expense recognized in the statement of profit and loss		
Current service cost	1,473,496	1,196,901
Interest cost on benefit obligation	537,292	449,756
Expected return on plan assets	(106,883)	(109,612)
Net actuarial gain/(loss) recognized in the year	836,265	(677,438)
Net benefit (income) / expense	**2,740,170**	**859,607**
B. Details of provision recognized in the balance sheet		
Defined benefit obligation	7,127,314	6,321,085
Fair value of plan assets	(1,323,509)	(1,257,450)
Net provision for gratuity	**5,803,805**	**5,063,635**
Actual return on plan assets	**45,605**	**102,511**
C. Changes in the present value of the defined benefit obligation are as follows:		
Opening defined benefit obligation	6,321,085	6,780,212
Interest cost	537,292	449,756
Current service cost	1,473,496	1,196,901
Benefits paid	(1,979,546)	(1,421,245)
Actuarial gains on obligation	774,987	(684,539)
Closing defined benefit obligation	**7,127,314**	**6,321,085**
D. Changes in the fair value of plan assets are as follows:		
Opening fair value of plan assets	1,257,450	1,328,625
Expected return	106,883	109,612
Contributions	2,000,000	1,247,559
Benefits paid	(1,979,546)	(1,421,245)
Actuarial gains / (losses) on plan assets	(61,278)	(7,101)
Closing fair value of plan assets	**1,323,509**	**1,257,450**

	For the year ended 31 March	
	2013	2012
E. The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:		
Investments with insurer	100%	100%

F. The principal assumptions used in determining gratuity obligations for the Company's plans are shown below:		
Discount rate	8% p.a.	8.50% p.a.
Expected rate of return on assets	8% p.a.	8.50% p.a.
Future salary rise	5% p.a.	5% p.a.
Attrition rate:		
- For 0-4 years	15% p.a.	15% p.a.
- 5 years and above	2% p.a.	2% p.a.

Expected employer's contribution next year ₹5,545,070 (2012: ₹2,745,217). The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled. The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors.

G. Amounts for the current and previous four periods are as follows:

	For the year ended 31 March				
	2009	2010	2011	2012	2013
Defined benefit obligation	7,494,424	4,387,876	6,780,212	6,321,085	7,127,314
Planned assets	2,041,359	2,084,088	1,328,625	1,257,450	1,323,509
Surplus/(deficit)	(5,453,065)	(2,303,788)	(5,451,587)	(5,063,635)	(5,803,805)
Experienced adjustment to plan liabilities	(2,074,730)	(734,723)	(318,670)	(643,300)	299,401
Experienced adjustment to plan assets	(84,707)	14,242	3,000	(7,101)	(61,278)

21. Finance costs

	For the year ended 31 March	
	2013	2012
Bank charges	486,799	304,267
	486,799	**304,267**

22. Other expenses

	For the year ended 31 March	
	2013	2012
Rent	14,434,157	18,762,594
Rates and taxes	922,921	1,096,151
Office maintenance	18,060,825	22,254,295
Implementation expenses	15,938,452	12,562,738
Advertisement and recruitment	721,174	1,212,362
Business promotion	1,462,451	2,211,401
Communication	3,822,656	3,685,642
Postage and courier	765,648	890,673
Insurance	2,053,664	2,348,578
Power and fuel	9,665,355	7,790,717
Travelling and conveyance	15,747,834	15,956,212
Legal and professional expenses	5,611,998	8,352,915
Provision for doubtful debts	503,448	689,992
Donations	163,180	128,986
Loss on sale of fixed asset	-	603,189
Payments to auditor	1,682,386	1,620,386
	91,556,149	**100,166,831**

Payments to auditor

	For the year ended 31 March	
	2013	2012
As auditor:		
- Audit fees	1,550,000	1,560,000
- Other services	127,000	-
- Reimbursement of expenses	5,386	60,386
	1,682,386	1,620,386

23. Contingent liabilities

	As at 31 March	
	2013	2012
(a) Claims against the Company not acknowledged as debt		
- Income tax*	113,480,599	52,541,539
- Service tax	-	3,563,314
(b) Corporateguarantees given on behalf of a subsidiary	358,633,092	295,633,092

* Claims against the Company not acknowledged as debts include demand from the Income tax authorities for payment of additional tax amounting to ₹113,480,599, including interest of ₹41,022,975 for the assessment years 2007-08 and 2008-09. The claims arose on account of transfer pricing adjustments. The matter for these assessment years are pending before the Income Tax Appellate Tribunal and the management believes that the ultimate outcome of this proceeding will not have an adverse effect on the Company's financial position and results of operations.

24. Leases

Operating leases

The Company has entered into operating lease agreements for its development centers for the period 1 to 3 years. The maximum obligations on non-cancellable operating leases payable as per the rentals stated in the respective agreements are as follows:

	As at 31 March	
	2013	**2012**
Not later than one year	-	5,873,439
Later than one year but not later than five years	-	-
	-	**5,873,439**

There are no restrictions imposed by lease arrangements. There are no subleases.

25. International transactions with related parties

The Company is required to use certain specified methods in computing arm's length price in respect of international transactions with itsassociated enterprises and is also required to maintain prescribed information and documents in connectionwith such transactions. The appropriate methods to be adopted depends on the nature of transactions/class of transactions, class of associated persons, functions performed and other factorsas prescribed under Rule 10B of the Income Tax Rules, 1962. The Company is in the process of updating the Transfer Pricing documentation for the year ended 31 March 2013 following detailed Transfer Pricing update conducted for the financial year ended 31 March 2012. In the opinion of management, the same would not have any impact on these financial statements. Accordingly, these financial statements do not include the effect of the transfer pricing implications, if any.

26. Segment information

In accordance with AS 17 'Segment Reporting' as notified by the Rules, segment information has been given in the consolidated financial statements of the Company and therefore no separate disclosure on segment information is given in these financial statements.

27. Exceptional item

In the previous year the company had entered into an agreement with Four Soft Nordic A/s, Denmark for sale of intellectual property rights for the e-customs product, for consideration of ₹68,000,000 payable in accordance with the terms. The sale consideration had been mutually agreed between parties based on the valuation report obtained from an independent valuer.

28. Related party disclosures

Names of the related party	Country	Nature of relationship
Four Soft B.V.	Netherlands	Wholly owned subsidiary (WOS)
Four Soft UK Ltd.	United Kingdom	WOS of Four Soft BV
Four Soft Netherlands B.V.	Netherlands	WOS of Four Soft BV
Four Soft Singapore Pte. Ltd.	Singapore	WOS
Four Soft Japan KK	Japan	WOS of Four Soft Singapore Pte. Ltd
Four Soft Australia Pty Ltd.	Australia	WOS of Four Soft Singapore Pte. Ltd
Four Soft Nordic A/S	Denmark	WOS of Four Soft BV
Four Soft Malaysia Sdn. Bhd.	Malaysia	WOS
Four Soft USA, Inc.	USA	WOS of Four Soft BV
Four Soft Employee Welfare Trust	India	Controlling interest
Mr. Palem Srikanth Reddy	India	Key management personnel (KMP)
Mr. Biju S. Nair	India	KMP
Sonata Information Technology Limited	India	Enterprises significantly influenced by KMP or their relatives.
Palpremium Online Media Pvt Ltd	India	Enterprises significantly influenced by KMP or their relatives.

The details of the related party transactions entered into by the company during the year ended 31 March 2013 are as follows:

	For the year ended 31 March	
	2013	**2012**
A. Subsidiaries		
Four Soft B.V.		
(a) Interest on loan granted	1,336,726	4,608,207
(b) Loan repayment received	-	129,457,691
Four Soft USA, Inc.		
(a) Reimbursable expenses (net)	-	90,874
(b) Sales and services	221,661,027	152,206,119
Four Soft UK Ltd.		
(a) Reimbursable expenses (net)	(4,381,260)	(45,101)
(b) Sales and services	5,917,425	5,485,287
Four Soft Netherlands B.V.		
(a) Reimbursable expenses (net)	-	(234,068)
(b) Sales and services	22,828,826	40,866,464
Four Soft Singapore Pte. Ltd.		
(a) Sales and services	13,734,335	15,491,964
(b) Interest on loan granted	544,062	1,118,733
(c) Repayment of interest on loan granted	8,200,000	-
(d) Interest repaid during the year	1,966,934	-
Four Soft Japan KK		
(a) Implementation expenses	13,612,812	12,562,738
(b) Reimbursable expenses, net	-	(11,206)
Four Soft Malaysia Sdn. Bhd.		
(a) Liabilities no longer required written back	643,477	-
Four Soft Nordic A/s		
(a) Reimbursable expenses (net)	-	(39,360)
(b) Sales and services	19,459,238	18,438,249
(c) Sale of software license	-	68,000,000
B. Key management personnel		
Remuneration		
Mr.Palem Srikanth Reddy	2,946,000	1,800,000
Mr.Biju S Nair	2,300,004	1,880,004
Employee stock options		
During the year the Company has allotted 100,000 stock options to Mr.Biju S.Nair at an excercise price of ₹5 each.		
C. Enterprises significantly influenced by key management personnel or their relatives		
Sonata Information Technology Limited		
Purchase of third party license	1,635,026	2,435,500
D. PalPremium Online Media Private Limited		
Professional services	530,817	402,898
E. Balance outstanding		
Trade receivables		
Four Soft Netherlands B.V.	22,868,690	24,930,346
Four Soft UK Ltd.	4,147,221	29,946
Four Soft USA, Inc.	81,481,642	37,492,504
Four Soft Singapore Pte. Ltd.	15,008,098	14,071,011
Four Soft Nordic A/s	21,473,403	7,344,422
Four Soft Japan KK	15,842,845	18,247,583

	For the year ended 31 March	
	2013	2012
Loans and advances		
Four Soft B.V.	25,166,081	23,630,237
Four Soft Netherlands B.V.	454,040	432,652
Four Soft USA, Inc.	1,470,602	1,290,237
Four Soft Singapore Pte. Ltd.	7,254,853	16,660,762
Current liabilities		
Four Soft UK Ltd.	4,381,260	301,689
Four Soft USA, Inc.	55,333,727	6,896,389
Four Soft Singapore Pte. Ltd.	601,694	567,116
Four Soft Japan KK	22,834,403	22,124,683
Four Soft Netherlands B.V.	-	244,663
Four Soft Malaysia Sdn. Bhd.	-	607,562
Four Soft Nordic A/s	-	42,262
Four Soft Australia Pty Ltd	243,782	231,502
PalemSrikanth Reddy	1,652,914	2,382,522
Four Soft Employee Welfare Trust	36,877	37,102
Other receivables		
Four Soft Nordic A/s	-	68,000,000

The Company has an outstanding guarantee given on behalf of Four Soft B.V. for its overdraft and term loan facility of ₹358,633,092 as at 31 March 2013 (2012: ₹295,633,092).

29. Earnings in foreign currency (on accrual basis)

	For the year ended 31 March	
	2013	2012
Sale of licenses	6,161,639	68,000,000
Sale of services	307,987,243	258,584,559
Annual maintenance services	21,983,767	20,301,069
Sale of third party licenses (gross)	263,328	1,665,319
	336,395,977	**348,550,947**

30. Unhedged foreign currency exposure

	For the year ended 31 March	
	2013	2012
Trade and unbilled receivables	160,923,501	171,997,913
Loans and advances to subsidiaries	34,345,577	42,013,888
Due to subsidiaries	83,394,866	31,015,866

31. Expenditure in foreign currency (on accrual basis)

	For the year ended 31 March	
	2013	2012
Travelling and conveyance	4,999,085	56,68,246
Implementation expenses	13,612,825	12,562,738
Third party software	510,179	19,04,701
	19,122,089	**20,135,685**

32. Value of imports calculated on CIF basis

During the year ended 31 March 2013 the Company has imported capital goods amounting to ₹1,021,279 (2012: ₹396,780).

33. Research and development

During the year ended 31 March 2013 the Company has incurred expenses amounting to ₹54,098,117 (2012: ₹76,581,382) towards research and development included under various heads of expenses.

34. Previous year comparatives

The previous year comparatives have been regrouped/reclassifiedwherever necessary, to confirm to the current year presentations.

35. Additional information

Additional information as required under paragraph 5 of the part II of the Schedule VI to the Act to the extent either "Nil" or "Not Applicable" has not been furnished.

This is the summary of significant accounting policies and other explanatory information referred to in our report of even date.

For **Walker, Chandiok & Co**
Chartered Accountants

per **Sanjay Kumar Jain**
Partner

Place: Hyderabad
Date: 30 May 2013

For and on behalf of the Board of Directors of
Four Soft Limited

Srinivas Prasad Edara
Director

Mohan Krishna Reddy
Director

PalemSrikanth Reddy
Chairman and Managing Director
Signed on 17-06-2013

Biju S. Nair
Chief Financial Officer and
Chief Operating Officer

Raghuram Mallela
Company Secretary

Place: Hyderabad
Date: 30 May 2013

Balance Sheet Abstract and Company's general business profile

Registration details

Registration No. : 33131

State Code : 01

(All amounts in ₹)

Balance Sheet date	**March 31, 2013**
Capital raised during the year	
Public Issue	-
Rights Issue	-
Bonus Issue	-
Sweat Equity shares to Directors	-
Shares allotted to Four Soft Ltd. Employee Welfare Trust	-
Position of Mobilisation and Deployment of Funds	
Total Liabilities	**1,070,238,814**
Total Assets	**1,070,238,814**
Sources of Funds	
Paid-up Capital	194,795,720
Reserves and Surplus	721,529,251
Secured Loans	-
Unsecured Loans	-
Application of Funds	
Net Fixed assets	73,092,620
Capital Work-in-Progress	-
Investments	661,287,430
Net current assets	148,774,704
Deferred Income Tax Asset	-
Miscellaneous expenditure	-
Accumulated losses	-
Performance of Company	
Income from software products and related services	323,609,181
Other Income	18,073,678
Total Income	341,682,859
Total Expenditure	354,099,448
Profit / (Loss) before tax	-12,416,589
Profit / (Loss) after tax	-12,416,589
Earnings per share (basic) (Rs.)	-0.32
Dividend per par value (Rs. 5/-) (%)	-
Generic name of principal products / services of the company	
Item Code No. (ITC Code)	85249009
Product Description	Computer Software

Disclosure under General Circular No. 2/2011 (No.51/12/2007-CL-III) dated 8th February, 2011 issued by Ministry of Corporate Affairs, Government of India.

(All amounts in ₹)

Sl. No	Subsidiary Company	Reporting currency	Exchange rate	Capital	Reserves	Total assets	Total liabilities	Investment other than Subsidiary	Turnover	PBT	Provision for tax	PAT	Country
1	Four Soft BV	Euro	70.07	4,641,887	1,411,667,586	2,186,144,612	2,186,144,612	-	96,632,453	64,167,961	34,010,387	30,157,574	Netherlands
2	Four Soft Netherlands BV	Euro	70.07	18,919,305	(33,268,899)	167,080,587	167,080,587	-	215,439,121	36,420,535	(36,657,914)	73,078,449	Netherlands
3	Four Soft Uk Ltd	GBP	83.13	166	72,367,622	128,905,752	128,905,752	-	200,568,261	257,230	7,373,705	(7,116,475)	United Kingdom
4	Four Soft USA Inc	USD	54.66	72	72,914,811	213,637,701	213,637,701	-	349,896,454	7,653,138	3,001,843	4,651,295	United States
5	Four Soft Singapore Pte Ltd	SGD	44.07	44,072,000	(32,031,150)	74,499,683	74,499,683	-	36,775,658	15,328,969	-	15,328,969	Singapore
6	Four Soft Malaysia Sdn Bhd	MYR	18.02	180,170,000	(185,317,468)	(3,703,207)	(3,703,207)	-	(84,313)	(454,757)	-	(454,757)	Malaysia
7	Four Soft Japan KK	Yen	0.58	1,741,200	(7,206,231)	20,711,594	20,711,594	-	15,924,565	645,917	45,986	599,931	Japan
8	Four Soft Nordic A/s	DKK	9.41	9,407,800	380,826,109	507,747,326	507,747,326	-	501,583,150	147,969,725	37,296,740	110,672,985	Denmark
9	Four Soft Australia Pty Ltd	AUD	56.97	29,053	(7,856,349)	8,596,189	8,596,189	-	25,890,488	(18,788,812)	-	(18,788,812)	Australia

Notes :

1. None of the subsidiaries have proposed dividend to Four Soft Limited during the year.

For and on behalf of the board of Directors of the

Four Soft Limited

Sd/-
Palem Srikanth Reddy
Chairman & Managing Director

Sd/-
Srinivas Prasad Edara
Director

Place: Hyderabad
Date: May 30, 2013

FOUR SOFT LIMITED

Registered Office: 8-2-703/2/B, Plot No.2, Road No. 12, Banjara Hills, Hyderabad - 500 034, Andhra Pradesh, India

ATTENDANCE SLIP

14th Annual General Meeting 27 November 2013

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL

Name & Address of the Shareholder	Registered Folio No.	Client ID & DP ID No.	No. of Share(s) held

I certify that I am a member/proxy for a member of the Company. I hereby record my presence at the 14th Annual General Meeting of the Company, on Wednesday, 27th November, 2013 at 8-2-703/2/B, Plot No.2, Road No. 12, Banjara Hills, Hyderabad, Andhra Pradesh at 11.00 a.m.

SIGNATURE OF THE MEMBER OR THE PROXY ATTENDING THE MEETING

If Member, please sign here	If Proxy, please sign here

Note: 1. Member/Proxy must bring the Attendance Slip to the meeting and hand it over, duly signed at the registration counter.
2. Members/Proxies are requested to bring their copy of the AGM Notice at the meeting as the same will not be circulated at the meeting.

FOUR SOFT LIMITED

Registered Office: 8-2-703/2/B, Plot No.2, Road No. 12, Banjara Hills, Hyderabad - 500 034, Andhra Pradesh, India

PROXY SLIP

14th Annual General Meeting 27 November 2013

Folio No.. Client ID No. & DP ID No ....
I/ We...of.. being a Member / Members of FOUR SOFT LIMITED, hereby appoint ....
of.. or failing him/her ....
of ....or failing him / her ....
....of .... as my / our proxy to vote for me/us on my/our behalf at the 14th Annual General Meeting of the Company, on Wednesday, 27th November, 2013 at 8-2-703/2/B, Plot No.2, Road No. 12, Banjara Hills, Hyderabad, Andhra Pradesh at 11.00 a.m. and at every adjournment thereof.

Affix
Re. 1.00
Revenue Stamp

Signed this………………………day of……………………….. 2013.

Note: 1. Proxy need not be a member.
2. Proxy Form, complete in all respects, should reach the Registered Office of the Company not later than 48 hours before the time for holding of the meeting.

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