FOUR SOFT

Internet Solutions for Logistics

07-08 Annual Report

BOARD OF DIRECTORS

Mr. Palem Srikanth Reddy	Chairman & Managing Director
Mr. K.V. Vishnu Raju	Independent Director
Mr. Douglas Terence Ash	Independent Director
Mr. Sarath Naru	Independent Director
Mr. K. V. Ramakrishna	Independent & Nominee Director
Mrs. P. Mangamma	Non-Executive Director

Company Secretary & Compliance Officer	Ms. Seena Sankar
Auditors	M/s. S.R. Batliboi & Associates Chartered Accountants
Internal Auditors	M/s. Laxminiwas & Jain Chartered Accountants
Bankers	M/s. The Hong Kong Shanghai Banking Corporation Ltd M/s. Citibank N.A.
Share Transfer Registrars	M/s. Karvy Computershare (P) Ltd. Plot No.17 to 24, Vittal Rao Nagar, Madhapur, Hyderabad - 500 081

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NOTICE

Notice is hereby given that the Ninth Annual General Meeting of Four Soft Limited will be held on Monday, the 29th day of September, 2008 at The Chip Auditorium, Cyber Towers, HITEC City, Madhapur, Hyderabad, A.P at 10.00 A.M. to transact the following items of business:

Ordinary Business:

1. To receive, consider and adopt the Audited Profit and Loss Account for the financial year ended on March 31, 2008 and the Audited Balance Sheet as on that date together with the Report of the Board of Directors and Auditors thereon.

2. To appoint a director in place of Mr. Sarath Naru, who retires by rotation, and being eligible, offers himself for reappointment.

3. To appoint a director in place of Mr. Douglas Terence Ash, who retires by rotation, and being eligible, offers himself for reappointment.

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

   "RESOLVED that M/s. S.R.Batliboi & Associates, Chartered Accountants who retires at the conclusion of this Annual General Meeting, be and are hereby appointed as Auditors of the Company till the conclusion of the next Annual General Meeting at a remuneration to be fixed by the Board of Directors of the Company."

Special Business:

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

   'RESOLVED THAT (further to the resolutions passed at the General Meetings held on 18th July, 2003 and 3rd September, 2004 and) pursuant to the provisions of sections 198, 269, 309, 310, 311, Schedule XIII to the Companies Act, 1956 (the Act) and other applicable, if any, of the Companies Act (including any statutory modification or re-enactment thereof, for the time being in force) and subject to such sanctions and approvals as may be necessary, approval of members be and is hereby accorded to the re-appointment of Mr. Palem Srikanth Reddy as Chairman and Managing Director in whole-time employment of the company for a period of 5 (five) years with effect from 18th July, 2008 at such remuneration as has been set out below:

   i. Salary (per month) - Rs. 20,000/-

   ii. Commission - 2% on net profits of the company computed in accordance with Section 349 of the Companies Act, 1956.

   iii. Perquisites:

      (a) 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.

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

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

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

      (e) Medical reimbursement as per actuals.

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

   RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorized to vary, alter or modify the different components of the above remuneration as may be agreed to by the Board of Directors and Mr. Palem Srikanth Reddy.

   RESOLVED FURTHER THAT in case of absence or inadequacy of profits for any financial year, Mr. Palem Srikanth Reddy, Chairman and Managing Director shall be paid remuneration as per Section II of Part II of Schedule XIII to the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force) as may be applicable from time to time."

6. To consider and if thought fit, to pass with or without modification(s), the following resolution as special resolution:

   "RESOLVED THAT in accordance with the applicable provisions of the Companies Act' 1956 (including any statutory modifications or re-enactment thereof, for the time being in force), the SEBI (Employee Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999, including any amendments thereof, for the time being in force (hereinafter referred to as "the ESOS Guidelines") approval of members be and is hereby accorded for modification of existing scheme of Four Soft Limited Employee Stock Option Scheme- 2003 as per the terms and conditions as set out in the explanatory statement annexed to this notice of meeting and be treated as these modifications of the scheme as an addendum to the earlier resolutions passed at the general meetings held on 18th July 2003 and 27th August, 2005 and read together for the purpose of compliance with sufficient disclosures under the ESPS Guidelines.

"RESOLVED FURTHER THAT the Four Soft Ltd. Employees Welfare Trust / Committee of Directors is hereby authorized to do all things necessary and to take such action as may be appropriate or expedient to amend or redefine from time to time the existing Employee Stock Option (ESOP) Scheme(s) approved earlier by the shareholders, so as to confirm to the ESOS Guidelines including any amendments thereof and take such other steps as may be necessary to ensure that such ESOS scheme (s) remain effective and in accordance with such ESOS Guidelines.

"RESOLVED FURTHER THAT the Four Soft Ltd Employees Welfare Trust / Committee of Directors is authorized to issue employee stock options to employees of subsidiaries and step subsidiaries of Four Soft Limited as per the new modified Employee Stock Option Scheme and Employee Stock Option Guidelines."

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 him and the proxy need not be a member.** The enclosed proxy form should be deposited with the company before the expiry of 48 hours from the date of Annual General Meeting.
2. An explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto.
3. The Register of members and the Share Transfer Registers of the Company will remain closed from 25th September, 2008 to 29th September, 2008 (both days inclusive) in connection with the Annual General Meeting.
4. Members / Proxies are requested to bring their copies of Annual Report to the meeting and the attendance slip duly filled in for attending the meeting. Copies of Annual Reports will not be provided at the Meeting.
5. 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
6. Shareholders holding shares in physical form are requested to advise any change of address immediately to the Company's Registrar and Share Transfer Agents, Karvy Computershare Private Limited. Shareholders holding shares in electronic from must send the advice about change in address to their respective Depository Participants and not to the Company.
7. 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. 040-23420818, 23420828
Fax No. 040-23420814
Email : manoj.pillai@karvy.com

For and on behalf of the Board of Directors

Palem Srikanth Reddy
Chairman & Managing Director

Place : Hyderabad
Date : 29th August, 2008

Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956

AS required by Clause 49 of the listing agreement on Corporate Governance, the particulars of Directors being reappointed are provided hereunder.

Item No. 5

Mr. Palem Srikanth Reddy, aged about 45 years, was reappointed as Managing Director of the company at the Extraordinary General Meeting held on 18th July, 2003 for a further period of five years at a salary of Rs. 20,000/- per month with effect from 18th July, 2003. He is also eligible to receive 2% commission on net profits of the company as per the members approved at the Annual General Meeting held on 3rd September, 2004.

The Remuneration Committee and the Board of Directors respectively at their meetings held on 1st July, 2008 have re-appointed Mr. Palem Srikanth Reddy as Chairman and Managing Director of the Company for further period of five years effective from 18th July, 2008. The remuneration committee has considered the inflationary trend and increase in work and responsibilities and also the amount being drawn by managerial persons occupying similar position in other comparable companies, while fixing the remuneration as set out in the resolution.

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. Four Soft today, is an 800 plus - strong vibrant team. Besides the above few testimonials of his successful creation of global solutions Company, there have been many remarkable achievements under Mr. Srikanth's stewardship. Yours directors consider that the reappointment of Mr. Srikanth will be in the interest of the Company and accordingly, it has been proposed to reappoint Mr. P. Srikanth Reddy as Chairman and Managing Director of the Company for further period of five years with effect from 18th July, 2008 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.

Your directors recommend the resolution as set out in Item No.5 of the Notice for approval of the Members.

No director other than Mr. Palem Srikanth Reddy and Ms. Mangamma, who is also the mother of Mr. Palem Srikanth Reddy is, in any way, concerned or interested in this resolution. This may also be treated as memorandum issued pursuant to Section 302 of the Companies Act, 1956.

Item No. 6

The Company appreciates the critical role of human resources in the organizational growth. It strongly feels that the value created by its people should be shared with them. In order to attract and retain qualified, talented and competent personnel, your company has instituted an Employee Stock Option Scheme 2003 (hereinafter called "the Scheme") in accordance with the Securities and Exchange Board of India (Employee Stock Option and Employees Stock Purchase Scheme) Guidelines, 1999 (including any modifications, therein from time to time) (hereinafter known as "Guidelines") and reserved an appropriate number of shares thereunder to allot equity shares against the stock options / shares to be granted to the employees of the Company and its Subsidiaries through Four Soft Ltd Employees Welfare Trust (here after referred as "The Trust"). To promote the culture of employee ownership in the company, approval of the members is being sought for modification of the employee stock option scheme in order to allot stock options to the employees of the company and employees of its subsidiary companies including step-down subsidiary companies.

The main features of the modified employee's stock options scheme are as under:

1. **Total options to be granted:**

   The Company has established Four Soft Limited Employees Welfare Trust ("the Trust") to administer the ESOP Scheme and had allotted 1,170,200 equity shares of Rs. 5 each to trust. As on March 31, 2008 the total shares held by the Trust is 556,856.

   All Vested options that are not exercised shall lapse and the unvested options in the event of resignation of the employees or otherwise will be cancelled and which would be available for being re-grant at a future date.

   A fair and reasonable adjustment needs to be made to the options granted in case of any corporate action(s) such as rights issue, bonus issues, merger and sale of division and others. Accordingly, if any additional equity shares are issued by the Company to the Options Grantees for making such fair and reasonable adjustment, the ceiling shall be deemed to be increased to the extent of such additional equity shares issued.

2. **Identification of classes of employees entitled to participate in the employee stock option scheme (s)**

   All permanent employees of the company and its one or more subsidiaries from time to time, including the Directors but excluding an employee who is a promoter or belongs to the promoter group of the Company and a director who 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, as may be decided by the Board of Directors / Remuneration Committee from time to time, would be entitled to be granted stock options under the ESOP Scheme .

3. Transferability of employee stock options

The Stock options granted to an employee will not be transferable to any person and shall not be pledged, hypothecated, mortgaged or otherwise alienated in any manner. However, in the event of the death of an employee stock option holder while in employment, the right to exercise all the options granted to him till such date shall be transferred to his legal heirs or nominees.

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

4. Requirements of Vesting and period of vesting

The options granted shall vest so long as the employee continues to be in the employment of the company. The Board or its Remuneration Committee may at their discretion, lay down certain performance metrics on the achievement of which the granted options would vest, the detailed terms and conditions relating to such performance based vesting, and the proportion in which options granted would vest (subject to the maximum vesting period as specified below.

The options would not vest not earlier than one year and not later than three years from the date of grant of options.

- 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.
- Balance 33.34% of the total shares granted can be exercised by each employee on or after completion of 3rd year from the date of grant.

1/3rd of total grants offered to be vested on to employee on each completed year of service from the date of granting of option.

In case of Senior management, the Board or its remuneration committee has to determine the exact proportion in which and the exact period over which the options would vest, subject to the maximum vesting period of 3 years from the date of grant of options.

5. Exercise price, Exercise Period and the process of exercise:

The exercise price is Rs. 5/- per stock option which is the face value of shares.

The exercise period would commence from the date of vesting and will expire on completion of one year from the date of vesting.

In the event of any tax liability arising on account of the issue of the Options/conversion into shares/sale of shares or any other event, to the employee/Optionee, then the liability shall be borne by that employee/Optionee only.

The options will be exercisable by the employees 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 Board or its Remuneration Committee from time to time. The options will lapse if not exercised within the specified exercise period.

6. Appraisal Process for determining the eligibility of the employees to ESOP:

The appraisal process for determining the eligibility of the employee will be specified by the Board / its Remuneration Committee to trust and will be based on criteria such as role / designation of the employee, length of service with the Company, past performance record, future potential of the employee and/or such other criteria that may be determined by its sole discretion.

8. Maximum number of options to be issued per employee and in aggregate:

The number of options that may be granted to any specific employee under the Scheme shall not exceed 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant of options.

9. Disclosure and Accounting Policies:

The Company shall comply with the disclosures and the accounting policies prescribed as per the applicable laws.

10. Method of option valuation:

To calculate the employee compensation cost, the Company shall use the intrinsic value method for valuation of the options granted.

In case the company calculates the employee compensation cost using the Fair value of the Stock options, the difference between the employee compensation cost so computed and the 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 also be disclosed in the Directors Report.

None of the other Directors of the Company is in any way concerned or interested in the resolution, except to the extent of the securities that may be offered to them under the scheme.

Additional Information:

Notes on Directors seeking appointment/re-appointment as required under clause 49 of the listing Agreement entered with Stock Exchanges:

Item No. 2

Brief profile of Mr. Sarath Naru, Director, who retires by rotation and is eligible for reappointment:

Mr. Sarath Naru aged about 51 years, has been on board of the Company since 30th January, 2006. He is the Managing Director of APIDC - Venture Capital Limited and also heads Ventureast Funds.

APIDC VC is a unique public-private partnership; Mr. Sarath Naru took over the Management of APIDC - Venture Capital Limited in 1995, in the first effective privatization of a financial institution in India. Prior to this, he worked for Procter & Gamble in the area of brand management in the USA and UK. He has also had manufacturing experience with VST Industries in Hyderabad. His academic qualification includes Bachelor of Technology (B.Tech) from IIT, Madras and MBA (Finance) from University of Chicago.

Mr. Sarath Naru has been a past-secretary of the Indian Venture Capital Association, he is a member of the Investment Committees of UTI Ventures (Subsidiary of India's largest Mutual Fund Manager) and Avigo Ventures Dubai (sponsored by the Lord Bagri group of the UK), and the Agri-Business Incubator at ICRISAT, Hyderabad, is the Treasurer of ABLE (Association of Biotech Lead Enterprises), and has been a Past Committee member of the Andhra Pradesh Chapter of the Confederation of Indian Industry (CII).

The other directorships held by Mr. Sarath Naru are mentioned below:

i. APIDC Venture Capital Pvt Ltd

ii. Ventureast Trust Capital (India) Pvt Ltd

iii. Dynam Venture East Pvt Ltd

iv. Dodla Dairy Ltd

v. Elbit Medical Diagnostics Pvt Ltd

vi. Pacific Hospital Pvt Ltd

vii. UTI Venture Funds Management Co. Pvt Ltd

Your Directors recommend the resolution for your approval. Except Mr. Sarath Naru, none of the other Directors of the Company is in any way concerned or interested in the resolution.

Item No. 3

Brief profile of Mr. Douglas Terence Ash, Director, who retires by rotation and is eligible for reappointment:

Mr. Douglas Terence Ash, aged about 60 years, has been on board of the Company since 16th July, 2001.

Mr. Douglas Terence Ash is a renowned personality in Transportation Industry Mr. Douglas Terence Ash is the Chairman of Global Freight Exchange (GF-X). GF-X is engaged in development of a neutral trading platform for airfreight carriers and freight forwarders. From 1974 to 1982, he was at Norcros (an industrial holding company), where he worked as Chief Executive of its International Division and subsequently its Consumer Division. From 1982 to 1985 he was Vice President for Northern Europe at Singer. In 1985 Mr. Douglas became Chief Executive of European Home Products (EHP), the management buy-in vehicle for Singer's European operations. The company was floated in 1986 and subsequently renamed Scholl Plc. Mr. Douglas left EHP and joined Ocean Group (now Exel Group) in 1990 as Chief Executive of MSAS, the global freight forwarder. A year before co-founding GFX, he served as Chief Executive of English (First Division) Rugby Football.

Mr. Douglas is also Deputy Chairman of Direct Wines Ltd., the world's largest home delivery wine business with revenues of over £150 million. He has an MBA from Harvard Business School and a BA in Industrial Economics from Nottingham University.

The other directorships held by Mr. Douglas are mentioned below:

i. Direct Wines Ltd

ii. Henley Rugby Club Ltd

iii. Refresh (UK) Ltd

Your directors recommend the resolution for the approval. Except Mr. Douglas Terence Ash, none of the Directors of the Company is in any way concerned or interested in the resolution.

For and on behalf of the Board of Directors

Palem Srikanth Reddy
Chairman & Managing Director

Place : Hyderabad
Date : 29th August, 2008

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting to you the Ninth Annual Report together with the Audited Statement of Accounts for the year ended 31st March 2008.

1. Standalone Financial Results:

Rs. in Millions, except per share

Particulars	2007-08	2006-07	Growth%
Total Income	**380.33**	375.33	1%
Total Expenditure	**334.53**	296.27	13%
Operating Profit (EBITDA)	**45.79**	79.06	-42%
Interest	**11.83**	1.23	865%
Depreciation	**25.28**	19.71	28%
Profit Before Tax	**8.68**	58.12	-85%
Provision for Tax	**1.54**	4.37	-65%
Deferred Tax	**1.53**	1.52	0%
Fringe Benefit Tax	**2.04**	1.32	55%
Profit after tax	**3.58**	50.91	-93%
Basic Earnings per share	**0.09**	1.42	-93%

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 Millions.

3. Dividend

Keeping in view the future requirements of adequate funds that may arise for various business activities, the directors do not recommend dividend for the financial year 2007-08.

4. Transfer to Reserves

The Company proposes the entire amount of profit after tax for an amount of Rs. 133.83 Millions to be retained in the profit and loss account.

BUSINESS PERFORMANCE

Result of Operations

During the year under review, your company achieved strong business growth, and was successful in delivering high value to the customers worldwide.

Revenues

Total income in financial year 2007-08 is Rs. 380.33 Millions (Previous year Rs. 375.33 Millions) and Rs. 1,768.89Millions as per the Consolidated Accounts (previous Year Rs. 1,629.23 Millions).

Operating Profit at Rs. 45.79 Millions (previous year Rs. 79.06 Millions) and Rs. 193.51 Millions as per Consolidated Accounts (previous year Rs. 108.32 Millions) Profit after tax is Rs. 3.58 Millions or 0.94% of total income (Previous Year Rs. 50.91 Millions or 13.57% of total income) and Rs. 50.49 Millions or 2.85% as per the Consolidated Accounts (Previous Year Rs. 9.48 Millions or 0.58 % of total income)

During the year under review your Company increased its client-base across the globe. Your company continues to grow towards becoming the Industry leader in this domain, leveraging our excellence in technology, domain and processes and continue to get 80% of revenues from existing customers. The company has incurred capital expenditure of Rs. 36.34 million for infrastructure & facilities. The company has incurred Rs. 78.82 Million on R&D expenses, up from Rs. 51.23 Million.

Liquidity

Your company continues to generate cash from operations and been able to manage working capital requirements and had cash equivalents of Rs. 18.96 Million as on March 31, 2008.

SUBSIDIARIES:

We have four subsidiaries; Four Soft B.V, Netherlands, Four Soft Singapore Pte Ltd, Four Soft Malaysia Sdn Bhd, Four Soft Nordic A/S, Denmark and six step down subsidiaries Four Soft Netherlands B.V, Netherlands, Four Soft UK Ltd, Four Soft USA Inc., Four Soft Japan, KK, Four Soft (HK) Limited, and Four Soft Australia Pty Ltd.

Four Soft B.V Netherlands

In September 2004, the company acquired CargoMate international B.V and the same was renamed as Four Soft B.V.

In September, 2005 your company acquired DCS T&L division with four entities for a 100% cash consideration of US$ 19.00 million through its subsidiary Four Soft B.V. the acquisition was part financed through debt funding of GBP 5.72 million from leading Indian bank, based of UK. Presently, Four Soft B.V. holds three subsidiaries viz., Four Soft UK Ltd., Four Soft Netherlands B.V and Four Soft USA Inc.

Four Soft Singapore Pte. Ltd

In May 2005 the company acquired Comex Frontier Pte Ltd. (renamed as Four Soft Singapore Pte Ltd.). The Company generated revenues of SG$ 1.66 Million, with operational profit (EBITDA) of SG$ 0.06 million and a net loss of SG$ 0.03 Million. The company is expected to break even in next financial year.

Four Soft Malaysia Sdn Bhd

In May 2005, the company acquired MY Comex Sdn. Bhd. (renamed as Four Soft Malaysia Sdn Bhd.). The company generated revenues of RM 0.37 Million, with a net loss of RM 0.16 Million. The Company is expected to break even in next financial year.

Four Soft Nordic A/S.

In January 2007, the company acquired Transaxiom Holding A/S and after the name of the company was changed to Four Soft Holding A/S. Four Soft Holding A/S merged with Four Soft Nordic A/S on the date of acquisition. Four Soft Nordic A/S along with its subsidiaries generated revenues of DKK 52.14 Million, with a net profit of DKK 9.35 Million.

INDUSTRY SOLUTIONS

Presently, your company offers solutions in the areas of Freight forwarding industry, Customs brokerage, Contract Logistics, Shipper Logistics and Services. Products in Freight forwarding industry include eTrans, iLogistics, eSupply and eTrans SME. Services include Consulting, Software Development and System Integration & Implementation.

The Annual Reports of all the subsidiaries of your Company viz. Four Soft B.V Netherlands, Four Soft Singapore Pte Ltd, Four Soft Malasia Sdn Bhd and Four Soft Nordic A/S have been attached to this report as required under section 212 of the Companies Act, 1956.

HUMAN RESOURCES

Four Soft as a growing Indian Multinational, fosters innovation, talent and growth in every associate joining the company. The company's human resources department has processes for recruitment, performance measurement, talent retention and all-round employee development. It goes without saying that human resources form the most valuable part of an organization even in an electronic era. Imaginative and creative ideas come from human resources and machines can aid only in enabling the implementation of those ideas. We believe that employee talent is nurtured with passion and enjoyable workplace. The company is committed to train and nurture talent and provide the much needed career growth and incentives through Employee Stock Option Plan, which has been highly successful. Your company has been successful in transitioning acquisitions, thus managing key people challenges through process maturity and domain expertise. We have successfully merged different geographic cultures and maintain the knowledge management.

SOCIAL RESPONSIBILITY:

Your company continues to be associated with society at large, through society development programs and contributed to social causes. Company and its employees have adopted government schools and made significant contributions towards education, personal development, and hygiene and participated in various programs organized in those schools. Your company continues to help destitute girl children in the society for their well being and make them educated social citizens.

QUALITY

Product Development and delivery are critical to any software product and solutions company, thus improving customer satisfaction. Continuous Quality improvement and adherence to quality standards and processes are important to remain competitive in the global market. During the year, your company has focused on improving quality in every process, including project delivery, product development, Testing and implementation. Your company is in the process of performance improvement through various measures and initiatives, including CMMi and Six Sigma processes.

CORPORATE GOVERNANCE

As good governance incentive, Four Soft continues to improvise on complying and provide additional disclosures apart from complying with recommended SEBI guidelines on Corporate Governance. The Company Secretary Certificate on compliance with the mandatory requirements of the Corporate Governance requirements is annexed to this report.

The Whistle blower policy and the code of conduct for Senior Officers and Executives have been implemented in the company. The company has internal controls and documented procedures and continues to ensure compliance with the said recommendations.

DIRECTORS:

As per Article 88 of the Articles of Association, Mr. Sarath Naru, and Mr. Douglas Terence Ash retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment.

Pursuant to the provisions of Clause 49 of the Listing Agreement, brief profiles of the above directors are provided in the notice to the Annual General Meeting.

Mr. Koh Boon Hwee and Mr. Suresh C. Rajpal ceased to be directors of the company with effect from 1st October, 2007. We place on record our appreciation for the services rendered by Koh Boon Hwee and Mr. Suresh C. Rajpal during their tenure on the Board.

AUDITORS:

The auditors, M/s. S. R. Batliboi & Associates, Chartered Accountants retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. The company has received their willingness for re-appointment as auditors of the company and a certificate under Section 224 (1B) of the Companies Act, 1956.

AUDITOR'S REPORT:

A Report of the Auditors on the financials of the company is appended to this Annual Report.

The observations, reservations or adverse remarks expressed by the auditors in the Audit Report are self explanatory.

DISCLOSURE AS PER LISTING AGREEMENT:

Clause 32:

The cash flow statement in accordance with the Accounting Standard on cash flow statement (AS-3) issued by ICAI is appended to this Annual Report.

Clause: 43A

Your Company's shares are listed on the Bombay Stock Exchange Limited, Mumbai (Stock Code: 532521) and National Stock Exchange of India Limited, Mumbai (Stock Code: FOURSOFT). The Annual Listing Fees for the year 2008-09 has been paid.

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

The financial statements are prepared in conformity with the accounting standards issued by the Institute of Chartered Accountants of India and the requirements of the Companies Act' 1956, to the extent applicable to the company; as a going concern and on the accrual basis. There are not material departures from prescribed accounting standards in the adoption of the accounting standards. The accounting policies used in the preparation of the financial statements have been consistently applied except where otherwise stated in the notes on accounts.

The board of directors and the management of your company accept responsibility for the integrity and objectivity of these financial statements. The estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis. In order to 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 profit for the year. To ensure this the company has taken proper and sufficient care in installing a system of internal control and accounting on an ongoing basis.

The financial statements have been audited by S.R.Batliboi & Associates, Chartered Accountants, the statutory auditors.

The audit committee of the company meets periodically with the statutory auditors to review the manner in which the auditors are discharging their responsibilities, and to discuss auditing, internal control and financial reporting issues. To ensure complete independence, the statutory auditors have full and free access to the members of the audit committee to discuss any matter of substance.

Employee Welfare Trust

In 2003, the company has issued 11,70,200 shares to the Four Soft Ltd. Employee Welfare Trust (the Trust) for the benefit of the employees under the Employee Stock Option Plan 2003. During the year the trust, has granted 358,280 options to the employees as per the ESOP Scheme 2003 at an exercise price of Rs. 5/- per share, with a progressive vesting over a period of three years from date of grant. As of March 31, 2008 the trust has 556,856 shares which are unutilized. These shares have been irrevocably issued to the trust and are to be used for the benefit and welfare of the employees.

Outstanding at the beginning of the year	620,940
Granted during the year	358,280
Forfeited during the year	96,469
Exercised during the year	311,711
Expired during the year	20,000
Outstanding at the end of the year	551,040
Exercisable at the end of the year	Nil
Employees receiving 5% and more during the year	Nil
Diluted EPS, pursuant to issue of shares in accordance with AS 20	0.09

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.

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. The Department of Company Affairs, has recently amended the Companies (Particulars of employees) Rules, 1975 to the effect that particulars of employees of companies engaged information technology sector posted and working outside India not being directors or their relatives, drawing more than rupees twenty four lakhs per financial year or rupees two lakhs per month, as the case may be, need not be included in the statement, but, such particulars shall be furnished to the Registrar of Companies. However there are no employees covered under the above provisions.

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

The particulars as prescribed under Subsection (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.

ACKNOWLEDGEMENTS:

Your directors thank the company's clients, vendors, investors and bankers for their continued support during the year. Your directors place on record their appreciation of the contribution made by employees at all levels. Your company's consistent growth was made possible by continued commitment to work, co-operation and support.

Your directors thank the Government of India, particularly department of Information Technology, Customs and Excise, Income Tax, Software Technology Park of Hyderabad, Reserve Bank of India and other government agencies for their overall support and look forward for their continued support in the future.

For and on behalf of the board of Directors

Palem Srikanth Reddy	**P. Mangamma**
Chairman & Managing Director	Director

Place : Hyderabad
Date : 29th August, 2008

Annexure 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

The business operations of your company are not energy intensive. However, significant measures are taken to reduce energy consumption by using energy efficient computers and equipments. Your company continuously evaluates new technologies and invests for making infrastructure more energy efficient. As the facility is located in Cyber Towers, Air-conditioners, hydro-pneumatic pumps used are highly energy efficient. As energy costs comprise a nominal part of company's total expenses, the financial impact of these measures is not material.

2. Research and Development

a) Four Soft Ltd. is an Enterprise solutions provider, with technology prowess on most advanced technology tools and trained manpower for R&D activities. The company continues evaluating new technologies and methodologies for implementing the same with future benefit to customers. The current technologies the company is evaluating some of the following technologies and architecture, Spring, Hibernate, SOA (Web-services, BPEL, Master Data Management, Enterprise Service Bus), Compliant with Third Party Application Servers, Real Time Data Warehousing, Portals, Business Intelligence , EJB 3.0 etc. These technology tools will help product enhancement and integration with other applications on different technologies, thereby enhancing the quality, productivity and customer satisfaction through continuous innovation.

b) Specific R&D activities at your company

Your company spent Rs.78.82 Million in current year (Rs. 51.23 Million previous year), which includes amount spent on product enhancement through adopting new technology methods such as Spring Hibernate frame work and other innovative technologies mentioned in para (a), for development and BIG IP load balancer and Webload 1000 users load testing tool for testing High availability, scalability and performance with continues improvement in product functionality, scalability and robustness. Other expenses incurred on methodologies and new technologies, which help our company in improving its quality and service capability.

c) Benefits derived as a result of R&D activity

The company's R&D activity continuously provides technical innovation, improves the product technical quality and streamlines the process flow. The company R&D process supports various technology and applications interfacing our products. With the introduction of new Model Driven Highly Productive application Framework, productivity has increased to 200 %. We have world class Infrastructure and resources for testing performance and scalability of products tested for 1000 concurrent users in customer's simulated environment.

d) Future plan of action

Our company's focus is now moving the existing products from execution level to Decision Making Model level. Future benefits are expected to flow in from initiatives undertaken this year. We are Introducing Services Oriented concept at core component level to integrate application at operational level to other ERP applications. Evaluating BPEL and portal technologies to achieve process orchestration and UI level integration. Enterprise service Bus and Messaging Integration and also JEE5 technologies. Innovations in process design areas and adopting new design tools to support new standards.

3. Technology absorption, adaptation and innovation

Your company has always been in the forefront in using cutting edge technology tools and methodologies in its products and solutions. The Company has technology alliance with Oracle, Sun Microsystems and IBM Software for continued technology improvement. The two major initiatives on technology front are Knowledge Management and Collaborative Technology.

4. Foreign exchange earnings and outgo

a) Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services, and export plans

Your company has derived 98 % of its revenues from exports; your company has direct marketing offices in North America, Europe and Asia-Pacific regions. During the year the company has set up offices in North America, UK, Netherlands, Australia and Japan. The Company would continue to focus on more such offices in other countries with sales support staff providing services to large international clients.

b) Foreign exchange earned and used for the year ended March 31, 2008

(Rs. in Millions)

	2008	2007
Gross Earnings	**358.44**	368.63
Outflow (including capital goods And imported software)	**38.01**	30.11
Net Foreign Exchange Earnings	**320.43**	338.52
NFE/Gross Earnings %	**89.39**	91.83

For and on behalf of the board of Directors

Palem Srikanth Reddy
Chairman & Managing Director

P. Mangamma
Director

Place : Hyderabad
Date : 29th August, 2008

ANNEXURE TO DIRECTORS' REPORT ON CORPORATE GOVERNANCE

forming part of Director's Report of Four Soft Ltd. for the year ended March 31, 2008 pursuant to Annexure 1 C(Mandatory Requirements) read with Para VI of Clause 49 of the Listing Agreement with the Stock Exchanges in India.

Corporate Governance Philosophy

Companies across the world have adopted and practiced the best concept of Corporate Governance, in order to protect stakeholder's interest, including shareholders, employees, customers, suppliers and vendors. Globally companies have adopted Corporate Governance 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 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 2007-08.

A. Board Composition

1. Size and composition of the board

The Company has optimum combination of non-executive directors with four Independent Directors. The Chairman is an executive director and the number of Independent Directors is more than 50% at any point of time. All independent non-executive directors comply with the requirement of Independent Director's 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	Category	Number of Board meetings		Whether attended 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
Suresh C. Rajpal *	Non- Executive Chairman	4 **	–	No	Nil	4	Nil	–	–
Palem Srikanth Reddy	Chairman & Managing Director	7	6	Yes	1	2	10	–	–
K.V. Vishnu Raju	Non-Executive and Independent Director	7	7	Yes	7	1	Nil	3	–
Sarat Naru	Non-Executive and Independent Director	7	2	No	3	8	Nil	2	–
K.V. Ramakrishna	Independent & Nominee Director	7	4	No	2	2	Nil	3	–
Koh Boon Hwee *	Non-Executive and Independent Director	4 **	–	No	Nil	Nil	11	–	–
Douglas Terence Ash	Non-Executive and Independent Director	7	–	No	Nil	Nil	3	1	–
P. Mangamma	Non-Executive Director	7	7	Yes	Nil	1	Nil	1	–

* Resigned as director with effect from 1st October, 2007

** Details provided under the tenure of respective director

2. **Definition of Independent Director**

   i. 'Independent director' shall mean a non-executive director of the company who:

   a. apart from receiving director's remuneration, does not have any material pecuniary relationships or transactions with the company, its promoters, its directors, its senior management or its holding company, its subsidiaries and associates which may affect independence of the director;

   b. is not related to promoters or persons occupying management positions at the board level or at one level below the board;

   c. has not been an executive of the company in the immediately preceding three financial years;

   d. is not a partner or an executive or was not partner or an executive during the preceding three years, of any of the following:

      i. the statutory audit firm or the internal audit firm that is associated with the company, and

      ii. the legal firm(s) and consulting firm(s) that have a material association with the company.

   e. is not a material supplier, service provider or customer or a lessor or lessee of the company, which may affect independence of the director; and

   f. is not a substantial shareholder of the company i.e. owning two percent or more of the block of voting shares.

3. **Particulars of Directors appointed / reappointed during the year**

   As per provisions of Article 88, Mr. Sarath Naru and Mr. Douglas Terence Ash, directors retire at the ensuing general meeting and being eligible, offer themselves for re-appointment.

   During the financial year 2007-08, Mr. Suresh Rajpal and Mr. Koh Boon Hwee resigned from the directorships of the Company with effect from 1st October, 2007.

4. **Board Procedure**

   The Board of Directors of the Company should meet at least 4 times a year, with a maximum time gap of four months between any two meetings. The draft agenda papers are sent one week in advance, to invite any suggestions on the agenda items. The relevant agenda materials are circulated to the Board just before the Board Meeting.

5. **Information supplied to the Board**

   The Board of directors are required to take decision on various issues relating to operations, financials whenever applicable and materially significant. The Board is presented with necessary presentations, financials, marketing updates, compliance reports and other related material covering business and general operations of the Company at scheduled quarterly board meetings. The processes for Board and Committee meetings provide the necessary review, follow-up and update on items discussed.

6. **Director's Membership in board / committees of other companies**

   In terms of the Listing Agreement, none of the Directors of the Company were members in more than 10 committees nor acted as Chairman of more than five committees across all companies in which they were Directors.

B. Board Meetings

As per the Listing Agreement, the Board of Directors must meet at least four times a year, with a maximum gap of four months between any two meetings.

7 board meetings were held during the financial year ended March 31, 2008. The dates of the Board meetings were 09.05.2007, 29.06.2007, 18.07.2007, 27.08.2007, 30.10.2007, 31.01.2008 and 28.03.2008. The gap between two meetings did not exceed four months.

1. **Materially Significant related party transactions**

   There have been no materially significant related party transactions, pecuniary transactions or relationships between Four Soft and its directors, management, subsidiary or relatives except remuneration to the Managing Director and Chief Executive Officer of the Company

2. **Independent directors' meeting**

   As a company policy, the independent directors of the board are updated regularly on all business-related issues and new initiatives. The executive directors and other senior management personnel shall make such presentations on relevant issues.

C. Board Committees

The Company presently has three committees - the Audit Committee, Remuneration Committee and the Investor Grievance 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 committee meetings. Recommendations of the committee are submitted to the full board for approval.

1. Audit Committee

i. Brief Description of the terms of reference of the Audit Committee

The Audit committee reviews, acts and reports to Board of Directors:

- 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 sent to the audit committee and the Board. The Audit committee reviews the un-audited quarterly, half-yearly and audited annual financial results, with the management before submitting to the Board for its approval. The Chairman of the Audit Committee is also present at the General Body Meeting.

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 at our website www.four-soft.com/investors/corporategovernance

The audit committee comprises of three independent and non-executive directors. All the members of the Audit Committee are financially literate and the Chairman is a financial management expert.

K..V. Vishnu Raju	:	Chairman
K.V. Ramakrishna	:	Member
Sarath Naru	:	Member

Attendance at the Audit Committee Meeting:

The audit committee met four times during the year 2007-08.

Name	Number of meetings held during the year	Number of meetings attended during the year
K.V.Vishnu Raju	4	4
K.V.Ramakrishna	4	3
Sarath Naru	4	2

2. Remuneration Committee

The brief terms of reference of Remuneration Committee is

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

(b) to recommend ESOP trust the ESOP plan drawn from time to time.

The Remuneration committee comprises of three Independent directors and a non-executive Director.

Name of Director		
Mr K. V. Vishnu Raju	-	Chairman
Mr. Douglas Terence Ash	-	Member
Mr. K.V. Ramakrishna	-	Member
Mrs. P. Mangamma	-	Member

Executive directors are paid remuneration as per limits specified under Schedule - XIII of Companies Act, 1956.

The remuneration payable is always recommended by Remuneration Committee and is approved by the Board and Shareholders of the Company.

Details of remuneration paid to Palem Srikanth Reddy, MD & CEO of the company is specified under the relevant section in the annual report.

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.

a. Members of the Committee:

The Investor grievance committee consists of following Independent directors.

Mr. Sarath Naru	-	Chairman
Mr. K.V. Vishnu Raju	-	Member
Mr. K.V. Ramakrishna	-	Member

b. Name and Designation of Compliance Officer:

Ms. Seena Sankar, Company Secretary

c. Status of Share transfers as on the date of the Report

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

d. Details of Investor Correspondence/ grievances for the year 2007-2008

Received	Redressed	Pending
13	13	NIL

The company expresses satisfaction on the Committee's performance in dealing with investor grievances and its share transfer system. It is also noted that the shareholding in dematerialization mode 93.91% as against 84.2% previous year.

D. General Body Meetings

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

Financial Year	Date	Time	Venue
2004-05	27-08-05	9.30 A.M	Chip Auditorium, Cyber Towers, Hitech City, Hyderabad-33
2005-06	29-09-06	2.00 P.M	Chip Auditorium, Cyber Towers, Hitech City, Hyderabad-33
2006-07	28-09-07	10.00 A.M	Chip Auditorium, Cyber Towers, Hitech City, Hyderabad-33

Following Special Resolutions were passed in the AGM held on 29-08-2005: a) Authorization to Board to under section 372A of Companies Act 1956, inter corporate loans and investments upto a limit of Rs.100Crores b) Increase in Authorized Capital of the company to Rs.35 Crores and consequent alteration in Memorandum and Articles of Association of the Company c) Preferential Allotment to investors d) Modification of Four Soft Limited ESOP Scheme.

An Extra-Ordinary General Meeting was held on 19th January, 2007 at the Chip Auditorium, Cyber Towers, Hitech City, Hyderabad-33 for i)seeking approval for allotment of equity shares to select group of persons for cash ii) allotment of equity shares to seller of Transaxiom Holding A/S for consideration other than cash iii)Allotment of Warrants to Citigroup or any of its affiliates, iv) Allotment of warrants to IndusAge management Services Pvt Ltd & v) raising of additional capital by way of ADR/GDR or Bonds or Debentures.

No Resolution was passed through Postal Ballot during last year.

E Disclosures

1. There has been no materially significant related party transactions that may have potential conflict with the interests of the Company. None of the non-executive directors have any pecuniary material relationship with the company for the year ended March 31, 2008

2. In the opinion of the Board, during the year March 31, 2008, transactions between the Holding Company and its subsidiaries have been done at arms length and are duly recorded in the Register of Contracts maintained by the Company pursuant to Section 301 of Companies Act, 1956.

3. The Company has complied with the requirements of the Stock Exchange or SEBI on matters related to Capital Markets as applicable.

4. The company has adopted a whistle blower policy under the code of ethics, whereby employees are given free access to Audit committee to report violation of code of conduct or ethics policy, actual or suspected fraud to the Chairman of Audit Committee. During the financial year, no personnel of the Company has been denied access to the Audit Committee.

   Mrs. P. Mangamma holds 3,480 shares Mr. Douglas Terence Ash holds 2,10,000 shares as on 31st March, 2008. No other Non-Executive Director holds any shares in the Company.

   Your company has complied with all the mandatory requirements of the Clause 49 of the Listing Agreement.

   The details of these compliances have been given in the relevant section of this report.

   For the purposes of this declaration, Senior Management Team means the Chief Operating Officer, the Company Secretary and employees in the executive Vice President cadre as on March 31, 2008.

F. Communication to Shareholders

The quarterly and annual un-audited financial results of the Company are published in major newspapers including, Business Standard (national news paper) and in Andhra Bhoomi (vernacular news paper). The complete quarterly un-audited / audited financial statements, press releases etc., are posted on the company's website, at www.foursoft.com and shall be sent in such a form so as to enable the stock exchange to be put on its own website. Any official news releases are also displayed on the website. All presentations made to analyst and institution investors are displayed on the Company's website.

G. General Shareholder Information

1. **Date, time and venue of 9th AGM** — 29th September, 2008 at 10.00 A.M The Chip Auditorium, Cyber Towers, HITEC City, Madhapur, Hyderabad - 500 033, AP, INDIA

2. **Financial Calendar** — 1st April to 31st March

3. **Dates of book closure** — 25th September, 2008 to 29th September, 2008 (both days inclusive)

4. **Listing on stock exchanges** — National Stock Exchange of India Ltd. (NSE) and the The Stock Exchange, Mumbai (BSE)

   Listing fees have been paid for 2008-09 have been paid to both the stock exchanges.

5. **Stock Code** — Bombay Stock Exchange Ltd., Mumbai : 532521
   National Stock Exchange of India Ltd. : Four Soft

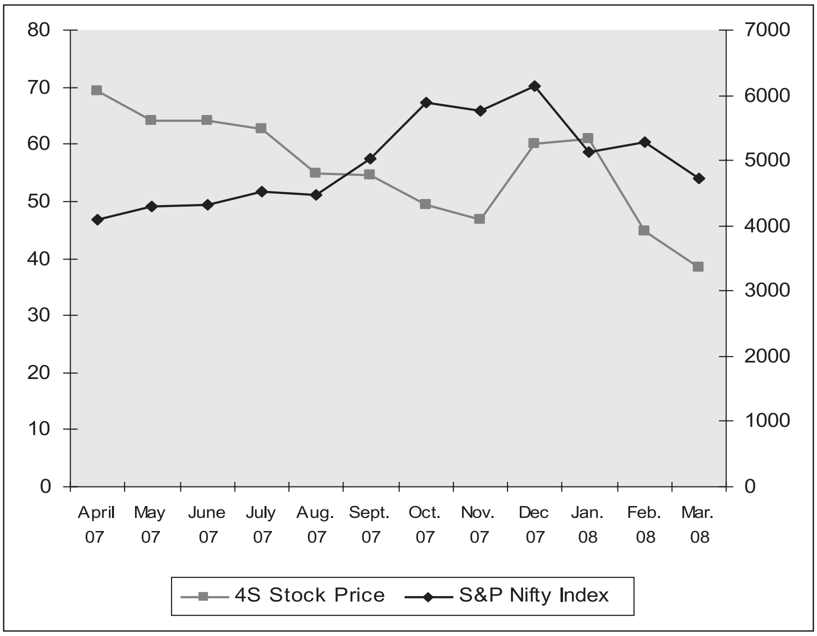
6. **Electronic Connectivity** — National Securities Depository Ltd. &
   Central Depository Services (India) Ltd.

7. **Stock market data**

   Monthly closing high and low quotations of shares traded on National and Mumbai Stock Exchanges for the year 2007-08.

Year 2007 - 08	NSE			BSE		
Month	HighRs.	Low Rs.	No.of Shares	High Rs. Traded	Low Rs.	No. of Shares Traded
April	69.45	56.15	1501886	70.40	57.60	1219722
May	64.00	54.00	1300896	64.80	54.05	951780
June	64.00	54.30	1711301	63.00	53.50	1858715
July	62.75	47.30	3122968	62.90	47.65	3027516
August	54.75	41.70	3130144	55.00	42.00	2450605
September	54.45	44.70	2352718	54.00	45.00	1892525
October	49.25	41.70	1504775	49.50	40.55	1060007
November	46.75	39.15	1337288	47.10	39.00	1378374
December	60.10	41.00	5129367	62.00	40.40	5089273
January	60.90	35.00	1178650	61.60	34.55	1455575
February	44.90	35.95	394014	44.65	35.95	525867
March	38.45	22.10	854928	38.50	22.25	1390610

Four Soft Stock Price and S&P CNX Nifty Index



8. Registered Office

5Q1 A3, 5th floor, Cyber Towers, Hitec City, Madhapur,
Hyderabad - 500 033, A.P India
Tel: +91-40-2310 0600, Fax: +91-40-2310 0602
Website: www.four-soft.com

9. Registrar and Share transfer agent

Share transfers in physical form and other communication regarding share Transfer, certificates, dividends, change of address, etc., may be addressed to:
Karvy Computershare Private Ltd.
UNIT: Four Soft Limited
46, Avenue 4, Road No. 10
Banjara Hills, Hyderabad - 500 034.
India
Tel: +91-40-2331 2454, Fax: +91-40-2331 2968
Email: manoj.pillai@karvy.com

The turnaround time for completion if transfer of shares in physical form is generally less than 7 days from the date of receipt, if the documents are clear in all respects

10. Share Transfer System

The Board has delegated the Power of Share Transfer to Registrar and Share Transfer Agents for processing of share transfers to Karvy Computershare Pvt. Ltd., Registrars of the Company at the address given above.

11. Distribution of shareholding as on March 31, 2008.

No. of Equity shares held	No. of Shareholders	% of Shareholders	Total Shares	Amount of Shares	% of Total Amount
1 - 5000	22530	92.67	5193108	25965540	13.33%
5001 - 10000	834	3.43	1323139	6615695	3.40%
10001 - 20000	393	1.62	1142903	5714515	2.93%
20001 - 30000	221	0.91	1116163	5580815	2.86%
30001 - 40000	75	0.31	532110	2660550	1.37%
40001 - 50000	70	0.29	662840	3314200	1.70%
50001 - 100000	88	0.36	1272384	6361920	3.27%
100001 & Above	100	0.41	27717097	138585485	71.14%
Total	24311	100.00	38959744	194798720	100.00

12. Share transfers in physical form — Shares sent for physical transfer are affected after approval by the share transfer committee of the company.

13. The share transfer system

Shares lodged for physical transfer would be registered within a period of 8 days, on proactive measure and duly transferred 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 in dematerialized form are transferred within 21 days.

14. Investor's correspondence

For investor matters:
Ms.Seena Sankar
Company Secretary and Compliance Officer
Secretarial Department
Four Soft Limited
5Q1 A3, 5th Floor, Cyber Towers
Hitec City, Madhapur, Hyderabad - 500 033
Tel: +91-40-2310 0600, Fax: +91-40-2310 0602
email: investorinfo@four-soft.com

For queries on Financial statements
Mr.Biju S. Nair
Sr. Vice President (Finance & HR)
Four Soft Limited
5Q1 A3, 5th Floor, Cyber Towers
Hitec City, Madhapur, Hyderabad - 500 033
Tel: +91-40-2310 0600,
Fax: +91-40-2310 0602
email: nair.biju@four-soft.com

H Other Information

1. 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 (Date of Annual General Meeting)	Unclaimed AmountRs.	Due date for transfer to IEPF
2003-04	3rd September 2004	2,31,064	10th October 2011
2005-06	29th September 2006	1,81,998	6th November 2012

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.

2. 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 would write to their respective Depository participants.

3. Nomination in case of shares held in physical form

The companies Act, 1956 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.

4. Secretarial Audit

A qualified practicing Company Secretary has carried out quarterly secretarial 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 wit the aggregate total number of shares in physical form and the total number of dematerialized shares held in NSDL and CDSL.

5. Compliance

The Certificate dated 29.08.2008 obtained from Mr. A.G.Ravindranath Reddy, Practising Company Secretary is given at relevant page in annual report.

6. Code of Conduct

In pursuit of outlining the company's business policies and values and setting the standards for professional and ethical behavior of all the employees in the company, the Board of Directors of the Company has laid down the Code of Business Conduct and Ethics. The same is available on Company's website at www.four-soft.com/

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

As CEO and Managing Director of the Company, as required under Clause 49 (D) (ii) of the Listing Agreement with Stock Exchange in India, I hereby declare and confirm 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, 2008.

Place : Hyderabad
Date : 29th August, 2008

Palem Srikanth Reddy
Chairman & Managing Director

DETAILS OF ESOP OPTIONS

Disclosure pursuant to provisions of SEBI (ESOP) Guidelines, 1999 is given below:

Sl. No.	Description	2003 Plan
1	No. of shares available under ESOP Scheme	
	a. Originally allotted	953,000
	b. Consequent to Bonus Issue & Split of shares	217,200
	c. Total	1,170,200
2	No. of Options granted	358,280
3	Pricing Formula	Price of Rs.5/- per share
4	Options vested as on March 31, 2008	Nil
5	Options exercised during the year	311,711
6	Options lapsed during the year	116469
7	Grant Price	Rs.5/-
8	Total no. of options in force as on March 31, 2008	551,040
9	Variations of terms of Option	Nil
10	Money realized by exercise of options	1,558,555
11	Grant details to members of senior management team - Biju S. Nair	60,000
12	Employees holding 5% or more of total options granted during the year	NIL
13	Identified employees, who were granted options during the financial year exceeding 1% of issued capital	NIL
14	Diluted EPS as per Accounting Standard 20	0.09

15. i) Method of calculation of employee compensation cost : The company has calculated the employee 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. 4,996,337

(iii) The impact of this difference on profits and on EPS of The company :

PAT	Rs. 3,576,635
Less: Additional employees Compensation cost based on Fair value	Rs. 4,996,337
Adjusted Pat	Rs. (1,419,702)
Adjusted EPS	
Basic	Rs. (0.04)
Diluted	Rs. (0.04)

(iv) Weighted average exercise price and fair value of Stock Options granted:

Stock options granted on	Weighted average exercise price (Rs.)	Weighted average fair value (Rs.)	Closing market price at NSE on the date of grant (Rs.)
August 10, 2007 and	5/-	49.81	49.50
March 28, 2008			25.60

(v)	Description of the method and significant assumptions Used during the year to estimate the fair value of the 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.

(vii) The main assumptions used in the Black Scholes option pricing model during the year were as follows:

		2008	2007
Risk free interest rate	:	**8.03%**	8.05%
Expected life of options from the date(s) of grant	:	**1 to 3 Years**	1 to 3 Years
Expected volatility	:	**0.713**	0.53
Expected Dividend Yield	:	**Nil**	Nil

For and on behalf of the board of Directors

Place : Hyderabad
Date : 29th August, 2008

Palem Srikanth Reddy
Chairman & Managing Director

P. Mangamma
Director

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 31st March' 2008 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 was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of Corporate Governance. 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 my information and according to the explanation give to me, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the Listing Agreement. We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Shareholder's Committee.

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.

Place : Hyderabad
Date : 29th August, 2008

For AGR Reddy & Co.,
Company Secretaries

K.V. Subramanyam
Partner

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

The financial statements have been prepared in compliance with the requirements of the Companies Act 1956, and Generally Accepted Accounting Principles (GAAP) in India. 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 operates in a niche market domain of Supply Chain Management solutions for Transportation, Logistics, Freight Forwarding and Distribution Business. These solutions improve efficiency, visibility and integration to third party software and systems. The Company product development (India Technology Centre) and Global Delivery centre is located at Hyderabad with sales and support offices in UK, Netherlands, Denmark, USA, Singapore and Japan. Four Soft continues to be a global leader in Supply Chain Execution Software Solutions for Freight Forwarding and Transportation domain.

2. Opportunities and Threats

2.1 Growth through Organic and Inorganic Mode

Four Soft has shown consistent increase in its revenues and profit before tax, as a result of inorganic and organic growth. In software product business working in high technology growth area, inorganic growth is best preferred. However we try to grow organic business, our license sales is linked to growth in business of customers. We offer the breadth of product suite offering to our existing customers.

Our customers continue offering value added services in multiple geographies to their customers. We endeavor to offer new service offerings built around our products to cover all the value added services. Most of our business comes from existing customer base.

Inorganic growth is a key element in our exponential growth. We have achieved global leadership with the acquisitions done in past. The next steps going forward, is to identify the key markets, product strategy and cross selling our products etc., The next step is to conduct a gap analysis and pin point the main areas for improvement of product offering and strategize our products to the needs of customers through technology innovation and product offerings.

2.2 Market Opportunity

With the multiple acquisitions Four Soft has made in the last three years, its product portfolio got extended horizontally. Today it offers software solutions for Transportation, Logistics, 3PL/4PL providers, Distributions, solutions for Freight forwarding industry, Customs brokerage, Contract Logistics, Shipper Logistics and Services. These offerings built on latest internet technologies, using J2EE, give the best position for Four Soft in the industry and provide an opportunity for product offerings in this domain.

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.

3. Business Segments and Industry Outlook

3.1 Business Segments

Four Soft offers custom developed software solutions apart from product licenses. The prime growth area in business is software solutions for the transportation and logistics domain.

The Software Products offered by Four Soft are 4S eTrans, 4S eLog, 4S eSupply, 4S iLogistics, 4S iDrive, 4S Visilog. 4S iShipping, 4S ePoms, 3Plex and 4S eCustoms.

Freight Forwarding Solutions

Built on the cutting edge technology of J2EE, Spring & SOA architecture; 4S eTrans is a multi-modal, web-centric application for transportation companies - designed to give operational and financial control of global & domestic freight movements, from order to cash.

4S eTrans is offered for Large, Medium and Small customers and provides real time data visibility and improved operational profitability. The SME version provides solutions for Small and Medium Enterprises.

4S iLogistics built on IBM iSeries, provide solutions for Freight and logistics business of global organizations.

Contract Logistics

4S 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 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 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 application that fulfils warehousing and contract logistics for 3PL companies with capabilities to handle order management, fulfillment and partner collaboration.

Shipper Logistics

4S Visilog 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, as needs change. 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, transpiration 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.

3.2 Customer Base

Our clientele includes worlds top 12 Transport and Logistics customers. This gives us the market leadership and enables us to grow significantly and increase our market share and grow significantly with time.

3.3 4S business Model

4S continues on a license its software products on a number of user basis thus increasing growth with continuous license revenues depending on customer business growth. We have sustainable revenue stream through annual support. A detailed chart representing over revenues from various services is given below for easy understanding.

(Rs. In millions)

Consolidated numbers for the Year ended March 31	**2008**	**% of Revenue**	2007	% of Revenue
Revenue from				
Services	**1,165.99**	**67.97**	1,276.22	80.10
Support Services	**349.01**	**20.35**	201.32	12.64
Software Licenses	**166.06**	**9.68**	93.83	5.89
Third Party	**34.27**	**2.00**	21.90	1.37
Total	**1,715.33**	**100.00**	1,593.28	100.00

3.4 Geographical Mix

Our revenues from North America have been growing steadily. There has been considerable increase in revenues in EMEA region, due to large customer base and revenue concentration from European region. The long term potential of our revenue stream is from various geographic regions specified below:

Consolidated numbers for the Year ended March 31	**2008 %**	2007 %
North America	**12.24**	10.75
EMEA	**74.34**	74.35
APAC	**13.42**	14.90
Total	**100.00**	100.00

3.5 Average Revenue per Employee on consolidated basis

In the products & solutions business, our Average revenue per employee, a key measurement for increased productivity and profitability has been increased steadily. The below graph depicts the growth:

Average Rev. per Person	FY 2005	FY 2006	FY2007	**FY2008**
Rupees in Million	0.63	1.54	1.87	**2.14**

3.6 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. Presently the company is ISO 9001:2000 certified.

4. Risks and Concern

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 or products that may reduce uncertainties on the market size and opportunities etc.

In order to restrict fierce competition the industry 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.

B. Foreign exchange rate fluctuations

Four soft has substantial exposure to foreign exchange risks on account of revenue earnings from software exports. These are presently unhedged and we are taking steps to hedge these risks and mitigate to the extent possible.

C. Technology Obsolescence

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 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 the latest available technical tools, architecture in our product development environment

D. Geographic concentration of revenues

Concentration of revenue from any one country exposes your company to the risks inherent to economic slowdown, local laws, work culture and ethics. While US continues to be the major market, your company monitors geographic concentration periodically to maintain a balance.

Since your company caters to one industry segment, Transportation and logistics 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.

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 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 at low margin companies and to turnaround them to profitable and higher margin companies is always challenging. We need to continue leveraging the strengths of combined entities. The Company believes that the company has executed the acquisitions well 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, extra-ordinary items like ESOP expenses expensing, 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 and 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. This will enable us to have a global leader positioning, 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 10 countries with direct offices and another 4 countries through partner offices. We use these operations to support client services and manage.

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 in is highly competitive in nature, as most of the software being in-house IT departments, and international companies setting up their offshore development centers in India. Though, 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.

5. INTERNAL CONTROL SYSTEM 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.

Pursuant to the revised Clause 49 of the Listing Agreement, the CEO and CFO have to accept responsibility for establishing and maintaining internal controls for financial reporting and that they have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and that they have disclosed to the auditors and the audit committee, deficiencies in the design or operation of such internal controls, if any, of which they are aware and the steps they have taken or propose to take to rectify these deficiencies.

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.

6. Culture, values and leadership

Your company is emerging as a global player in Supply Chain for Transportation, Logistics, Distribution and Supply Chain Management 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.

7. DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

A. Financial Condition

I. Share Capital:

The company has only two classes of shares - Equity and Preference Shares. The Authorize Share capital is Rs. 350 Million divided in to 5,60,77,600 equity shares of Rs. 5/- each and 6,96,120 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 Millions.

II. Reserves & Surplus:

During the year, your company recorded a net profit after tax of Rs. 3.58 Million (Rs. 50.91 Million previous year) out of which the entire amount Rs. 3.58 Million transferred to Balance Sheet. The total reserves and surplus as on the balance sheet date is Rs. 782.75 Million (Rs. 776.14 Million Previous Year). There is an expense of Rs. 3.03 Million towards stock option compensation during the year (Rs. 12.94 Million previous year).

III. Secured Loans:

The company has taken a furnished office premises on lease for a non-cancelable period of thirty six months, from L&T Info City at VI floor of Cyber Towers. The finance lease obligation represents principle amount payable towards finance lease of the furniture. As on the date of balance sheet, the amount of Secured Loan is at Rs. 0.96 Million (Rs. 1.94 Million previous year).

During the current year, Company has availed loan of Rs. 13.50 million from Citicorp Finance (India) Limited.

IV. Fixed Assets:

During the year under review, the total additions to the gross block of assets amounted to Rs. 36.34 million. The entire investment in fixed assets was funded out of internal accruals.

(Rs. In millions)

Particulars	Additions
Computers	7.39
Office equipment	4.23
Lease hold improvements	0.17
Software	24.56
Total	36.34

V. Investments:

During the year under review, the company has made payment of second tranche towards the shares acquired of Four Soft Nordic A/s (previously known as Transaxiom Holding A/s). The company has made investments in aggregating of Rs. 247.53 Million in its subsidiary Four Soft BV towards increase in the value of existing investment.

VI. Current Assets, Loans and Advances

1. Sundry Debtors

Sundry Debtors, considered good and realizable as of March 31, 2008 amounts to Rs. 242.56 million (Rs. 335.95 million previous year). All the debtors are generally considered good and realizable and necessary provisions for doubtful and bad debts have been made. The sundry debtors are 65% (92 % previous year) of total revenues.

The additional provision for doubtful debts is Rs.0.99 million (Rs. 2.77 million previous year).

2. Cash and Bank Balances

The Bank balance in India included both rupees accounts and foreign currency accounts. Cash and Bank balances are Rs. 18.96 million and 37.96 million for the financial year ended 31 March 2008 and 31 March 2007 respectively. Cash and Bank balance constitutes 1.40% of the total assets (3.35% previous year).

3. Other Current Assets

Other current assets include interest accrued as at March 31, 2008 amounting to Rs 0.02 million (Previous year 0.02 million) on fixed deposits with scheduled banks and Rs. 8.27 million (Previous years 10.75 million) being interest accrued and due on loans given to wholly owned subsidiaries namely Four Soft B.V, The Netherlands and Four Soft Pte, Singapore.

4. Loans and Advances

Advances and loans to subsidiaries have reduced to Rs. 53.99 million as compared to Rs. 77.49 million in the previous year.

Advances recoverable in cash, kind or value to be received are primarily towards prepayments, travel advances and staff advances and other receivables.

Deposits represent electricity deposits, telephone deposits and other deposits. During the year the increase in deposits is on account of additional rental deposits made towards 3rd Floor office in Cyber Towers, training center and Guest house.

5. Current Liabilities and Provisions

Sundry creditors amounting to Rs. 62.53 million (previous year Rs. 44.32 million) includes payroll related liabilities and payable for other general expenses

Provisions include Rs. 5.91 million (previous year 11.53 million) gratuity & leave encashment.

B. Results of Operations

1. Income

Income from software services and products.

(Rs. In millions)

Particulars	**2007-08**	**% of Revenue**	2006-07	% of Revenue
Revenue from services	**236.55**	**64%**	278.91	76%
Annual maintenance services	**84.13**	**23%**	58.26	16%
Sale of licenses	**49.39**	**13%**	27.27	7%
Income from sale of third party licenses (net)	**1.28**	**0%**	0.51	0%
Total	**371.35**	**100%**	364.95	100%

The company's revenues are generated principally on License sales of products, Customization and fixed price Annual Maintenance contracts. The growth in product revenues is due to an all-round growth in various segments of the business mix and growth in business volumes.

II. Expenditure

The Total expenditure statement is as follows:

(Rs. In million)

Particulars	**2007-08**	**% of Total Income**	2006-07	% of Total Income
Total Income	**380.33**	**100%**	373.47	100%
Personnel expenses	**146.30**	**38%**	144.42	39%
Operating and other expenses	**188.24**	**49%**	149.94	40%
Operating profit (EBITDA)	**45.79**	**12%**	79.12	21%
Depreciation and amortization	**25.28**	**7%**	19.71	5%
Financial expenses	**11.83**	**3%**	1.23	0%
Miscellaneous expenditure written off	**–**	**0%**	0.05	0%
Profit before tax	**8.68**	**2%**	58.13	16%
Provision for tax	**5.11**	**1%**	7.22	2%
Proft after tax	**3.58**	**1%**	50.91	14%

1. Personnel Expenses:
During the year under review, the company maintained personnel expenses at 38% of its total revenue as compared to 39% during the previous year.

2. Operating and other expenses:
The Operating expenses of the Company have increased to 49% of its revenue during the current financial year as compared to 40% during the previous year. The major increase is attributable to Rent, office Maintenance, Travel expenses, communication cost and insurance.

3. Operating Profits
During the year the company earned an operating profit of Rs.45.79 million representing 12% of total revenues as compared to 79.12 million, representing 21% of total revenues during the previous year.

4. Depreciation
The company provided a sum of Rs. 25.28 million compared to Rs. 19.71 million in previous year towards depreciation representing 7% of total revenues as compared to 5% in previous year. The increase is on account of capital additions amounting to Rs.36.34 million

5. Financial expenses
The financial expenses has increased on account of availing of loan from Citicorp Finance (India) Limited in the current year.

6. Provision for Tax
Provision for Tax includes income tax, fringe benefit tax and deferred tax. The profits derived from software export activities were entitled to tax holiday in accordance with Indian Tax Laws.

7. Net profit
The net profit of the company amounted to Rs.3.28 Million for the current financial year and Rs. 50.91 million (previous year). This represents 1% of the total revenue in the current financial year and 14 % of the total revenue for the previous year

8. Liquidity
During the year the company has been financed from loan proceeds as well as from cash generated from operations. As of March 31, 2008, the company had cash and cash equivalents to the extent of Rs. 18.96 million.

9. Earnings per share
Earnings per share are computed on basis of number of common stock outstanding, as on the date of balance sheet which was Rs. 0.09 (Rs. 1.42 previous year). The Diluted earnings per share Rs.0.09 per share compared to Rs.1.41 per share in the previous year.

10. Stock option plan
The company has allotted equity shares to Four Soft Limited Employees Welfare Trust (The Trust), for the benefit of the employees, by creating a stock option plan. The trust will be administering the stock option plan for benefit of the employees.

11. Foreign Exchange
The company has an amount of Rs. 27.76 million as loss compared to Rs. 7.90 million loss in previous year due to downward movement in Rs./Dollar rate during the current year

12. Related Party Transaction
These have been discussed in details in the notes to the financial statements

AUDITORS' REPORT

To

The Members of Four Soft Limited

1. We have audited the attached Balance Sheet of Four Soft Limited ('the Company') as at March 31, 2008 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
   - i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
   - ii) 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.
   - iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
   - iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
   - v) Without qualifying our opinion, we draw attention to non-provision of diminution in value of investments aggregating to Rs 424.24 lakhs in, and loans, including interest accrued thereon, aggregating to Rs 151.44 lakhs made to a wholly owned subsidiary. Management is of the view that the diminution in the value is other than permanent. Hence, Management believes that no provision is necessary for such diminution in the value of investment.
   - vi) On the basis of the written representations received from the directors, as on March 31, 2008, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
   - vii) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
     - a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2008;
     - b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
     - c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For S. R. BATLIBOI & ASSOCIATES
Chartered Accountants

Per
Ali Nyaz
Partner
Membership No.: 200427

Place: Hyderabad
Date : 29th August, 2008

Annexure referred to in paragraph 3 of our report of even date

Re: Four Soft Limited ('the Company')

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

(b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification.

(c) There was no substantial disposal of fixed assets during the year

(ii) Due to the nature of its business, the Company has no inventory. Accordingly, the provision of clause (ii) of paragraph 4(A) of the Companies (Auditor's Report) Order, 2003 (as amended) in respect of inventories are not applicable to the Company.

(iii) (a) The Company has granted loan to two bodies corporate covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 68,809,922 and end balance of loans granted to such parties was Rs. 47,443,814.

(b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.

(c) The loans granted and the interest thereon is re-payable on demand. As informed, the Company has not demanded repayment of any such loan or interest during the year, thus, there has been no default on the part of the parties to whom the money has been lent.

(d) There is no overdue amount of loans granted to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.

(e) As informed, 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 Companies Act, 1956. Accordingly the clause (f) and (g) of clause (iii) of paragraph 4 (A) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(iv) In our opinion and according to the information and explanations given to us, 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. Due to the nature of its business, the Company does not purchase any inventory or sell any goods. In our opinion there is no continuing failure to correct major weakness in the internal control system.

(v) (a) According to the information and explanations provided by Management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301 have been so entered.

(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.

(vi) The Company has not accepted any deposits from the public.

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

(viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the products of the Company.

(ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess have generally been regularly deposited with the appropriate authorities *though there have been slight delays in a few cases.*

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute, are as follows:

Name of the Statute	Nature of dues	Amount (Rs.)	Period to which the amount relates	Forum where the dispute is pending
Income tax Act, 1961	Tax on income	2,625,937	Financial year 2003-2004	Commissioner of Income tax (Appeals)

(x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.

(xi) Based on our audit procedures and as per the information and explanations given by Management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution or bank. The company does not have any outstanding debentures during the year.

(xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(xv) According to the information and explanations given to us, the Company has given guarantee for loans taken by its wholly owned overseas subsidiary from a financial institution, the terms and conditions whereof in our opinion are not prima-facie prejudicial to the interest of the Company.

(xvi) Based on information and explanations given to us by Management, term loans were applied for the purpose for which the loans were obtained.

(xvii) According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.

(xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956 during the year.

(xix) The Company did not have any outstanding debentures during the year.

(xx) The Company has not raised any monies by way of public issue during the year.

(xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by Management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For S. R. BATLIBOI & ASSOCIATES
Chartered Accountants

Per
Ali Nyaz
Partner
Membership No.: 200427

Place: Hyderabad
Date : 29th August, 2008

BALANCE SHEET AS AT 31ST MARCH, 2008

Amount in Rupees

	Schedules	As at March 31, 2008	As at March 31, 2007
SOURCES OF FUNDS			
Shareholders' Funds			
Share capital	1	**193,091,440**	191,531,385
Equity share warrants (Refer note d on schedule 1)		**14,280,000**	14,280,000
Share application money pending allotment		**–**	4,439,101
Stock options outstanding	2	**8,751,291**	17,581,196
Reserves and surplus	3	**774,001,157**	758,561,333
Loan Funds			
Secured loan	4	**135,955,173**	1,945,296
Deferred Tax Liabilities (net)	18(4)	**5,340,353**	3,813,320
		1,131,419,414	992,151,631
APPLICATION OF FUNDS			
Fixed Assets	5		
Gross block		**165,462,923**	129,224,380
Less : Accumulated depreciation/amortisation		**73,918,681**	48,737,872
Net block		**91,544,242**	80,486,508
Capital work-in-progress including capital advances		**124,514**	375,156
		91,668,756	80,861,664
Investments	6	**912,510,674**	438,587,415
Current assets, Loans and Advances			
Sundry debtors	7	**242,561,219**	335,945,406
Cash and bank balances	8	**18,964,131**	37,958,349
Other current assets	9	**8,295,751**	10,765,290
Loans and advances	10	**79,456,211**	227,792,659
		349,277,312	612,461,704
Less: Current Liabilities and Provisions			
Current liabilities	11	**214,584,280**	127,943,204
Provisions	12	**7,453,048**	11,815,948
		222,037,328	139,759,152
Net Current Assets		**127,239,984**	472,702,552
		1,131,419,414	992,151,631
Notes to Accounts	18		

The schedules referred to above and the notes to accounts form an integral part of the Balance Sheet.

As per our report of even date
For S.R.Batliboi & Associates
Chartered Accountants

Per
Ali Nyaz
Partner
Membership No.: 200427

Place : Hyderabad
Date : August 29, 2008

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

Palem Srikanth Reddy
Managing Director

P. Mangamma
Director

Seena Sankar
Company Secretary

Biju S. Nair
Sr. Vice President - Finance

Place : Hyderabad
Date : August 29, 2008

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

Amount in Rupees

	Schedules	**For the Year ended March 31, 2008**	For the Year ended March 31, 2007
INCOME			
Revenue from software services and products	13	**371,354,715**	364,946,821
Other income	14	**8,970,957**	8,526,720
		380,325,672	373,473,541
EXPENDITURE			
Personnel expenses	15	**146,298,701**	144,422,302
Operating and other expenses	16	**188,235,716**	149,935,381
Depreciation and amortisation	5	**25,277,331**	19,706,768
Financial expenses	17	**11,829,256**	1,226,006
Miscellaneous expenditure written off		**–**	51,850
		371,641,004	315,342,307
Profit before tax		**8,684,668**	58,131,234
Provision for tax			
Current tax		**1,050,000**	3,200,000
Deferred tax charge		**1,527,033**	1,521,987
Fringe benefit tax		**2,040,000**	1,321,713
Tax for earlier years		**491,000**	1,174,699
Total tax expense		**5,108,033**	7,218,399
Proft after tax		**3,576,635**	50,912,835
Balance brought forward from previous year		**130,253,829**	79,340,994
Profit available for appropriation		**133,830,464**	130,253,829
Surplus carried to Balance Sheet		**133,830,464**	130,253,829
Earnings per share	18(18)		
Basic		**0.09**	1.42
Diluted		**0.09**	1.41
Nominal value of shares		**5**	5
Notes to Accounts	18		

The schedules referred to above and the notes to accounts form an integral part of the Profit and Loss Account.

As per our report of even date
For S.R.Batliboi & Associates
Chartered Accountants

Per
Ali Nyaz
Partner
Membership No.: 200427

Place : Hyderabad
Date : 29th August, 2008

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

Palem Srikanth Reddy
Managing Director

P. Mangamma
Director

Seena Sankar
Company Secretary

Biju S. Nair
Sr. Vice President - Finance

Place : Hyderabad
Date : 29th August, 2008

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2008

Amount in Rupees

	As at March 31, 2008	As at March 31, 2007
SCHEDULE - 1		
SHARE CAPITAL		
Authorised		
56,077,600 (Previous year : 56,077,600) equity shares of Rs.5 each	**280,388,000**	280,388,000
696,120 (Previous year : 696,120) 14% redeemable optionally convertible cumulative preference shares of Rs.100 each	**69,612,000**	69,612,000
	350,000,000	350,000,000
Issued, Subscribed and Paid-up		
38,959,744 (Previous year : 38,959,744) equity shares of Rs. 5 each fully paid-up	**194,798,720**	194,798,720
Less: Calls in arrears	**9,000**	10,500
	194,789,720	194,788,220
Less: Amount recoverable from ESOP trust [556,856 equity shares (Previous year: 868,567), including 217,200 bonus shares alloted to the trust]	**1,698,280**	3,256,835
	193,091,440	191,531,385

Notes:

Of the above:

a. 4,563,970 equity shares (Previous year 4,563,970) of Rs. 5 each are allotted as fully paid up bonus shares by captilisation of general reserve

b. 10,452,102 equity shares (Previous year 10,452,102) were alloted as fully paid up for consideration other than cash.

c. 613,344 shares (Previous year: 301,633 shares) were issued to employees (through ESOP trust) pursuant to the employee stock option scheme.

   Of the above 390,544 shares were issued at Rs. 19.65 out of which Rs. 14.65 per share were received in the form of employee service and 222,800 shares were issued at Rs. 70.75 out of which Rs. 65.75 per share were received in the form of employee service.

d. As approved by the shareholders in Extra ordinary general meeting of the Company held on January 19, 2007, the Board of Directors of the Company at their meeting held on February 2, 2007, alloted 2,000,000 warrants to Citicorp Finance (India) Limited and 100,000 warrants to IndusAge Management Services Private Limited at a price of Rs. 68 determined in accordance with the Securities and Exchange Board of India (SEBI) Guidelines. These warrants are convertible at a future date into equal number of equity shares of face value of Rs. 5 each. Warrant-holders are entitled to subscribe to these warrants within a period not exceeding 18 months from the date of allotment of warrants. As required by SEBI Guidelines, subscribers have deposited non-refundable amount of Rs. 14,280,000, an amount equivalent to 10% of total consideration.

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2008

Amount in Rupees

		As at March 31, 2008	As at March 31, 2007
SCHEDULE - 2			
Stock Options Outstanding			
Stock option outstanding		**29,405,042**	44,262,850
Add: Additions during the year		**7,655,718**	3,311,000
		37,060,760	47,573,850
Less: Deletions during the year		**6,383,755**	10,161,994
Less: Transferred to securities premium on exercise of stock options		**11,259,689**	8,006,814
Less: Transferred to General reserve on lapse of options		**602,000**	–
		18,815,316	29,405,042
Less: Deferred stock employee compensation		**10,064,025**	11,823,846
		8,751,291	17,581,196
Note:			
Deferred stock employee compensation :			
Stock compensation expense outstanding		**11,823,846**	31,613,705
Add: Stock options granted during the year		**7,655,718**	3,311,000
Less: Stock options cancelled/forfeited during the year		**(6,383,755)**	(10,161,994)
Less: Stock compensation amortised during the year		**(3,031,784)**	(12,938,865)
Closing balance of deferred employee stock compensation		**10,064,025**	11,823,846
SCHEDULE - 3			
RESERVES AND SURPLUS			
Securities Premium Account			
Balance as per last account		**626,311,290**	434,174,118
Add: Received during the year		**1,500**	184,627,479
Add: Transferred from stock options outstanding on exercise of stock options		**11,259,689**	8,006,814
		637,572,479	626,808,411
Less: Utilised towards share issue expenses		**–**	497,121
	(I)	**637,572,479**	626,311,290
General Reserve			
Balance as per last account		**1,996,214**	6,524,691
Less: Adjustment for employee benefits provision		**–**	4,528,477
Add: Transferred from stock options outstanding on lapse of stock options		**602,000**	–
	(II)	**2,598,214**	1,996,214
Profit and Loss Account	**(III)**	**133,830,464**	130,253,829
	Total (I to III)	**774,001,157**	758,561,333
SCHEDULE - 4: Secured loan			
Term loan			
From others (Secured against Investment in equity shares of Four Soft Nordic AS, Denmark a wholly owned subsidiary)		**135,000,000**	–
Finance lease obligation (Secured by underlying leased assets)		**955,173**	1,945,296
		135,955,173	1,945,296

FOUR SOFT LIMITED
SCHEDULES TO THE ACCOUNTS
SCHEDULE 5: Fixed Assets

(Amount in Rupees)

Sno Particulars	Gross Block				Depreciation/Amortisation				Net Block	
	As at April 1, 2007	Additions	Deductions	As at March 31, 2008	As at April 1, 2007	For the year March 31, 2008	Deletions/ Adjust-ments	As at March 31, 2008	As at March 31, 2008	As at March 31, 2007
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Tangible Assets										
Computers	44,636,254	7,389,035	104,051	**51,921,238**	22,374,256	**10,406,383**	96,522	**32,684,117**	**19,237,121**	22,261,998
Office equipment	20,508,076	4,231,138	–	**24,739,214**	4,459,695	**2,409,133**	–	**6,868,828**	**17,870,386**	16,048,381
Furniture and fittings	17,167,795	–	–	**17,167,795**	8,306,984	**1,886,613**	–	**10,193,597**	**6,974,198**	8,860,811
Building	30,594,644	–	–	**30,594,644**	4,422,840	**1,465,621**	–	**5,888,461**	**24,706,183**	26,171,804
Lease hold improvements	3,487,536	165,177	–	**3,652,713**	1,646,384	**1,235,838**	–	**2,882,222**	**770,491**	1,841,152
Total (A)	116,394,305	11,785,350	104,051	**128,075,604**	41,210,159	**17,403,588**	96,522	**58,517,225**	**69,558,379**	75,184,146
Intangibles Software	12,830,075	24,557,244	–	**37,387,319**	7,527,713	**7,873,743**	–	**15,401,456**	**21,985,863**	5,302,362
(B)	12,830,075	24,557,244	–	**37,387,319**	7,527,713	**7,873,743**	–	**15,401,456**	**21,985,863**	5,302,362
Total (A+B)	129,224,380	36,342,594	104,051	**165,462,923**	48,737,872	**25,277,331**	96,522	**73,918,681**	**91,544,242**	80,486,508
Previous year	93,069,066	36,155,314	-	**129,224,380**	29,031,104	**19,706,768**	–	**48,737,872**	**80,486,508**	–

Note: Furniture and fittings include capitalised as finance lease with gross block 2,908,974 (Previous year: 2,908,974), net block 200,739 (Previous year: 590,410)

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2008

Amount in Rupees

	As at March 31, 2008	As at March 31, 2007
SCHEDULE - 6		
INVESTMENTS		
Long Term Investments (Unquoted and at cost)		
(Refer note 16 on schedule 18)		
Other than trade		
A. In subsidiaries		
31 (Previous year : 31) equity shares of US Dollar 0.01 each fully paid up in Four Soft USA Inc.	**727,500**	727,500
66,245 (Previous year : 18,152) equity shares of Euro 1 each fully paid up in Four Soft BV ,The Netherlands	**618,133,185**	370,603,185
930,000 (Previous year: 930,000) equity shares of Singapore Dollar 1 each in Four Soft Singapore Pte Limited	**38,435,758**	38,435,758
70,000 (Previous year: 70,000) Class A preference shares of Singapore Dollar 1 each in Four Soft Singapore Pte Limited	**3,988,362**	3,988,362
1,000 (Previous Year 1000) ordinary shares of Danish Kroner 1 000 each fully paid up in Four Soft Nordic A/S	**251,223,244**	24,829,985
10,000,000(Previous year: 10,000,000) equity shares of Malaysian Ringgit 1 each fully paid up in Four Soft Sdn Bhd	**2,625**	2,625
	912,510,674	438,587,415
B. In joint venture		
Nil (Previous Year : 25,000) shares of US Dollar 1 in Four Soft International Inc., USA	**–**	7,699,375
	912,510,674	446,286,790
Less: Less: Provision for diminution other than temporary in value of long term investments	–	7,699,375
	912,510,674	438,587,415
Aggregate amount of unquoted investments	**912,510,674**	438,587,415

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2008

Amount in Rupees

	As at March 31, 2008	As at March 31, 2007
SCHEDULE - 7		
SUNDRY DEBTORS		
(Refer note 8 on schedule 18)		
Debts outstanding for a period exceeding six months		
Unsecured, considered good	**76,594,015**	142,594,076
Considered doubtful	**5,285,299**	13,342,409
	81,879,314	155,936,485
Other debts		
Unsecured, considered good	**165,967,204**	193,351,330
	247,846,518	349,287,815
Less : Provision for doubtful debts	**5,285,299**	13,342,409
	242,561,219	335,945,406
SCHEDULE - 8		
CASH AND BANK BALANCES		
Cash on hand	**4,659**	15,413
Balances with scheduled banks on:		
Current accounts	**18,001,572**	36,985,036
Deposit accounts	**332,556**	332,556
Unpaid dividend accounts	**420,385**	420,385
Unpaid IPO refund accounts	**204,959**	204,959
	18,959,472	37,942,936
	18,964,131	37,958,349
SCHEDULE - 9		
OTHER CURRENT ASSETS		
Interest accrued on fixed deposits	**22,962**	18,053
Interest accrued on loans to subsidiaries	**8,272,789**	10,747,237
	8,295,751	10,765,290
SCHEDULE - 10		
LOANS AND ADVANCES		
(Refer note 9 on schedule 18)		
Unsecured considered good		
Advances and loans to subsidiaires	**53,999,831**	77,496,473
Loan to Four Soft Limited employee welfare trust	**–**	484,810
Advances recoverable in cash or in kind or for value to be received	**9,874,045**	8,171,236
Advance for investment	**–**	127,144,976
Deposits	**13,062,584**	13,798,971
Advance income tax (net of provision)	**2,519,751**	–
Advance fringe benefit tax (net of provision)	**–**	696,193
	79,456,211	227,792,659

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2008

Amount in Rupees

	As at March 31, 2008	As at March 31, 2007
SCHEDULE - 11		
CURENT LIABILITIES		
Sundry creditors		
- Outstanding dues to micro and small enterprises	–	–
(Refer to note 20 on schedule 18)		
- Others	**62,534,961**	44,322,626
	62,534,961	44,322,626
Subsidiary companies	**142,573,503**	77,705,835
Advance from customers	**3,418,554**	1,039,813
Investor Education and Protection Fund shall be credited by the following amounts (as & when due):		
Unclaimed dividends	**420,385**	420,385
Application money due for refund	**204,959**	204,959
Other liabilities	**5,431,918**	4,249,586
	214,584,280	127,943,204
SCHEDULE - 12		
PROVISIONS		
For employee benefits	**5,917,808**	11,535,351
For income tax (net of advance payments)	**–**	280,597
For fringe benefit tax (net of advance payments)	**1,535,240**	–
	7,453,048	11,815,948

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

Amount in Rupees

	For the Year ended March 31, 2008	For the Year ended March 31, 2007
SCHEDULE - 13		
REVENUE FROM SOFTWARE SERVICES AND PRODUCTS		
Revenue from services	**236,554,019**	278,908,470
Annual maintenance services	**84,126,779**	58,259,487
Sale of licenses	**49,391,731**	27,265,933
Income from sale of third party licenses (net)	**1,282,186**	512,931
	371,354,715	364,946,821
SCHEDULE - 14		
OTHER INCOME		
Interest on fixed deposits (Gross)	**58,567**	2,702,716
[Tax deducted at source Rs.8,450 (Previous year Rs. 606,489)]		
Interest on loan	**2,930,176**	2,721,021
Profit on sale of fixed asset	**103,048**	–
Bad debts recovered	**2,964,642**	–
Dividend income from non trade investments - short term	**–**	2,836,993
Liabilities no longer required written back	**2,912,616**	–
Miscellaneous income	**1,908**	265,990
	8,970,957	8,526,720

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

Amount in Rupees

	For the Year ended March 31, 2008	For the Year ended March 31, 2007
SCHEDULE - 15		
PERSONNEL EXPENSES		
Salaries, wages and bonus	**125,046,732**	108,292,728
Retirement benefits	**467,500**	6,735,658
Contribution to provident fund	**13,325,927**	12,499,774
Employee stock compensation expenses	**3,031,784**	12,938,865
Staff welfare expenses	**4,426,758**	3,955,277
	146,298,701	144,422,302
SCHEDULE - 16		
OPERATING AND OTHER EXPENSES		
Rent	**25,551,435**	13,036,649
Fee, rates and taxes	**1,335,529**	593,749
Office maintenance	**11,838,385**	9,415,199
Auditors' remuneration	**2,979,260**	2,594,652
Implementation expenses	**57,058,047**	56,577,513
Advertisement and recruitment	**2,245,575**	3,070,694
Business promotion	**3,050,582**	2,528,634
Communication costs	**7,736,082**	6,759,307
Postage and courier	**628,829**	829,910
Insurance	**3,623,853**	1,967,415
Electricity and water charges	**8,475,079**	5,517,884
Travelling and conveyance	**22,865,167**	26,738,342
Legal and professional fees	**9,817,330**	8,136,558
Exchange difference (net)	**27,757,603**	7,898,238
General meeting expenses	**469,700**	553,857
Provision for doubtful debts	**992,450**	2,770,330
Doubtful advances written off	**1,807,558**	245,477
Donations	**1,600**	58,877
Loss on sale of investment	**–**	466,517
Miscellaneous expenses	**1,652**	175,579
	188,235,716	149,935,381
Schedule - 17		
Financial expenses		
Interest		
-others	**10,766,552**	–
Finance lease charges	**401,666**	632,835
Bank charges	**661,038**	593,171
	11,829,256	1,226,006

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2008

Amount in Rupees

		For the Year ended March 31, 2008	For the Year ended March 31, 2007
A.	**Cash flow from operating activities**		
	Net Profit before taxation	**8,684,668**	58,131,234
	Adjustments for:		
	Depreciation	**25,277,331**	19,706,768
	Employee stock compensation expenses	**3,031,784**	12,938,865
	Loss/ (Profit) on sale of non trade current investments	**–**	466,517
	Foreign exchange loss/(gain) (net)	**4,471,491**	6,783,300
	Interest income on fixed deposits	**(58,567)**	(2,702,716)
	Interest income on loans to subsidiaries	**(2,930,176)**	(2,721,021)
	Dividends from non trade current investments	**–**	(2,836,993)
	Miscellaneous expenditure written off	**–**	51,850
	Provision for doubtful debts	**992,450**	2,770,330
	Finance lease charges	**401,666**	632,835
	Profit on sale of fixed asset	**(103,048)**	–
	Interest Expense	**10,766,552**	–
	Operating profit before working capital changes	**50,534,151**	93,220,969
	Movements in working capital :		
	Decrease/(increase) in sundry debtors	**92,963,618**	(244,060,419)
	Decrease/ (Increase) in loans and advances	**161,197,149**	(46,682,281)
	(Decrease)/ Increase in current liabilities	**79,390,088**	77,834,522
	Cash (used in)/ generated from operations:	**384,085,006**	(119,687,209)
	Direct taxes paid (includin fringe benefit tax), net of refunds	**(4,149,915)**	(8,705,660)
	Net Cash (used in)/ generated from operating activities	**379,935,091**	(128,392,869)
B.	**Cash flows from investing activities**		
	Purchase of fixed assets	**(36,091,952)**	(32,891,948)
	Investments in subsidiaries	**(473,923,259)**	(125,250,459)
	Loans to subsidiaries	**(13,025,834)**	(6,706,098)
	Payment towards finance lease obligation	**(990,123)**	(758,954)
	Sale of investments	**–**	(453,140)
	Interest received	**5,258,794**	3,413,509
	Sale proceeds of fixed asset	**110,577**	–
	Dividends received	–	2,836,993
	Net cash used in investing activities	**(518,661,797)**	(159,810,097)

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2008

Amount in Rupees

	For the Year ended March 31, 2008	For the Year ended March 31, 2007
Contd...		
C. Cash flows from financing activities		
Proceeds from issuance of share capital	**3,000**	66,410,933
Share application money received/(refunded)	**(4,439,101)**	4,439,101
Proceeds from issuance of share warrants	**–**	14,280,000
Proceeds from secured loan	**135,000,000**	–
Finance lease charges	**(401,666)**	(632,835)
Dividends paid	**–**	(27,034,712)
Tax on dividend paid	**–**	(3,805,436)
Interest paid	**(10,766,552)**	–
Net Cash generated from financing activities	**119,395,681**	53,657,050
Net decrease in cash and cash equivalents (A + B + C)	**(19,331,025)**	(234,545,915)
Cash and cash equivalents at the beginning of the year	**37,625,793**	273,079,215
Cash and cash equivalents at the end of the year	**18,294,768**	38,533,300

Notes:

1 Cash and cash equivalents include:

Cash and bank balances	**18,006,231**	37,000,449
Unpaid dividend accounts	**420,385**	420,385
Unpaid public issue refund accounts	**204,959**	204,959
Cash and cash equivalents (D)	**18,631,575**	37,625,793
Effect of unrealised exchange (gain)/ loss	**(336,807)**	907,507
Cash and cash equivalents considered for Cash Flows	**18,294,768**	38,533,300
Add: Deposits with banks with original maturity of more than three months (E)	**332,556**	332,556
Cash and cash equivalents as per Balance sheet (D+E)	**18,964,131**	37,958,349

2 Previous year figures have been regrouped where necessary to conform to this year's classification

3 The accompanying notes are an integral part of this statement.

As per our report of even date
For S.R.Batliboi & Associates
Chartered Accountants

Per
Ali Nyaz
Partner
Membership No.: 200427

Place : Hyderabad
Date : 29th August, 2008

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

Palem Srikanth Reddy
Managing Director

P. Mangamma
Director

Seena Sankar
Company Secretary

Biju S. Nair
Sr. Vice President - Finance

Place : Hyderabad
Date : 29th August, 2008

Notes on Accounts

1. Statement of Significant Accounting Policies

(a) Basis of Preparation

The financial statements have been prepared to comply in all material respects in respects with the Notified accounting standard by Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on accrual basis. The accounting policies have been consistently 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 generally accepted accounting principles 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 end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(c) Fixed Assets

Fixed 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.

(d) Capital Work in Progress

Assets under installation or under construction as at the balance sheet date are shown as Capital Work in progress. Advances paid towards purchase of capital assets are also included under capital work in progress.

(e) Impairment

The carrying amounts of assets 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.

(f) Depreciation

Depreciation is provided using the Written Down Value Method as per the useful lives of the assets estimated by the management, or at the rates prescribed under schedule XIV to the Act whichever is higher. The rates are:

Assets	Rate (%)
Computers	40
Office equipment	13.91
Furniture and fittings	18.10
Buildings	5

Lease hold improvements are depreciated on written down value over the lease period of three to five years.

(g) Intangibles

Software licenses

Intangible assets in the nature of software licenses are stated at cost including expenditure incurred towards implementation of such software and are amortized over the estimated useful life, of six years using written down value method.

Research and Development Costs

Research costs are expensed as incurred. Development expenditure incurred on an individual project is carried forward when technical and commercial feasibility has been established.

(h) Leases

Finance leases, which effectively transfer to the Company 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 capitalised. 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 term, are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

(i) 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 recognise a decline other than temporary in the value of the investments.

(j) Revenue recognition

Revenue is recognised 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 recognised on delivery or subsequent milestone schedule as per the terms and contract with the customers. Revenue from time and material contracts is recognised as the related services are rendered. Revenue from annual maintenance services is recognised 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.

Interest

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rates applicable.

Dividends

Revenue is recognised when the Company's right to receive payment is established by the balance sheet date. Dividend from subsidiaries is recognised even if same are declared after the balance sheet date but pertains to period on or before the date of balance sheet as per the requirement of schedule VI to the Act.

(k) Foreign currency translation

Foreign Currency Transactions

(i) 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 transaction.

(ii) 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.

(iii) 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 recognised as income or as expenses in the year in which they arise except those arising from investments in non-integral operations. Exchange differences arising in respect of fixed assets acquired from outside India before accounting period commencing on or before December 7, 2006 were capitalized as a part of fixed asset.

(l) Retirement and other employee benefits

(i) Retirement benefits in the form of Provident Fund Scheme are charged to the Profit and Loss Account 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.

(ii) 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 recognised in full in the Profit and Loss Account for the period in which they occur.

(iii) Short term compensation absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation.

(m) Employee Stock Option Scheme

In accordance with the accounting treatment prescribed under the "Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines 1999" (as amended) issued by the Securities and Exchange Board of India and the guidance note on accounting for Employee Share based payments issued by Institute of Chartered Accountants of India in 2005.The excess of market value of the stock on the date of grant over the exercise price of the option is recognised as deferred employee stock compensation and is charged to profit and loss account on straight-line method over the vesting period of the options. The unamortized portion of cost in shown under reserves and surplus.

(n) Income taxes

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit 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 are recognised only to the extent there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets and recognises 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 realised.

(o) Earnings per share

Basic earnings per 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 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.

(p) Provisions

A provision is recognised when the Company has a present obligation as a result of past event; 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 best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

(q) 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.

(r) Cash and Cash equivalents

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.

2. Related party transactions

Names of the related party	Country	Nature of relationship
Four Soft B.V.	The Netherlands	Wholly owned subsidiary (WOS)
Four Soft UK Ltd.	United Kingdom	WOS of Four Soft BV
Four Soft NL BV	The Netherlands	WOS of Four Soft BV
Four Soft Germany GmbH	Germany	WOS of Four Soft BV
Four Soft Singapore Pte. Ltd.	Singapore	Wholly owned subsidiary
Four Soft Japan KK	Japan	WOS of Four Soft Singapore Pte. Ltd
Four Soft Nordic A/S	Denmark	Wholly owned subsidiary
Four Soft (HK) Ltd.	Hong Kong	WOS of Four Soft Nordic A/S
Four Soft Australia Pty Ltd.	Australia	WOS of Four Soft Nordic A/S
Transaxiom UK Ltd.	UK	WOS of Four Soft Nordic A/S
Transaxiom (USA) Inc.	USA	WOS of Four Soft Nordic A/S
Four Soft Malaysia Sdn. Bhd.	Malaysia	Wholly owned subsidiary
Four Soft International Incorporated	USA	Joint venture*
Four Soft USA, Inc.	USA	WOS of Four Soft B.V.
Four Soft Employee Welfare Trust	India	Controlling interest
Palem Srikanth Reddy	India	Key Management Personnel
Biju S. Nair	India	Key Management Personnel
Dr. Kalyan Gangavarupu	India	Key Management Personnel
Sonata Information Technology Limited	India	Enterprises significantly influenced by relatives of key management personnel

* Terminated w.e.f March 12, 2008

The details of the related party transactions entered into by the Company during the year ended March 31, 2008 are as follows:

	Year ended March 31, 2008	2007
SUBSIDIARIES		
Four Soft LLC,USA		
a) Implementation expenses	**Nil**	4,385,709
Four Soft BV, The Netherlands		
a) Loan	**37,625,021**	5,305,570
b) Interest accrued on loan	**902,910**	Nil
c) Investment into equity	**247,530,000**	287,101,321
d) Repayment of interest on loan	**4,050,447**	Nil
Four Soft USA Inc., USA		
a) Reimbursable expenses (Net)	**25,765,256**	(43,814,455)
b) Sales	**47,115,729**	32,028,217
c) Implementation Expenses	**37,217,530**	49,567,431
d) Issue of shares on merger with Four Soft LLC, USA	**Nil**	727,500
Four Soft UK Ltd, United Kingdom		
a) Reimbursable expenses (Net)	**14,961,258**	30,215,803
b) Sales	**99,541,505**	78,092,356
c) Implementation expenses	**2,937,231**	2,624,828
d) Purchase of Fixed Assets	**124,514**	Nil

	Year ended March 31, 2008	2007
Four Soft NL BV, The Netherlands		
a) Reimbursable expenses (Net)	**11,385,171**	505,814
b) Sales	**56,811,413**	65,464,672
Four Soft Singapore Pte Ltd., Singapore		
a) Reimbursable expenses (Net)	**9,150,077**	(3,957,488)
b) Sales	**14,329,678**	11,945,605
c) Interest accrued on loan	**2,027,266**	2,580,423
d) Purchase of Fixed Assets	**Nil**	159,251
e) Repayment of loan	**20,381,302**	Nil
Four Soft Japan KK		
a) Reimbursable expenses (Net)	**8,754,737**	Nil
b) Implementation Expenses	**16,903,477**	Nil
Four Soft Nordic A/s, Denmark		
a) Investment in Equity Shares	**251,233,244**	24,829,985
b) Reimbursable expenses (Net)	**(20,976,202)**	(1,385,293)
c) Sales	**32,411,877**	Nil
JOINT VENTURE		
Four Soft Logistics Software (Shanghai) Ltd		
a) Provision for doubtful advances	**Nil**	245,477
KEY MANAGEMENT PERSONNEL		
Palem Srikanth Reddy		
a) Remuneration	**464,259**	1,686,759
b) Dividends	**Nil**	6,079,035
Biju Nair		
a) Remuneration	**1,658,703**	1,290,000
b) Dividends	**Nil**	13,012
c) Incentive	**582,988**	Nil
Dr. Kalyan Gangavarupu		
a) Remuneration	**1,229,609**	2,366,863
b) Incentive	**582,988**	Nil
ENTERPRISES SIGNIFICANTLY INFLUENCED BY RELATIVES OF KEY MANAGEMENT PERSONNEL:		
Sonata Information Technology Limited		
a) Purchase and implementation of enterprise resource program	**1,208,838**	725,964
b) Purchase of Fixed Assets (License)	**424,485**	625,000

Debit/(Credit) Balance Outstanding

	Year ended March 31, 2008	2007
Four Soft BV , The Netherlands	**35,010,497**	137,438
Four Soft USA Inc.	**1,427,311**	19,777,192
Four Soft UK Ltd , United Kingdom	**74,295,224**	118,293,423
Four Soft NL BV , The Netherlands	**34,908,327**	109,135,937
Four Soft Singapore Pte. Ltd., Singapore	**27,958,879**	42,433,535
Four Soft Malaysia Sdn. Bhd.	**(437,763)**	(448,223)
Four Soft Japan, KK	**(8,403,372)**	(1,390,066)
Four Soft Nordic A/s	**(15,922,896)**	(28,725)
Sonata Information Technology Limited	**(191,615)**	4,805
Four Soft Employee Welfare Trust	**1,241,645**	3,741,645
Key Management Personnel	**(892,135)**	(2,086,130)

3. **Leases**

Finance Leases

Furniture and fittings includes furniture obtained under the finance lease arrangement. The lease term is for a period of three years and renewable for further three years at the option of the Company. There is no escalation clause and no restrictions are imposed by the lease arrangements. There are no subleases.

	Year ended March 31, 2007	2006
Total minimum lease payments at the year end	**1,107,859**	2,499,649
Less : Amount representing finance charges	**152,686**	554,353
Present value of minimum lease payments (Rate of interest: 26.89% p.a.)	**955,173**	1,945,296
Minimum Lease Payments :		
Not later than one year [Present value 955,173 as on March 31, 2008] (990,124 as on March 2007)	**1,107,859**	1,391,790
Later than one year but not later than five years [Present value Nil (955,173 as on March 31, 2007)]	**Nil**	1,107,859
Later than 5 years	**Nil**	Nil

Operating Leases

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

	Year ended March 31, 2008	2007
Lease payments for the year	**25,551,435**	13,036,649
Minimum Lease Payments:		
Not later than one year	**22,346,623**	21,659,922
Later than one year but not later than five years	**19,178,877**	38,420,555
Later than 5 years	**Nil**	Nil

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

4. Deferred tax liability

Deferred tax liability amounting to Rs.5,340,353 (Previous year Rs. 3,813,320) represents differences in depreciation as per tax books and financial books originated as at year end and reversing after the tax holiday period

5. Research and development

During the year ended March 31, 2008 the Company has incurred expenses amounting to Rs.78,820,744 (Previous Year Rs. 51,230,516) towards research and development included under various heads of expenses.

6. Employee Stock Option Scheme (ESOP)

(a) The Company has established Four Soft Limited Employees Welfare Trust ("the Trust") to administer the ESOP Scheme and as at March 31, 2008 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 the trust has granted, 358,280 (Previous year 110,000) equity shares at an exercise price of Rs. 5 each to the eligible employees, which are subject to progressive vesting over a period of three years from the date of the grant. As of March 31, 2008 the total shares held by the Trust is 556,856 (previous year 868,567). Mode of settlement of these stock options is equity.

(b) During the year ended March 31, 2008 the Company has amortized stock compensation expenses amounting to Rs.3,031,784 (Previous Year Rs.12, 938,865).

(c) Changes in number of shares representing stock options outstanding as at the year ended on March 31, 2008 were as follows:

	Year Ended March 31, 2008		As at March 31, 2007	
	Number of shares	**Weighted average exercise price**	Number of shares	Weighted average exercise price
Outstanding at the beginning of the year	**620,940**	**5**	943,608	5
Granted during the year	**358,280**	**5**	110,000	5
Forfeited during the year	**96,469**	**5**	205,714	5
Exercised during the year	**311,711**	**5**	226,954	5
Expired during the year	**20,000**	**5**	Nil	5
Outstanding at the end of the year	**551,040**	**5**	620,940	5
Exercisable at the end of the year	**Nil**	**5**	Nil	5

(d) In March 2005 the ICAI has issued a guidance note on "Accounting for Employees Share Based Payments" applicable to employee based share plan the grant date in respect of which falls on or after April1, 2005. The said guidance note requires the proforma disclosures of the impact of the fair value method of accounting of employee stock compensation accounting in the financial statements. Applying the fair value based method defined in the said guidance note, the impact on the reported net profit and earnings per share is as follows:

	Year ended March 31,	
	2008	2007
Profit after tax as reported	**3,576,635**	50,912,835
Add: Employee stock compensation under intrinsic value method	**3,031,784**	12,938,865
Less: Employee stock compensation under fair value method	**8,028,121**	13,504,200
Proforma profit	**(1,419,702)**	50,347,500
Earnings Per Share		
Basic		
- As reported	**0.09**	1.42
- Pro forma	**(.04)**	1.41
Diluted		
- As reported	**0.09**	1.41
- Pro forma	**(.04)**	1.39

(e) The weighted average fair value of the stock options granted during the year was Rs. 49.81 (Previous year: Rs. 30.82). The fair value of options was estimated at the date of grant using the Black Scholes method with the following assumptions:

	Assumptions	
	2008	2007
Risk-free interest rate	**8.3%**	8.05%
Expected life	**1 to 3 years**	1 to 3 years
Expected volatility	**.713**	0.53
Expected dividend yield	**–**	–

The expected volatility was determined based on historical volatility data; historical volatility includes early years of the Company's life; the Company expects the volatility of its share price to reduce as it matures.

The weighted average share price at the date of exercise for stock options exercised during the year was Rs. 43.23. Options outstanding at March 31, 2008 had an exercise price of Rs. 5, and a weighted average remaining contractual life of 13.02 months.

7. Gratuity

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 summarises the components of net benefit expense recognised in the Profit and Loss Account and the funded status and amounts recognised in the Balance Sheet for the gratuity.

	Year ended March 31, 2008	Year ended March 31, 2007
a) Net gratuity expense recognised in the Profit and Loss Account (under Personnel expenses)		
Current service cost	**3,892,017**	2,067,089
Interest cost on benefit obligation	**618,253**	282,451
Expected return on plan assets	**(235,881)**	(142,971)
Net actuarial (gain) / loss recognized in the year	**(4,023,288)**	1,753,017
Past service cost	**Nil**	Nil
Net benefit expense	**251,101**	3,959,586
b) Details of provision recognised in the Balance Sheet		
Defined benefit obligation	**7,550,118**	7,858,429
Fair value of plan assets	**(3,216,719)**	(2,323,344)
	4,333,399	5,535,085
Less: Unrecognised past service cost	**Nil**	Nil
Net provision for gratuity	**(4,333,399)**	(5,535,085)
Actual return on plan assets	**291,203**	161,796
c) Changes in the present value of the defined benefit obligation are as follows:		
Opening defined benefit obligation	**7,858,429**	3,869,746
Interest cost	**618,253**	282,451
Current service cost	**3,892,017**	2,067,089
Benefits paid	**(850,615)**	(76,154)
Actuarial (gains) / losses on obligation	**(3,967,966)**	1,715,297
Closing defined benefit obligation	**7,550,118**	7,858,429

		Year ended March 31, 2008	Year ended March 31, 2007
d)	**Changes in the fair value of plan assets are as follows:**		
	Opening fair value of plan assets	**2,323,344**	1,010,019
	Expected return	**235,881**	142,971
	Contributions by employer	**1,452,787**	1,227,683
	Benefits paid	**(850,615)**	(76,154)
	Actuarial gains / (losses)	**55,322**	18,825
	Closing fair value of plan assets	**3,216,719**	2,323,344
	The Company expects to contribute Rs. 1,452,787 to the plan in 2008-09.		
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	**8.3% p.a**	8.05% p.a.
	Expected rate of return on assets	**7.50% p.a.**	7.50% p.a.

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.

8. Sundry Debtors

Included in sundry debtors are dues from companies under the same management:

Particulars	As at March 31, 2008	2007
Four Soft USA Incorporated	**65,531,321**	65,091,792
Four Soft UK Limited	**86,514,333**	91,987,457
Four Soft NL BV , The Netherlands	**35,717,160**	101,927,361
Four Soft Singapore Pte. Limited	**23,399,315**	18,220,926
Four Soft Japan KK	**10,622,138**	Nil
Four Soft Nordic A/S	**6,374,743**	Nil

9. Loans and advances

(a) Included in Loans and advances are dues from companies under the same management:

	Balance as at March 31,		Maximum amount outstanding	
	2008	2007	**2008**	2007
Four Soft BV , The Netherlands	**5,509,114**	10,275,189	**5,509,114**	193,627,199
Four Soft Singapore Pte. Ltd.,	**356,306**	31,537,879	**356,306**	31,537,879
Four Soft UK Limited	**273,355**	33,227,756	**273,355**	33,227,756
Four Soft NL BV , The Netherlands	**33,203**	994,718	**1,110,237**	994,718
Four Soft USA Inc.	**384,038**	1,460,931	**1,554,350**	1,460,931

(b) Details of loans given to subsidiaries

	Balance as at March 31,		Maximum amount outstanding	
	2008	2007	**2008**	2007
Four Soft BV, The Netherlands	**37,625,022**	5,212,801	**37,625,022**	5,212,801
Four Soft Singapore Pte. Limited, Singapore	**9,818,792**	31,184,900	**31,184,900**	31,184,900

10. Capital Commitments

Estimated amounts of contracts remaining to be executed on capital account and not provided for as at March 31, 2008 by the Company are Nil (Previous year: 49,035).

11. Contingent Liabilities not provided for

		As at March 31,	
		2008	2007
a.	Guarantees given on behalf of overseas subsidiary (All the movable fixed assets of the company have been hypothecated with Unit Trust of India Advisory Services Ltd., who are acting as on shore security trustee for ICICI Bank Plc. For the facility taken by Four Soft B.V., The Netherlands from ICICI Bank Plc).	**372,152,908**	758,725,000
b.	Income tax demand in respect of which the Company has gone on appeal. Management is of the opinion that appeal is likely to be accepted by appellate authority.	**2,625,937**	4,321,330
c.	Contingent liability in respect of additional purchase consideration payable to erstwhile shareholders of Transaxiom Holding A/S (Subsequently renamed as Four Soft Nordic A/s), Denmark, the financial effect of which is not measurable.		

12. Unhedged Foreign Currency Exposure

Particulars	**Year ending March 31, 2008**				Year ended March 31, 2007		
	Foreign Currency	**Foreign Currency Amount**	**Closing Exchange Rate**	(Rs.)	Foreign Currency Amount	Closing Exchange Rate	(Rs.)
Sundry debtors	**USD**	**6,017,994**	**39.90**	**240,117,961**	7,040,240	43.44	305,828,046
	SGD	**3,803**	**28.88**	**109,831**	363,224	28.61	10,391,286
	EUR	**6,584**	**63.04**	**415,055**	353,664	57.94	20,490,133
	MYR	**121,500**	**12.26**	**1,489,627**	121,500	12.55	1,524,825
	GBP	**Nil**	**Nil**	**Nil**	76,038	85.25	6,482,256
Loans,	**USD**	**137,629**	**39.90**	**5,491,397**	153,631	43.44	6,673,731
Advances	**SGD**	**351,880**	**28.88**	**10,162,299**	1,095,695	28.61	31,347,823
to subsidiaries	**EUR**	**87,388**	**63.04**	**5,509,114**	9,128	57.94	528,876
	GBP	**412,500**	**79.57**	**32,822,625**	431,425	85.25	36,778,981
Other current	**USD**	**50,271**	**39.90**	**2,005,813**	152,996	43.44	6,646,146
Assets	**SGD**	**185,777**	**28.88**	**5,365,240**	143,613	28.61	4,101,091
	GBP	**11,300**	**79.57**	**899,141**	Nil	Nil	Nil
Due to	**USD**	**2,507,983**	**39.90**	**100,068,531**	1,139,209	43.44	49,487,239
Subsidiaries	**SGD**	**410,210**	**28.88**	**11,846,373**	397,666	28.61	11,377,224
	EUR	**12,727**	**63.04**	**802,310**	184,835	57.94	10,706,327
	MYR	**35,715**	**12.26**	**437,762**	35,715	12.55	448,223
	GBP	**63,210**	**79.57**	**5,029,620**	51,492	85.25	4,389,693
	DKK	**2,642,067**	**8.45**	**22,325,463**	223,211	0.13	28,725
	JPY	**5,108,118**	**.40**	**2,043,247**	3,777,353	0.37	1,390,066

13. Remuneration to auditors (including service tax)

	Year ended March 31, 2008	2007
As Auditors		
- for audit	**2,783,192**	2,244,800
- for certification	**146,068**	318,810
Reimbursement of out-of-pocket expenses	**50,000**	31,042
	2,979,260	2,594,652

14. Supplementary Statutory Information

14.1 Managing Director's Remuneration

	Year ended March 31, 2008	2007
Salaries	**240,000**	240,000
Perquisites	**144,051**	156,862
Commission on net profit	**51,408**	1,261,097
Contribution to provident fund and other funds	**28,800**	28,800
	464,259	1,686,759

The above figures do not include provision for gratuity payable to the director as the same is actuarially determined for the Company as a whole.

14.2 Computation of net profit in accordance with section 349 of the Act for calculation on commission payable to director

	Year ended March 31, 2008	2007
Profit before tax as per Profit and Loss Account	**8,684,668**	58,131,234
Add:		
Managing Director's remuneration	**464,259**	1,686,759
Depreciation as per books of account	**25,227,331**	19,706,768
Loss on sale of investments	**Nil**	466,517
Provision for doubtful debts	**992,450**	2,770,330
	35,367,300	82,761,608
Less: Depreciation under Section 350 of the Act	**32,848,290**	19,706,768
Net profit as per Section 349 of the Act	**2,519,010**	63,054,840
Commission to Managing director at 2% of the net profits as approved by shareholders	**51,408**	1,261,097

14.3 Earnings in foreign currency (on accrual basis)

	Year ended March 31, 2007	2006
License fees	**40,116,625**	24,010,062
Annual maintenance services	**82,491,113**	57,216,634
Revenue from services	**227,116,086**	273,519,153
Sale of third party licenses (gross)	**8,713,132**	13,290,216
	358,436,960	368,634,001

14.4 Expenditure in foreign currency (on payment basis)

	Year ended March 31, 2008	2007
Traveling	**10,680,989**	10,958,612
Implementation expenses	**15,024,908**	9,925,615
Cost of third party licenses	**9,298,184**	4,392,894
Others	**3,004,813**	4,831,418
	38,008,894	30,108,519

14.5 Value of imports calculated on CIF basis

During the year ended March 31, 2008 the Company has imported capital goods amounting to 9,033,277 (Previous year 16,856,162)

14.6 Net dividend remitted in foreign exchange

	Year ended March 31, 2008	2007
Period to which it relates	–	2005-06
Number of non-resident share-holders	–	17
Number of equity shares held on which dividend was due	–	4,049,928
Amount remitted	–	3,037,448

15. Additional information pursuant to the provisions of paragraphs 3, 4C and 4D of Part II of Schedule VI to the Companies Act, 1956

The Company is primarily engaged in the development and maintenance of computer software. The production and sale of such software cannot be expressed in any generic unit. Hence it is not possible to give quantitative details of sales and certain other information as required under paragraph 3, 4C and 4D of Part II of Schedule VI to the Companies Act, 1956.

16. Investments

16.1 In December 2006 the Company had entered into a share purchase agreement for purchase of 100% of the outstanding equity shares of Transaxiom Holding A/S, Denmark (Subsequently renamed as Four soft Nordic A/S, Denmark) from its erstwhile shareholders in consideration not exceeding Danish Kroner (DKK) 69,000,000. The aggregate purchase consideration is to be determined based on the average eligible revenues of the acquired entity over a period of 36 months ending December 31, 2009 payable in cash and shares of the company. Till March 31, 2008, the company has, based on certain payment milestones, paid an aggregate amount of DKK 31,618,887 (equivalent Rs. 251,223,244) towards purchase consideration; which has been recorded as investment.

16.2 The Company had set-up a 25% joint venture on March 6, 2002 by name Four Soft International Inc., USA to undertake business development and marketing activities in North America. The said Joint venture agreement has been terminated with effect from March 12, 2008. The Company had, in the earlier years already provided for the carrying value of investment of Rs. 7,699,375 in the joint venture.

16.3 Current Investments purchased and sold/ redeemed during the year

Description	Year ended March 31, 2008	2007
Nil (3,051,604) DSP Merilynch MF- Floater	–	30,542,582
Nil (19,901)UTI MF- Floater	–	20,190,553
Nil (1,702,975) Prudential ICICI- Floater-DD	–	20,180,602
Nil (2,025,661) Tata FRF ST IP-DD	–	20,271,935
Nil (2,840,248)Kotak Floater STP -DIV	–	30,293,087
Nil (656,228) Reliance Floating Fund-W	–	10,001,447
Nil (4,000,000) Reliance FMP	–	40,000,000
Nil (1,756,811) Reliance MIP	–	20,210,019
Nil (3,263,484) LIC MF -FRF-STP- DP	–	33,132,116
Nil (5,571,134) LIC MF -LF-STP- DDP	–	61,104,260
Nil (1,007,168) Principal Cash Management Fund	–	10,073,892

Note: Previous year figures of the units held and sold have been stated in brackets in the description column.

17. Utilization of issue funds

	Year ended March 31, 2008	2007
Proceeds from IPO	**Nil**	Nil
Unutilized issue proceeds at the beginning of the year	**Nil**	87,266,753
Proceeds from preferential issue	**Nil**	84,494,244
Total	**Nil**	171,760,997
Less: Issue expenses	**Nil**	(112,302)
Net proceeds/ balance	**Nil**	171,648,695
Less: Utilisation of funds		
Expansion of facilities/equipment	**Nil**	(37,032,674)
Product development	**Nil**	(49,084,770)
International marketing set-up and acquisition	**Nil**	(114,335,861)
Unutilized issue funds	**Nil**	Nil

18. Earnings per share (EPS)

	Year ended March 31, 2008	2007
Net profit as per Profit and Loss Account	**35,76,635**	50,912,835
Weighted average number of equity shares in calculating basic EPS	**38,402,888**	35,735,631
Effect of dilutive equity shares	**105,374**	486,518
Weighted average number of equity shares in calculating diluted EPS	**38,508,262**	36,222,150

The Institute of Chartered Accountants of India has issued guidance note on "Accounting for Employees Share Based Payments" applicable to employee based share plan the grant date in respect of which falls on or after April1, 2005. In accordance with such guidance note shares allotted to the ESOP Trust pursuant to an employee share based payment plan has not been included in the outstanding shares for computation of basic EPS till the employees have exercised their right after fulfilling the vesting conditions. Until such time the shares so allotted have been considered as dilutive potential equity shares for the purpose of calculating diluted EPS.

19. Segment Information

In accordance with AS 17 - Segment Reporting, 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.

20. The identification of micro, small and medium enterprise suppliers as defined under the provisions of "The Micro, Small and Medium Enterprises Development Act, 2006" is based on Management's knowledge of their status.

21. Previous Year Comparatives

Previous year's figures have been regrouped where necessary to conform to this year's classification.

As per our report of even date
For S.R.Batliboi & Associates
Chartered Accountants

Per
Ali Nyaz
Partner
Membership No.: 200427

Place : Hyderabad
Date : 29th August, 2008

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

Palem Srikanth Reddy
Managing Director

P. Mangamma
Director

Seena Sankar
Company Secretary

Biju S. Nair
Sr. Vice President - Finance

Place : Hyderabad
Date : 29th August, 2008

Balance Sheet Abstract and Company's general business profile

Registration details
Registration No. : 33131
State Code : 01

Balance Sheet date	**March 31, 2008 (Rs.in Thousand except per share data)**
Capital raised during the year	
Public Issue	––
Rights Issue	––
Bonus Issue	––
Private placement	
Sweat Equity shares to Directors	––
Shares allotted to Four Soft Ltd. Employee Welfare Trust	
Position of Mobilisation and Deployment of Funds	
Total Liabilities	**1,131,419**
Total Assets	**1,131,419**
Sources of Funds	
Paid-up Capital	**193,091**
Reserves and Surplus	**782,752**
Secured Loans	**135,955**
Unsecured Loans	––
Application of Funds	
Net Fixed assets	**91,668**
Investments	**912,510**
Net current assets	**127,239**
Miscellaneous expenditure	––
Accumulated losses	––
Performance of Company	
Income from software products and related services	**371,354**
Other Income	**8,970**
Total Income	**380,325**
Total Expenditure	**371,641**
Profit / (Loss) before tax	**8,684**
Profit / (Loss) after tax	**3,576**
Earnings per share (basic) (Rs.)	**0.09**
Earnings per share (diluted) (Rs.)	**0.09**
Dividend per par value (Rs. 5/-) (%)	**Nil**
Generic name of principal products / services of the company	
Item Code No. (ITC Code)	**85 24 90 09**
Product Description	Computer Software

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To
The Board of Directors
Four Soft Limited

1. We have audited the attached consolidated balance sheet of Four Soft Limited ('the Company') as at March 31, 2008, and its subsidiaries ("the Subsidiaries") and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by Management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

2. *Except as discussed in paragraphs 4 below,* we conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. (i) We did not audit the financial statements of certain subsidiaries, whose financial statements reflect aggregate total assets of Rs. 631,342,497 as at March 31, 2008 and aggregate total revenues of Rs. 605,180,762 and net cash inflows aggregating to Rs. 7,062,619 for the year then ended. These financial statements and other financial information required for the purposes of consolidation have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the reports of other auditors.

   (ii) We have relied upon the audit of Ernst & Young Denmark and Ernst & Young UK for certain subsidiaries whose financial statements reflect aggregate total assets of Rs. 682,954,636 as at March 31,2008 and aggregate total revenues of Rs. 981,079,882 and net cash inflows aggregating to Rs.5,160,177 for the year then ended.

4. The consolidated financial statements for the year ended March 31, 2008 include the *unaudited financial statements of certain subsidiaries whose un-audited financial statements reflect aggregate total assets of Rs. 1,551,627,090 as at March 31, 2008 (previous year Rs. 1,255,985,790) and aggregate total revenue of Rs. 84,541,223 (previous year Rs. 310,480,307) and net cash outflows amounting to Rs. 24,281,668 (previous year Rs. 13,582,571) for the year then ended. The accompanying consolidated financial statements do not include adjustments, if any, that may be required had the financial statements of the aforesaid subsidiaries been audited.*

5. *In the absence of audited financial statements in respect of the entities referred to in paragraph 4 above, we are unable to express an opinion as to the balances, results from operation and cash flows pertaining to such entities included in the consolidated balance sheet, profit and loss account and cash flow statement respectively as at and for the year ended March 31, 2008.*

6. We report that the consolidated financial statements have been prepared by Management in accordance with the requirements of Accounting Standards (AS) 21 - 'Consolidated Financial Statements', issued by the Institute of Chartered Accountants of India.

7. The auditors' of Four Soft Netherlands BV, M/s. Accon AVM Controlepraktijk B.V.; have in their report dated June 20, 2008 included the following qualifications as follows:

   "The balance sheet includes a receivable on a former shareholder of Euro 199,000. This amount relates to taxes paid. The Company's management confirmed that the amount has been settled with former shareholder by Four Soft BV (immediate shareholder) after year end, the settlement agreement has to be signed still".

   "The Company has (former) employees for whom has been contributed to a defined benefit plan. At this moment it is not

certain whether any additional liability could follow from these schemes; an actuary calculation is currently outstanding."

8. The auditors' of Four Soft Malaysia Sdn Bhd. M/s. TLH Associates have in their report of June 16, 2008 included a matter of emphasis as follows:

   "Without qualifying our report, we draw attention to Note 2 to the financial statements which states that the financial statements have been prepared on the basis that the Company shall continue as a going concern. As at 31 March 2008, the Company has accumulated losses of Malaysian Ringgit (RM) 10,209,939, a negative equity of RM 209,939 and a history of recurring losses. Continuation of the Company as a going concern is dependent upon the satisfactory outcome from litigation proceedings as disclosed in Note 7 to the financial statements and continuing financial support of the holding company and its related companies to evolve new business models, rationalised business plans and provide funding, technical innovations and marketing resources to deliver adequate and reliable earnings and positive cash flows to revitalise its operations. The financial statements do not include any adjustments to recorded amounts that might become necessary should the company be unable to continue as a going concern."

9. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other unaudited financial information of the components, and to the best of our information and according to the explanations given to us, we are of the opinion that *subject to our observation in paragraph 4, 5 & 7 above whose effect on the financial statements are not ascertainable,* the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

   (a) in the case of the consolidated balance sheet, of the state of affairs of Four Soft Limited and its Subsidiaries, as at March 31, 2008;

   (b) in the case of the consolidated profit and loss account, of the consolidated profit of Four Soft Limited and its Subsidiaries, for the year ended on that date; and

   (c) in the case of the consolidated cash flow statement, of the consolidated cash flows of Four Soft Limited and its Subsidiaries, for the year ended on that date.

For **S. R. Batliboi & Associates**
Chartered Accountants

per
Ali Nyaz
Partner
Membership No.: 200427

Place : Hyderabad
Date : 29th August, 2008

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2008

Amount in Rupees

	Schedules	As at March 31, 2008	As at March 31, 2007
SOURCES OF FUNDS			
Shareholders' Funds			
Capital	1	**193,091,440**	191,531,385
Share application money pending allotment		**–**	4,439,101
Share warrants (Refer note c on Schedule 1)		**14,280,000**	14,280,000
Stock options outstanding	2	**8,751,291**	17,581,198
Reserves and surplus	3	**882,345,994**	753,709,475
Loan funds			
Secured loan	4	**507,923,020**	470,917,901
Unsecured loan	5	**195,423**	-
Deferred tax liability		**5,346,842**	7,316,231
TOTAL		**1,611,934,010**	1,459,775,291
APPLICATION OF FUNDS			
Fixed Assets	6		
Gross block		**1,736,173,460**	1,403,869,301
Less : Accumulated depreciation/amortisation		**216,358,682**	197,114,418
Net block		**1,519,814,778**	1,206,754,883
Capital work-in-progress including capital advances		**312,299**	375,156
		1,520,127,077	1,207,130,039
Deferred tax asset		**16,848,642**	20,158,637
Current Assets, Loans and advances			
Sundry debtors	7	**370,934,399**	537,690,933
Cash and bank balances	8	**79,780,411**	110,833,502
Other current assets	9	**22,962**	18,053
Loans and advances	10	**100,202,084**	236,407,272
		550,939,856	884,949,760
Less: Current Liabilities and Provisions			
Liabilities	11	**399,779,244**	570,749,057
Provisions	12	**76,202,321**	81,714,088
		475,981,565	652,463,145
Net Current Assets		**74,958,291**	232,486,615
TOTAL		**1,611,934,010**	1,459,775,291
Notes to Accounts	18		

The schedules referred to above and the notes to consolidated accounts form an integral part of the Consolidated Balance Sheet.
As per our report of even date

For S.R.Batliboi & Associates
Chartered Accountants

Per
Ali Nyaz
Partner
Membership No. 200427

Place : Hyderabad
Date : 29th August, 2008

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

Palem Srikanth Reddy
Chairman & Managing Director

P. Mangamma
Director

Seena Sankar
Company Secretary

Biju S. Nair
Sr. Vice President - Finance

Place : Hyderabad
Date : 29th August, 2008

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

Amount in Rupees

	Schedules	**For the Year ended March 31, 2008**	For the Year ended March 31, 2007
INCOME			
Revenue from software services and products	13	**1,715,329,028**	1,593,282,382
Other income	14	**53,568,516**	35,949,347
TOTAL		**1,768,897,544**	1,629,231,729
EXPENDITURE			
Personnel expenses	15	**1,100,659,338**	1,126,038,871
Operating and other expenses	16	**474,727,636**	394,431,724
Depreciation and amortisation	6	**46,132,365**	39,713,512
Financial expenses	17	**51,155,416**	39,818,699
Miscellaneous expenditure written off		**-**	440,034
TOTAL		**1,672,674,755**	1,600,442,840
Profit before tax		**96,222,789**	28,788,889
Provision for tax			
-Current tax		**45,475,108**	18,954,236
-Tax for earlier years		**(2,052,914)**	(2,500,540)
-Deferred tax		**275,360**	1,537,310
-Fringe benefit tax		**2,040,000**	1,321,713
		45,737,554	19,312,719
Net profit		**50,485,235**	9,476,170
Balance brought forward from previous year		**121,775,926**	112,299,756
Profit available for appropriation		**172,261,161**	121,775,926
Surplus carried to Balance Sheet		**172,261,161**	121,775,926
Earnings per share			
Basic		**1.31**	0.27
Diluted		**1.31**	0.26
Nominal value of shares		**5**	5
Notes to Accounts	18		

The schedules referred to above and the notes to consolidated accounts form an integral part of the Consolidated Profit and Loss Account.

As per our report of even date

For S.R.Batliboi & Associates
Chartered Accountants

Per
Ali Nyaz
Partner
Membership No. 200427

Place : Hyderabad
Date : 29th August, 2008

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

Palem Srikanth Reddy
Chairman & Managing Director

P. Mangamma
Director

Seena Sankar
Company Secretary

Biju S. Nair
Sr. Vice President - Finance

Place : Hyderabad
Date : 29th August, 2008

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2008

Amount in Rupees

	As at March 31, 2008	As at March 31, 2007
SCHEDULE - 1		
CAPITAL		
Authorised		
56,077,600 (Previous year : 56,077,600) equity shares of Rs.5 each	**280,388,000**	280,388,000
696,120 (Previous year : 696,120) 14% redeemable optionally convertible cumulative preference shares of Rs.100 each	**69,612,000**	69,612,000
	350,000,000	350,000,000
Issued, Subscribed and Paid-up		
38,959,744 (Previous year : 38,959,744) equity shares of Rs. 5 each fully paid-up	**194,798,720**	194,798,720
Less: Calls in arrears by others	**9,000**	10,500
	194,789,720	194,788,220
Less: Amount recoverable from ESOP trust	**1,698,280**	3,256,835
[556,856 equity shares (Previous year: 868,567), including 217,200 bonus shares alloted to the trust]		
	193,091,440	191,531,385

Note

Of the above

a. 10,452,102 equity shares (Previous year 10,452,102) were alloted as fully paid up for consideration other than cash.

b. 613,344 shares (Previous year: 301,633 shares) were issued to employees (through ESOP trust) pursuant to the employee stock option scheme. Of the above 390,544 shares were issued at Rs. 19.65 out of which Rs. 14.65 per share were received in the form of employee service and 222,800 shares were issued at Rs. 70.75 out of which Rs. 65.75 per share were received in the form of employee service.

c. As approved by the shareholders in Extra ordinary general meeting of the Company held on January 19, 2007, the Board of Directors of the Company at their meeting held on February 2, 2007, alloted 2,000,000 warrants to Citicorp Finance (India) Limited and 100,000 warrants to IndusAge Management Services Private Limited at a price of Rs. 68 determined in accordance with the Securities and Exchange Board of India (SEBI) Guidelines. These warrants are convertible at a future date into equal number of equity shares of face value of Rs. 5 each. Warrant-holders are entitled to subscribe to these warrants within a period not exceeding 18 months from the date of allotment of warrants. As required by SEBI Guidelines, subscribers have deposited non-refundable amount of Rs. 14,280,000, an amount equivalent to 10% of total consideration.

Amount in Rupees

	As at March 31, 2008	As at March 31, 2007
SCHEDULE 2: STOCK OPTIONS OUTSTANDING		
Stock option outstanding	**29,405,044**	44,262,850
Add: Additions during the year	**7,655,718**	3,311,000
	37,060,762	47,573,850
Less: Deletions during the year	**6,383,755**	10,161,993
Less: Transfer to securities premium on exercise of stock options	**11,259,689**	8,006,813
Less: Transferred to General reserve on lapse of options	**602,000**	–
	18,815,316	29,405,044
Less: Deferred stock employee compensation	**10,064,025**	11,823,846
	8,751,291	17,581,198
Notes:		
Deferred stock employee compensation		
Stock compensation expense outstanding	**11,823,846**	31,613,705
Add: Stock options granted during the year	**7,655,718**	3,311,000
Less: Stock options cancelled/forfeited during the year	**(6,383,755)**	(10,161,994)
Less: Stock compensation amortised during the year	**(3,031,784)**	(12,938,865)
Closing balance of deferred employee stock compensation	**10,064,025**	11,823,846

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2008

Amount in Rupees

		As at March 31, 2008	As at March 31, 2007
SCHEDULE - 3			
RESERVES AND SURPLUS			
Securities Premium Account			
Balance as per last account		**626,311,290**	434,174,118
Add: Received during the year		**1,500**	184,627,479
Add: Transferred from stock options outstanding on exercise of stock options		**11,259,689**	8,006,814
		637,572,479	626,808,411
Less: Utilised towards share issue expenses		**–**	497,121
	(I)	**637,572,479**	626,311,290
General Reserve			
Balance as per last account		**1,996,214**	6,524,691
Less: Adjustment for employee benefits provision		**–**	4,528,477
Add: Transferred from stock options outstanding on lapse of stock options		**602,000**	–
	(II)	**2,598,214**	1,996,214
Profit and Loss Account	**(III)**	**172,261,161**	121,775,926
Foreign Currency Translation Reserve			
Balance as per last account		**3,626,045**	(3,481,655)
Add: Current year translation adjustment		**66,288,095**	7,107,700
	(IV)	**69,914,140**	3,626,045
	TOTAL (I to IV)	**882,345,994**	753,709,475
SCHEDULE - 4			
SECURED LOAN			
Finance Lease Obligation		**955,173**	1,945,296
(Secured by underlying leased assets)			
Term loan			
-From banks		**371,967,847**	468,972,605
-From others		**135,000,000**	–
(Refer note 10 on Schedule 17)			
		507,923,020	470,917,901
SCHEDULE - 5			
UNSECURED LOAN			
From others			
Finance lease obligations		**195,423**	–
		195,423	–

FOUR SOFT LIMITED
SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2007

SCHEDULE - 6
FIXED ASSETS

(Amount in Rupees)

Sno	Particulars	GROSS BLOCK					DEPRECIATION					Net Block	
		As at 01 Apr 07	Additions	Dedu-cations	Exchange Difference	**As at 31 Mar 08**	As at 01 Apr 07	For the Year	Deletion/ Adjust-ments	Exchange Diference	**Upto 31 Mar 08**	**As at 31 Mar 08**	As at 31 Mar 07
	Tangibles												
1	Computers	146,621,934	10,441,091	4,274,360	(2,719,829)	**150,068,836**	109,224,922	17,713,886	4,121,517	(1,995,267)	**120,822,024**	**29,246,812**	37,397,012
2	Office equipment	50,484,122	4,666,702	11,858,097	2,236,403	**45,529,130**	31,812,671	3,167,987	11,860,448	2,131,300	**25,251,510**	**20,277,620**	18,671,451
3	Furniture and fittings	54,341,074	330,983	8,100,910	(2,272,658)	**44,298,489**	31,180,773	7,840,869	7,999,335	(1,800,388)	**29,221,919**	**15,076,570**	23,160,301
4	Building	37,853,157	–	–	640,523	**38,493,680**	9,192,216	2,895,430	–	570,873	**12,658,519**	**25,835,161**	28,660,941
5	Lease hold improvements	3,462,019	165,177	–	(76,553)	**3,550,643**	1,726,356	1,322,956	–	(50,190)	**2,999,122**	**551,521**	1,735,663
6	Vehicles	3,188,744	–	3,373,345	273,116	**88,515**	1,441,992	242,132	1,810,678	146,636	**20,082**	**68,433**	1,746,752
	(A)	295,951,050	15,603,953	27,606,712	(1,918,998)	**282,029,293**	184,578,930	33,183,260	25,791,978	(997,036)	**190,973,176**	**91,056,117**	111,372,120
	Intangibles												
1	Goodwill	1,089,511,226	226,393,260	–	93,882,309	**1,409,786,795**	1,501,389	3,252,508	–	(149,490)	**4,604,407**	**1,405,182,388**	1,088,009,837
2	Software	18,407,025	25,972,408	88,935	66,874	**44,357,372**	11,034,099	9,696,597	88,935	139,338	**20,781,099**	**23,576,273**	7,372,926
	(B)	1,107,918,251	252,365,668	88,935	93,949,183	**1,454,144,167**	12,535,488	12,949,105	88,935	(10,152)	**25,385,506**	**1,428,758,661**	1,095,382,763
	Total	1,403,869,301	267,969,621	27,695,647	92,030,185	**1,736,173,460**	197,114,418	46,132,365	25,880,913	(1,007,188)	**216,358,682**	**1,519,814,778**	1,206,754,883
	Previous year	1,174,309,547	284,331,540	105,052,673	50,280,887	**1,403,869,301**	158,787,203	76,776,740	46,692,850	(8,243,324)	**197,114,418**	**1,206,754,883**	–

Note:

Furniture and fittings includes furniture taken on finance lease

Gross book value Rs. 2,908,974 (Previous year : Rs. 2,908,974)

Net book value Rs. 200,739 (Previous year : Rs. 590,410)

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2008

Amount in Rupees

	As at March 31, 2008	As at March 31, 2007
SCHEDULE - 7		
SUNDRY DEBTORS		
Debts outstanding for a period exceeding six months		
Unsecured, considered good	**7,711,669**	22,364,011
Considered doubtful	**38,006,430**	50,223,879
	45,718,099	72,587,890
Other debts		
Unsecured, considered good	**363,222,730**	517,632,015
Considered doubtful	**3,752,276**	10,902,120
	366,975,006	528,534,135
	412,693,105	601,122,025
Less : Provision for doubtful debts	**41,758,706**	63,431,092
TOTAL	**370,934,399**	537,690,933
SCHEDULE - 8		
CASH AND BANK BALANCES		
Cash on hand	**297,683**	152,956
Balances with scheduled banks on:		
Current accounts	**18,001,572**	36,985,037
Deposit accounts	**332,556**	332,556
Unpaid dividend accounts	**420,385**	420,385
Unpaid IPO refund accounts	**204,959**	204,959
	18,959,472	37,942,937
Balance with other banks on:		
Current Accounts	**59,842,868**	60,692,690
Deposit Accounts	**680,388**	12,044,919
TOTAL	**79,780,411**	110,833,502
SCHEDULE - 9		
OTHER CURRENT ASSETS		
Interest accrued on fixed deposits	**22,962**	18,053
TOTAL	**22,962**	18,053
SCHEDULE - 10		
LOANS AND ADVANCES		
Unsecured, considered good		
Loan to Four Soft Limited employee welfare trust	**–**	484,810
Advances recoverable in cash or in kind or for value to be received	**75,186,580**	75,637,928
Advance for investment	**–**	127,144,976
Deposits	**20,275,476**	18,681,186
Advance income tax (net of provision)	**6,762,049**	15,765,380
Advance fringe benefit tax (net of provision)	**–**	696,193
	102,224,105	238,410,473
Less: Provision for doubtful advances	**2,022,021**	2,003,201
TOTAL	**100,202,084**	236,407,272

SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2008

Amount in Rupees

	As at March 31, 2008	As at March 31, 2007
SCHEDULE - 11		
LIABILITIES		
Sundry creditors		
- Outstanding dues to micro and small enterprises	**–**	–
- Others	**131,408,426**	351,049,080
	131,408,426	351,049,080
Advance from customers	**227,531,212**	164,828,531
Investor Education and Protection Fund shall be credited by the following amounts (as & when due):		
Unclaimed dividends	**420,385**	420,385
Application moneys due for refund	**204,959**	204,959
Other liabilities	**40,214,262**	54,246,102
TOTAL	**399,779,244**	570,749,057
SCHEDULE - 12		
PROVISIONS		
For retirement benefits	**49,350,404**	54,785,132
For income tax (net of advance payments)	**25,316,677**	26,928,956
For fringe benefit tax (net of advance payments)	**1,535,240**	–
TOTAL	**76,202,321**	81,714,088

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

Amount in Rupees

	For the Year ended March 31, 2008	For the Year ended March 31, 2007
SCHEDULE - 13		
REVENUE FROM SOFTWARE SERVICES AND PRODUCTS		
Customisation and Implementation services	**1,165,987,367**	1,276,223,694
Annual maintenance services	**349,009,765**	201,322,456
Sale of licenses	**166,063,451**	93,834,854
Income from sale of third party licenses (net)	**34,268,445**	21,901,378
TOTAL	**1,715,329,028**	1,593,282,382
SCHEDULE - 14		
OTHER INCOME		
Interest on fixed deposits (gross)	**2,449,901**	3,955,927
Profit on sale of assets (net)	**–**	5,639,236
Bad debts recovered	**4,624,914**	–
Dividend income from non trade investments	**–**	2,836,993
Miscellaneous income	**5,484,349**	23,561,125
Liability no longer required written back	**7,005,718**	1,615,700
Exchange difference (net)	**34,003,634**	(1,659,634)
TOTAL	**53,568,516**	35,949,347

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2008

Amount in Rupees

	For the Year ended March 31, 2008	For the Year ended March 31, 2007
SCHEDULE - 15		
PERSONNEL EXPENSES		
Salaries, wages and bonus	**971,062,410**	944,770,264
Retirement benefits	**10,638,596**	49,824,871
Contribution to provident fund	**47,625,134**	40,304,686
Employee stock compensation expenses	**3,031,784**	12,938,865
Staff welfare expenses	**68,301,414**	78,200,185
	1,100,659,338	1,126,038,871
SCHEDULE-16		
OPERATING AND OTHER EXPENSES		
Rent	**91,832,921**	74,901,305
Fee, rates and taxes	**10,047,850**	11,338,726
Office maintenance	**41,101,383**	24,321,112
Auditors' remuneration	**9,811,201**	5,703,340
Implementation expenses	**46,395,982**	25,680,143
Advertisement and recruitment	**5,899,142**	6,661,788
Business promotion	**11,720,134**	6,423,426
Communication costs	**29,416,994**	29,937,397
Postage and courier	**2,015,723**	3,205,347
Insurance	**7,183,076**	5,912,068
Electricity and water charges	**16,329,289**	10,831,817
Travelling and conveyance	**96,321,764**	99,117,522
Legal and professional fees	**46,796,905**	41,436,538
General meeting expenses	**469,700**	553,857
Bad and doubtful debts written off	**36,548,425**	24,966,686
Provision for bad and doubtful debts	**2,080,756**	5,512,748
Prior period expenses (net)	**8,319,837**	–
Bad and doubtful advances written off	**1,807,557**	–
Donations	**1,600**	385,495
Loss on sale of investments	**–**	466,517
Loss on sale of fixed asset (net)	**139,311**	–
Miscellaneous expenses	**10,488,085**	17,075,892
	474,727,636	394,431,724
SCHEDULE 17		
FINANCIAL EXPENSES		
Interest		
- on bank	**36,850,876**	36,404,832
- on others	**10,766,552**	–
Finance lease charges	**1,469,401**	632,835
Bank charges	**2,068,587**	2,781,032
	51,155,416	39,818,699

SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

Amount in Rupees

	For the Year ended March 31, 2008	For the Year ended March 31, 2007
SCHEDULE - 16		
OPERATING AND OTHER EXPENSES		
Rent	**69,187,795**	30,534,873
Fee, rates and taxes	**4,500,327**	2,864,277
Office maintenance	**24,321,112**	12,984,275
Auditors' remuneration	**5,703,340**	2,686,370
Implementation expenses	**25,680,143**	1,660,646
Advertisement and recruitment	**6,661,788**	7,582,110
Business promotion	**6,423,426**	7,190,450
Communication costs	**29,937,397**	20,404,021
Postage and courier	**3,205,347**	2,457,747
Insurance	**5,912,068**	6,819,164
Electricity and water charges	**10,831,817**	7,150,314
Travelling and conveyance	**99,117,522**	73,618,567
Legal and professional fees	**41,436,538**	17,451,015
Exchange difference (net)	**1,659,634**	(7,388,369)
Commission to other than sole selling agents	**–**	771,813
General meeting expenses	**553,857**	397,621
Bad and doubtful debts written off	**24,966,686**	277,266
Provision for doubtful debts	**5,512,748**	9,420,575
Provision for doubtful advances	**–**	759,467
Prior period expenses (net)	**–**	641,826
Donations	**385,495**	97,924
Loss on sale of investments	**466,517**	–
Miscellaneous expenses	**29,627,801**	14,907,587
TOTAL	**396,091,358**	213,289,539
SCHEDULE - 17		
FINANCE CHARGES		
Bank charges	**2,781,032**	8,071,631
Interest-bank	**36,404,832**	19,234,721
Finance lease charges	**632,835**	238,533
TOTAL	**39,818,699**	27,544,885

Consolidated Cash Flow Statement for the year ended 31ST March, 2008

Amount in Rupees

		2007-2008	2006-2007
A.	**Cash flow from operating activities**		
	Net profit before taxation	**96,222,789**	28,788,890
	Adjustments for:		
	Depreciation and amortisation	**46,132,365**	39,713,512
	Employee stock compensation expenses	**3,031,784**	12,938,866
	Loss/(Profit) on sale of non trade current investments	**–**	466,517
	Foreign exchange loss/(gain) (net)	**24,625,689**	41,065,795
	Interest income on fixed deposits	**(2,449,901)**	(3,955,927)
	Dividends from non trade current investments	**–**	(2,836,993)
	Miscellaneous expenditure written off	**–**	440,034
	Provision for doubtful debts and advances	**40,436,738**	32,482,635
	Interest expense	**49,086,829**	37,037,667
	Loss/(gain) on sale of fixed assets	**139,311**	5,639,236
	Operating profit before working capital changes	**257,225,604**	191,780,231
	Movements in working capital :		
	Sundry debtors	**128,699,233**	(196,543,994)
	Loans and advances	**83,385,812**	54,257,673
	Current liabilities	**(182,162,240)**	121,271,472
	Cash generated from operations	**287,148,409**	170,765,382
	Direct taxes paid (including fringe benefit tax)	**(44,473,987)**	(26,624,958)
	Net cash generated from operating activities	**242,674,422**	144,140,424
B.	**Cash flows from investing activities**		
	Purchase of fixed assets	**(41,576,361)**	(148,557,225)
	Proceeds from sale of fixed assets	**731,090**	73,812,465
	Payments for net assets acquired of subsidiaries, net of cash	**(167,044,661)**	(213,780,600)
	Advance for investment	**–**	(127,144,976)
	Payment towards finance lease obligation	**(794,700)**	(758,954)
	Sale (purchase) of short term investments(net)	**–**	(453,140)
	Interest received	**2,449,901**	3,955,927
	Dividends received	**–**	2,836,993
	Net cash used in investing activities	**(206,234,732)**	(410,089,511)

Consolidated Cash Flow Statement for the year ended 31ST March, 2008

Amount in Rupees

		2007-2008	2006-2007
	Contd...		
C.	**Cash flows from financing activities**		
	Proceeds from issuance of share capital	**3,000**	66,410,933
	Proceeds from share application money received/(refunded)	**(4,439,101)**	4,439,101
	Proceeds from issuance of share warrants	**–**	14,280,000
	Proceeds from long-term borrowings	**135,000,000**	–
	Repayment of long term borrowings	**(126,101,938)**	(34,120,960)
	Interest paid	**(45,875,845)**	(34,087,058)
	Dividends paid, including dividend tax	**–**	(30,938,673)
	Tax on dividends paid		
	Net cash generated from/(used in) financing activities	**(41,413,884)**	(14,016,657)
D.	**Effect of exchange difference on foreign currency cash and cash equivalents**	**(25,742,090)**	7,107,700
	Net decrease in cash and cash equivalents (A+B+C+D)	**(30,716,284)**	(272,858,044)
	Cash and cash equivalents at the beginning of the year	**110,833,502**	382,784,039
	Cash and cash equivalents at the end of the year	**80,117,219**	109,925,995

Notes:

1. Cash and cash equivalents include:

	2007-2008	2006-2007
Cash and bank balances	**79,155,067**	110,208,158
Unpaid dividend accounts	**420,385**	420,385
Unpaid public issue refund accounts	**204,959**	204,959
Cash and cash equivalents as per Balance Sheet	**79,780,411**	110,833,502
Effect of unrealised exchange gain as on the Balance Sheet date	**336,808**	(907,507)
Cash and cash equivalents considered for Cash Flows	**80,117,219**	109,925,995

2. Previous year's figures have been regrouped where necessary to conform to this year's classification

3. The accompanying notes are an integral part of this statement.

As per our report of even date

For S.R.Batliboi & Associates
Chartered Accountants

Per
Ali Nyaz
Partner
Membership No. 200427

Place : Hyderabad
Date : 29th August, 2008

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

Palem Srikanth Reddy
Chairman & Managing Director

P. Mangamma
Director

Seena Sankar
Company Secretary

Biju S. Nair
Sr. Vice President - Finance

Place : Hyderabad
Date : 29th August, 2008

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SCHEDULE 17

Summary of Significant Accounting Policies and Notes to Consolidated Accounts for the year ended and as at March 31, 2008

1. Statement of Significant Accounting Policies

(a) Basis of Consolidation

The Consolidated Financial Statements of Four Soft Limited ("FSL" or "the parent") together with its subsidiaries collectively termed as "the Group" or "the Consolidating Entities" are prepared under historical cost convention on accrual basis to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India ("the ICAI"). The accounting policies applied by the Group are consistent with those used in the previous year.

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" issued by the ICAI.

All material inter-company balances and inter-company transactions and resulting unrealized profits or losses are eliminated in full on consolidation unless cost can not be recovered.

The following wholly owned subsidiaries have been considered for the purpose preparation of consolidated financial statements:

Names of the Consolidated Entities	Country of Incorporation	Date of acquisition
Four Soft B.V.	Netherlands	October 1, 2004
Four Soft NL B.V.	Netherlands	September 2, 2005
Four Soft UK Limited	United Kingdom	September 2, 2005
Four Soft USA Inc.	United States of America	September 2, 2005
Four Soft Germany GmbH	Germany	September 2, 2005
Four Soft Singapore Pte Limited	Singapore	May 28, 2005
Four Soft Japan KK	Japan	June 26, 2006
Four Soft Sdn Bhd	Malaysia	May 28, 2005
Four Soft Nordic A/s	Denmark	January 1, 2007
Four Soft Australia Pty Limited	Australia	January 1, 2007
Transaxiom UK Limited	United Kingdom	January 1, 2007
Transaxiom (USA) Inc.	United States of America	January 1, 2007
Four Soft (HK) Ltd.	Honk Kong	January 1, 2007

(b) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(c) Fixed assets

Fixed 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.

(d) Capital Work in Progress

Assets under installation or under construction as at the Balance Sheet date are shown as Capital Work in progress. Advances paid towards purchase of capital assets are also included under capital work in progress.

(e) Impairment

The carrying amounts of assets 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 asset's net selling price and its 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.

(f) Depreciation

Depreciation is provided using the Written Down Value Method (WDV) as per the useful lives of the assets estimated by Management, or at the rates prescribed under schedule XIV to the Companies Act, 1956 ("the Act") whichever is higher, except :

i. Four Soft USA Inc. uses Modified Accelerated Cost Recovery System (MACRS) for depreciating its fixed assets.

ii. Fixed assets of all the other subsidiaries are depreciated over the estimated useful lives, using the Straight Line Method (SLM).

Lease hold improvements and assets acquired on finance lease are depreciated using the written down value method over the lower of the useful life or the lease period.

(g) Intangible Assets

Software licenses

Intangible assets in the nature of purchased software licenses are stated at cost and are amortized over the estimated useful life of six years, using Written Down Value Method. Intangible assets of subsidiaries are depreciated over the estimated useful life not exceeding three to five years, using the Straight Line Method.

Research and Development Costs

Research costs are expensed as incurred. Development expenditure incurred on an individual project is carried forward when its future recoverability can reasonably be regarded as assured.

Goodwill

Goodwill represents the excess of purchase consideration over the net book value of assets acquired. Goodwill is evaluated periodically for impairment and impairment losses are recognized where applicable. Four Soft UK Ltd. amortizes goodwill on Straight Line Method.

(h) Leases

Finance leases, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the leased assets, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease 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 capitalised. 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 assets, are classified as operating leases. Operating lease payments are recognized as an expense in the Profit and Loss account on a straight-line basis over the lease term.

(i) 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. Provision for diminution in value is made to recognise a decline other than temporary in the value of the investments.

(j) Revenue recognition

Revenue is recognised 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 software licenses and software services

Revenue from the sale of user licenses for software applications is recognised on delivery or subsequent milestone schedule as per the terms and contract with the customers. Revenue from time and material contracts is recognised as the related services are rendered. Revenue from annual maintenance services is recognised 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 no significant uncertainty exists regarding the amount of consideration that will be derived from rendering the services.

Interest

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rates applicable.

Dividends

Revenue is recognised when the Group's right to receive payment is established by the balance sheet date.

(k) Foreign currency transactions

Initial Recognition:

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

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 recognised as income or as expenses in the year in which they arise except those arising from investments in non-integral operations. Exchange differences arising in respect of fixed assets acquired from outside India before accounting period commencing on or before December 7, 2006 were capitalized as a part of fixed asset.

(l) Foreign currency translation

Exchange gain or losses arising on translation of financial statements of overseas subsidiaries is charged to profit and loss account, except where the subsidiaries are designated as non-integral foreign operations. 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.

In accordance with the accounting principles laid down under AS 11 (Revised) the Group has designated all its foreign operations, as "non-integral foreign operations".

(m) Retirement and other employee benefits

(i) Retirement benefits in the form of Provident Fund Scheme are charged to the Profit and Loss Account 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.

(ii) 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 recognised in full in the Profit and Loss Account in the period in which they occur.

(iii) Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation.

(iv) In respect of Four Soft B.V. and Four Soft N.L. B.V., Netherlands retirement benefits such as holiday allowances have been accrued for on actual basis. These Companies also contribute to a private pension plan on the basis of a defined contribution plan.

These Companies contribute to a private pension plan on the basis of a defined contribution plan. In case of Four Soft N.L. B.V., defined benefit contribution pension plan is also accorded for certain employees.

(v) In respect of Four Soft UK Limited, a defined contribution pension scheme for employees is maintained by the Company. The assets of the scheme are held separately from those of the Company. The annual contributions payable are charged to the Profit and Loss account and there are no other obligations other than the contribution payable to the respective funds.

(n) Employee Stock Option Scheme

In accordance with the accounting treatment prescribed under the "Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines 1999" (as amended) issued by the Securities and Exchange Board of India, the excess of market value of the stock on the date of grant over the exercise price of the option is recognised as deferred employee stock compensation and is charged to profit and loss account on straight-line method over the vesting period of the options. The un-amortized portion of cost is shown under Reserves and Surplus.

(o) Taxes on income

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit 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 are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

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

Deferred tax assets and deferred tax liabilities across various countries of operation are not set off against each other as the Company does not have a legal right to do so.

(p) Earnings per share

Basic earnings per 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 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.

(q) Provisions

A provision is recognised when the Group has a present obligation as a result of past event and when 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 best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

(r) Cash and Cash equivalents

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.

(s) Segment information:

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 "Statement of Significant Accounting Policies" as above.

2. Difference in Accounting Policies

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 parent to the extent practicable. The following accounting policy followed by various consolidating entities is not aligned with those of the Parent Company:

Depreciation in certain consolidating subsidiaries is provided on straight line method or modified accelerated cost recovery system as compared to written down value method followed in the books of the Parent Company. The Company has not ascertained the impact of such differential accounting policy on the consolidated profits for the year ended and financial position of the Group as at March 31, 2008. The proportion of net fixed assets and depreciation so accounted is Rs. 18,251,269 and Rs. 20,855,034 respectively included in the net fixed assets and depreciation of the consolidated enterprise.

3. Goodwill

In December 2006 the Company had entered into an agreement for purchase of 100% outstanding equity shares of Transaxiom Holding A/S (Subsequently renamed as Four Soft Nordic A/S), Denmark from its erstwhile shareholders in consideration not exceeding Danish Kroner (DKK) 69,000,000. The aggregate purchase consideration is to be determined based on the average eligible revenue of the acquired entity over a period of 36 months ending December 31, 2009. Till March 31, 2008, the Company has, based on certain payment mile-stones paid an aggregate amount of DKK 31,618,887 (equivalent Rs. 251,223,244) towards purchase consideration. The difference between the net assets acquired as on the date of acquisition and purchase consideration paid as on the balance sheet date is accounted for as goodwill.

4. Employee Stock Option Scheme (ESOP)

(a) The Company has established Four Soft Limited Employees Welfare Trust ("the Trust") to administer the ESOP Scheme and as at March 31, 2008 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 the trust has granted, 358,280 (Previous year 110,000) equity shares at an exercise price of Rs. 5 each to the eligible employees, which are subject to progressive vesting over a period of three years from the date of the grant. As of March 31, 2008 the total shares held by the Trust is 556,856 (previous year 868,567). Mode of settlement of these stock options is equity.

(b) During the year ended March 31, 2008 the Company has amortized stock compensation expenses amounting to Rs.3, 031,784 (Previous Year Rs.12, 938,865).

(c) Changes in number of shares representing stock options outstanding as at the year ended on March 31, 2008 were as follows:

	Year Ended March 31, 2008		As at March 31, 2007	
	Number of shares	**Weighted average exercise price (Rs)**	Number of shares	Weighted average exercise price (Rs)
Outstanding at the beginning of the year	**620,940**	**5**	943,608	5
Granted during the year	**358,280**	**5**	110,000	5
Forfeited during the year	**96,469**	**5**	205,714	5
Exercised during the year	**311,711**	**5**	226,954	5
Expired during the year	**20,000**	**5**	Nil	5
Outstanding at the end of the year	**551,040**	**5**	620,940	5
Exercisable at the end of the year	**Nil**	**5**	Nil	5

d) In March 2005 the ICAI has issued a guidance note on "Accounting for Employees Share Based Payments" applicable to employee based share plan the grant date in respect of which falls on or after April1, 2005. The said guidance note requires the proforma disclosures of the impact of the fair value method of accounting of employee stock compensation accounting in the financial statements. Applying the fair value based method defined in the said guidance note; the impact on the reported net profit and earnings per share is as follows:

	Year ended March 31,	
	2008 (Rs)	2007 (Rs)
Profit as reported	**50,485,235**	9,476,170
Add: Employee stock compensation under intrinsic value method	**3,031,784**	12,938,865
Less: Employee stock compensation under fair value method	**8,028,121**	13,504,200
Proforma profit	**45,488,898**	8,910,835
Earnings Per Share		
Basic		
- As reported	**1.31**	0.27
- Pro forma	**1.18**	0.26
Diluted		
- As reported	**1.31**	0.25
- Pro forma	**1.18**	0.24

(e) The weighted average fair value of the stock options granted during the year was Rs. 49.81 (Previous year: Rs. 30.82). The fair value of options was estimated at the date of grant using the Black Scholes method with the following assumptions:

	Assumptions	
	2008 (Rs)	2007 (Rs)
Risk-free interest rate	**8.30%**	8.05%
Expected life	**1 to 3 years**	1 to 3 years
Expected volatility	**0.713**	0.53
Expected dividend yield	**–**	–

The expected volatility was determined based on historical volatility data; historical volatility includes early years of the Company's life; the Company expects the volatility of its share price to reduce as it matures.

The weighted average share price at the date of exercise for stock options exercised during the year was Rs. 43.23. Options outstanding at March 31, 2008 had an exercise price of Rs. 5, and a weighted average remaining contractual life of 13.02 months.

5. Gratuity

FSL 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 summarises the components of net benefit expense recognised in the Profit and Loss Account and the funded status and amounts recognised in the Balance Sheet for the respective plans.

	Year ended March 31, 2008	Year ended March 31, 2007
a) Net gratuity expense recognised in the Profit and Loss Account (under personnel expenses)		
Current service cost	**3,892,017**	2,067,089
Interest cost on benefit obligation	**618,253**	282,451
Expected return on plan assets	**(235,881)**	(142,971)
Net actuarial (gain) / loss recognised in the year	**(4,023,288)**	1,753,017
Past service cost	**Nil**	Nil
Net benefit expense	**251,101**	3,959,586
Actual return on plan assets	**291,203**	161,796
b) Details of provision recognised in the Balance Sheet		
Defined benefit obligation	**7,550,118**	7,858,429
Fair value of plan assets	**(3,216,719)**	(2,323,344)
	4,333,399	5,535,085
Less: Unrecognised past service cost	**Nil**	Nil
Net provision for gratuity	**(4,333,399)**	(5,535,085)
c) Changes in the present value of the defined benefit obligation are as follows:		
Opening defined benefit obligation	**7,858,429**	3,869,746
Interest cost	**618,253**	282,451
Current service cost	**3,892,017**	2,067,089
Benefits paid	**(850,615)**	(76,154)
Actuarial (gains) / losses on obligation	**(3,967,966)**	1,715,297
Closing defined benefit obligation	**7,550,118**	7,858,429

		2008	2007
d)	**Changes in the fair value of plan assets are as follows:**		
	Opening fair value of plan assets	**2,323,344**	1,010,019
	Expected return	**235,881**	142,971
	Contributions by employer	**1,452,787**	1,227,683
	Benefits paid	**(850,615)**	(76,154)
	Actuarial gains / (losses)	**55,322**	18,825
	Closing fair value of plan assets	**3,216,719**	2,323,344
	The Company expects to contribute Rs. 1,452,787 to the plan in 2008-09.		
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	**8.3% p.a.**	8.05% p.a.
	Expected rate of return on assets	**7.50% p.a.**	7.50% p.a.

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.

6. Related party transactions

Names of the related party	Country	Nature of relationship
Four Soft Employee Welfare Trust	India	Controlling interest
Palem Srikanth Reddy	India	Key Management Personnel
Biju S. Nair	India	Key Management Personnel
Dr. Kalyan Gangavarupu	India	Key Management Personnel
Sonata Information Technology Limited	India	Enterprises significantly influenced by relatives of key management personnel

The details of the related party transactions entered into by the Company during the year ended March 31, 2008 are as follows:

Particulars	**Year ended March 31, 2008 (Rs)**	2007 (Rs)
KEY MANAGEMENT PERSONNEL		
Palem Srikanth Reddy		
a) Remuneration	**464,259**	1,686,759
b) Dividends	**Nil**	6,079,035
Biju Nair		
a) Remuneration	**1,658,703**	1,290,000
b) Dividends	**Nil**	13,012
c) Incentive	**582,988**	Nil
Dr. Kalyan Gangavarupu		
a) Remuneration	**3,831,940**	2,366,863
b) Incentive	**582,988**	Nil

	As at March 31, 2008 (Rs)	2007 (Rs)
ENTERPRISES SIGNIFICANTLY INFLUENCED BY RELATIVES OF KEY MANAGEMENT PERSONNEL:		
Sonata Information Technology Limited		
a) Purchase and implementation of enterprise resource program	**1,208,838**	725,964
b) Purchase of Fixed Assets (License)	**424,485**	625,000
Debit/(Credit) Balance Outstanding		
Key Management Personnel	**(892,135)**	(2,086,130)
Sonata Information Technology Limited	**(191,615)**	4,805
Four Soft Employee Welfare Trust	**1,241,645**	3,741,645

7. Interest in Joint Venture

The Company had set-up a 25% joint venture on March 6, 2002 by name Four Soft International Inc., USA to undertake business development and marketing activities in North America. The said Joint venture agreement has been terminated with effect from March 12, 2008. The aggregate value of assets, liabilities, income and expenses related to the Company's share in Four Soft International Inc., USA has been considered to be Rs. Nil and investment value is written off fully in the current year.

8. Leases

Finance Leases

Furniture and fittings includes furniture obtained under the finance lease arrangement. The lease term is for a period of three years and renewable for further three years at the option of the Company. There is no escalation clause and no restrictions are imposed by the lease arrangements. There are no subleases.

	Year ended March 31, 2008 (Rs)	2007 (Rs)
Total minimum lease payments at the year end	**1,107,859**	2,499,649
Less : Amount representing finance charges	**152,686**	554,353
Present value of minimum lease payments (Rate of interest: 26.89% p.a.)	**955,173**	1,945,296
Minimum Lease Payments :		
Not later than one year [Present value 955,173 as on March 31, 2008] (990,124 as on March 2007)	**1,107,859**	1,391,790
Later than one year but not later than five years [Present value Nil (955,173 as on March 31, 2007)]	**Nil**	1,107,859
Later than 5 years	**Nil**	Nil

Operating Leases

The Company has entered into operating lease agreements for its offices for periods of 1 year to 20 years. The maximum obligations on non-cancelable operating leases payable as per the rentals stated in the respective agreements are as follows:

	Year ended March 31, 2008 (Rs)	2007 (Rs)
Lease payments for the year	**86,173,552**	69,187,795
Minimum Lease Payments:		
Not later than one year	**57,563,337**	56,833,172
Later than one year but not later than five years	**133,501,881**	152,548,099
Later than five years	**243,831,954**	272,363,840

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

9. Deferred tax

(a) Liability

Deferred tax liability amounting to Rs. 5,340,353 (Previous year Rs. 3,813,320) represents differences in depreciation as per tax books and financial books of FSL originated as at year end and reversing after the tax holiday period.

Deferred tax liability amounting to Rs. 6,489 (Previous year Rs. 3,502,911) represents differences in depreciation in block of fixed assets as per tax books and financial books of Four Soft (HK) Limited (Previous year Four Soft NL, B.V., Netherlands) originated as at year end and reversing in subsequent years.

(b) Assets

Deferred tax assets amounting to Rs. 16,848,642 (Previous year Rs. 20,158,637) represents excess of taxation allowances over sundry debtors and depreciation on fixed assets in respect of Four Soft UK Limited, Four Soft USA Inc. and Four Soft Nordic A/s.

10. Secured Loan

Term loan of the subsidiary company is secured by:

a. Investment in equity shares of Four Soft Nordic A/s, Denmark.

Term loan of the subsidiary company is secured by:

a. First ranking mortgage on all immovable assets of Four Soft B.V., Four Soft NL B.V., Four Soft UK Limited, Four Soft Germany GmbH and Four Soft USA Inc.

b. First ranking hypothecation on all movable assets (including intangibles) of the Four Soft B.V. Netherlands, Four Soft NL, B.V., Four Soft UK Limited, Four Soft Germany GmbH and Four Soft USA Inc.

c. Guarantee by Parent Company; all the movable fixed assets of FSL have been hypothecated with Unit Trust of India Investment Advisory services, who are acting as onshore security trustee for ICICI Bank Plc.

d. Pledge of shares held by Four Soft B.V. Netherlands of Four Soft NL BV, Four Soft UK Limited, Four Soft Germany GmBH and Four Soft USA Inc.

e. Pledge in respect of Four Soft Limited's investment in the share capital of Four Soft B.V.

11. Research and development

During the year ended March 31, 2008 the Company has incurred expenses amounting to Rs. 78,820,744 (Previous Year Rs. 51,230,516) towards research and development included under various heads of expenses.

12. Un-hedged Foreign Currency Exposure

Particulars	Foreign Currency	**Year ending March 31, 2008**			Year ended March 31, 2007		
		Foreign Currency Amount	Closing Exchange Rate	Rs.	Foreign Currency Amount	Closing Exchange Rate	Rs.
Sundry debtors	USD	**299,724**	**39.90**	**11,958,988**	1,508,094	43.44	65,511,610
	SGD	**3,803**	**28.88**	**109,831**	3,803	28.61	108,804
	EUR	**6,584**	**63.04**	**415,055**	6,584	57.94	381,477
	MYR	**121,500**	**12.26**	**1,489,627**	121,500	12.55	1,524,825
Secured Loans	GBP	**4,675,000**	**79.57**	**371,989,750**	5,500,000	85.25	468,972,605

13. Capital Commitments

Estimated amounts of contracts remaining to be executed on capital account and not provided for as at March 31, 2008 by the Company are Rs. Nil (Previous year: Rs. 49,035).

14. Contingent Liabilities not provided for

		As at March 31, 2008 (Rs)	2007 (Rs)
a.	Guarantees given by the Group	**372,152,908**	758,725,000
b.	Income tax demand in respect of which the Company has gone on appeal. Management is of the opinion that appeal is likely to be accepted by appellate authority.	**26,25,937**	4,321,330
c.	In Four Soft Malaysia Sdn. Bhd., a client has instituted a legal suit against the Company for damages amounting to Ringgit 526,600 arising from defective software sold. The Company is denying the basis of the claims.	**6,454,589**	6,610,526
d.	In Four Soft Malaysia Sdn. Bhd., an ex-employee instituted Industrial Court proceedings against the company during the year, contending wrongful dismissal and seeking reinstatement of employment without loss of wages and perquisites from 9 May 2002 of approximately Ringgit 539,000. Management, in consultation with legal counsel, are of the opinion that the company has a fair chance of prevailing and accordingly, no provision has been made in the financial statements to cover such eventuality.	**6,606,577**	Nil
e.	Contingent liability in respect of additional purchase consideration payable to erstwhile shareholders of Transaxiom Holding A/S (subsequently renamed as Four Soft Nordic A/S), Denmark, the financial effect of which is not measurable.		

	As at March 31, 2008 (Rs)	2007 (Rs)
prevailing and accordingly, no provision has been made in the financial statements to cover such eventuality.	**372,152,908**	758,725,000

15. Prior Year Items

Prior period expense/(income) consists of the following:

	Year ended March 31, 2008 (Rs)	2007 (Rs)
Legal charges	**290,017**	–
Payroll expenses	**(10,357,207)**	–
Service revenue	**3,423,380**	–
Bad debts	**16,688,406**	–
General expenses	**(1,724,759)**	–
Total	**8,319,837**	–

16. Earnings Per share

	Year ended March 31, 2008 (Rs)	2007 (Rs)
Net Consolidated profit as per consolidated profit and loss account (Amount in Rs)	**50,485,235**	9,476,170
Weighted average number of equity shares in calculating basic EPS (number)	**38,402,888**	35,735,631
Effect of dilutive equity shares (number)	**105,374**	486,518
Weighted average number of equity shares in calculating diluted EPS (number)	**38,508,262**	36,222,150

The Institute of Chartered Accountants of India has issued guidance note on "Accounting for Employees Share Based Payments" applicable to employee based share plan the grant date in respect of which falls on or after April1, 2005. In accordance with such guidance note shares allotted to the ESOP Trust pursuant to an employee share based payment plan has not been included in the outstanding shares for computation of basic EPS till the employees have exercised their right after fulfilling the vesting conditions. Until such time the shares so allotted have been considered as dilutive potential equity shares for the purpose of calculating diluted EPS.

17. Segment reporting

The Company has adopted Accounting Standard 17, Segment Reporting issued by the ICAI, which requires disclosure of financial and descriptive information about the Company's segments. The operations of the Company are managed from independent locations, which are located in different geographical locations. Accordingly, the following have been identified as operating and reportable segments: (a) "India", (b) "Europe"(c) "USA" and (d) Rest of the world.

Financial information as required in respect of operating and reportable Segments is given below:

For the Year Ended March 31, 2008

For the Year Ended March 31, 2008

Particulars	India	Europe	USA	Rest of the world	Total	Eliminations	Consolidated
REVENUE:							
External sales	127,678,266	1,275,149,966	209,993,561	102,507,235	1,715,329,028	–	1,715,329,028
Inter-segment sales	243,676,449	27,783,118	39,531,534	15,836,453	326,827,553	326,827,553	–
Total revenue	371,354,715	1,302,933,084	249,525,095	118,343,688	2,042,156,581	326,827,553	1,715,329,028
RESULT:							
Segment result	39,403,636	6,916,819	34,531,225	12,958,009	93,809,689	–	93,809,689
Interest expense					58,105,210	6,949,794	51,155,416
Other Income					77,043,965	23,475,449	53,568,516
Income taxes					45,462,194		45,462,194
Deferred taxes					275,360		275,360
Net profit							50,485,235
OTHER INFORMATION as at March 31, 2008							
SSegment assets	440,946,069	2,668,590,583	174,355,540	179,644,484	3,463,536,676	1,392,469,742	2,071,066,934
Unallocated assets							16,848,642
Total							2,087,915,576
Segment liabilities	356,457,262	1,721,516,696	122,260,637	149,483,240	2,349,717,835	1,392,469,742	957,248,093
Unallocated liabilities							32,198,759
Total							989,446,852
Capital expenditure (incl. CWIP)	36,342,594	231,014,562	352,266	260,199	267,969,621		267,969,621
Depreciation	25,277,331	19,607,274	1,040,877	206,884	46,132,365		46,132,365
Other non-cash expenses	5,831,791	48,631,475	2,867,513	2,826,149	60,156,928		60,156,928

Financial information as required in respect of operating and reportable Segments (Contd...)

Particulars	India	Europe	USA	Rest of the world	Total	Eliminations	Consolidated
For the Year Ended March 31, 2007							
Particulars	India	Europe	USA	Rest of the world	Total	Eliminations	Consolidated
REVENUE:							
External sales	176,519,489	1,184,651,535	171,208,940	60,902,417	1,593,282,381	–	1,593,282,382
Inter-segment sales	188,427,332	8,309,138	69,511,680		266,248,150	266,248,150	–
Total revenue	364,946,821	1,192,960,673	240,720,620	60,902,417	1,859,530,531	266,248,150	1,593,282,382
RESULT:							
Segment result	48,970,520	(37,584,556)	1,775,599	(19,408,586)	(6,247,023)	37,245,632	30,998,609
Finance expense					42,539,720	(2,721,021)	39,818,699
Other Income					112,146,562	(74,537,581)	37,608,981
Income taxes					17,775,409		17,775,409
Deferred taxes					1,537,310		1,537,310
Net profit							9,476,170
OTHER INFORMATION as at March 31, 2007							
Segment assets	690,658,180	1,128,277,378	141,200,531	42,890,184	2,003,026,273	(88,678,372)	2,091,704,644
Unallocated assets							20,533,793
Total							2,112,238,437
Segment liabilities	137,485,589	1,675,947,950	112,078,044	83,543,714	2,009,054,797	885,673,750	1,123,381,047
Unallocated liabilities							7,316,231
Total							1,130,697,278
Capital expenditure (including CWIP)	36,530,470	227,012,784	1,341,514	130,117	265,014,885		265,014,885
Depreciation	19,706,768	18,105,829	1,663,432	237,483	39,713,512		39,713,512
Other non-cash expenses	3,015,807	18,495,236	437,325	8,531,066	30,479,434		30,479,434

18. Previous Year Comparatives

Previous year's figures have been regrouped where necessary to conform to this year's classification.

As per our report of even date

For S.R.Batliboi & Associates
Chartered Accountants

Per
Ali Nyaz
Partner
Membership No. 200427

Place : Hyderabad
Date : 29th August, 2008

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

Palem Srikanth Reddy
Chairman & Managing Director

P. Mangamma
Director

Seena Sankar
Company Secretary

Biju S. Nair
Sr. Vice President - Finance

Place : Hyderabad
Date : 29th August, 2008

FOUR SOFT B.V. NETHERLANDS

(a wholly owned subsidiary of Four Soft Ltd.)

Financial Year
1st April'2007 - 31st March'2008

Board of Directors
Palem Srikanth Reddy

Regd. Office:
Four Soft B.V.
Meerawal 21, 3432 ZV
Nieuwegein, Netherlands

Bankers
ABN Amro Bank
Citi Group

DIRECTORS' REPORT

The Board of Directors of your Company are pleased to place the Annual Report for the year ended 31st March, 2008.

Business Overview

The Board of Directors of your Company are pleased to inform you that the company during the financial year 1st April to 31st March 2008 has a Net Profit of Euro 293,215 mainly on account of foreign exchange gain on loan taken from ICICI bank in GBP.

In September, 2005 your company acquired 100% holding of DCS Transportition & Logistics, a Division of DCS Group Plc. a UK headquartered Transport & Logistics Software solutions with operations in UK, Netherlands, France, Germany and USA, for approximately Rs 850 million in all cash deal. DCS T&L division was an established global player with strong presence in the European countries with almost 20% market share. The deal was concluded through a combination of debt from the bank and internal funding from holding company.

The Management of the Company will continue to receive full support from parent Company Four Soft Limited in terms of Technology, delivery capabilities and implementation support services. The subsidiary of Company has strong customer presence in Europe and US and will continue receiving Annual maintenance revenues and additional Licence Sales over the coming years.

For and on behalf of Board of Directors

Dated : 29th August, 2008
Place : Hyderabad

Palem Srikanth Reddy
Managing Director

PRINCIPLES OF FINANCIAL REPORTING

PARENT COMPANY

Four Soft Netherlands B.V. forms part of the group with Four Soft Ltd. as parent company.

GENERAL ACCOUNTING POLICIES

The general principle for the valuation of assets and liabilities, as well as the determination of results, is the historical purchase price or manufacturing cost. Unless otherwise stated, assets and liabilities are stated at the values at which they were acquired or incurred.

Profit is determined as the difference between net sales and all expenses relating to the reporting period. Costs are determined in accordance with the accounting policies applied to the balance sheet. Profit is realised in the year in which the sales are recognised. Losses are taken upon recognition. Other income and expenses are allocated to the periods to which they relate.

TRANSLATION OF FOREIGN CURRENCY

Amounts in foreign currency have been converted at the exchange rate on balance sheet date. The resulting translation gains and losses are included in the profit and loss account.

ACCOUNTING POLICIES - ASSETS AND LIABILITIES

Financial fixed assets

Subsidiaries are stated at purchase price

Accounts receivable

Amounts are stated at face value. A provision for doubtful debts is deducted from receivables.

Provisions

Deferred tax relates to diferences between fiscal and commercial valuation of assets and liabilities. The provision is calculated at the prevailing tax rates and at nominal value.

ACCOUNTING POLICIES - PROFIT AND LOSS ACCOUNT

Net sales

Net sales consitute the proceeds of sales of goods and services to third parties less discounts.

Cost of sales

Costs of raw and ancilliary materiais, including purchasing expenses, are stated at purchase cost and include the movement in the provision for obsolescence.

Depreciation fixed assets

Depreciation on fixed assets is calculated at fixed percentages of cost, based on the estimated useful life of the assets.

Operating expenses and financial income and expenses

The operating expenses and financial income and expenses are allocated to the period to which they relate.

Taxation

The tax charge for the year is computed on the book profit before tax at the nominal rates, taking account of permanent differences.

FOUR SOFT B.V.
BALANCE SHEET AS AT MARCH 31, 2008

	Schedules	**As at March 31, 2008 €**	**As at March 31, 2008 Rs.**	As at March 31, 2007 €	As at March 31, 2007 Rs.
SOURCES OF FUNDS					
Shareholders' Funds					
Capital	1	**66,245**	**4,176,217**	18,152	1,051,545
Reserves and surplus	2	**11,472,661**	**723,259,495**	6,703,243	388,318,898
Loan funds					
Secured loan	3	**5,900,318**	**371,967,847**	8,095,505	468,972,605
Deferred tax liability		**349,400**	**22,026,875**	349,400	20,240,742
TOTAL		**17,788,624**	**1,121,430,434**	15,166,300	878,583,790
APPLICATION OF FUNDS					
Investments	4	**18,092,017**	**1,140,556,936**	18,092,017	1,048,070,548
Current Assets, Loans and Advances					
Sundry debtors	5	**3,597,461**	**226,791,136**	340,170	19,706,024
Cash and bank balances	6	**11,960**	**753,982**	280,435	16,245,628
Loans and advances	7	**788,358**	**49,699,665**	784,625	45,453,354
		4,397,779	**277,244,783**	1,405,230	81,405,006
Less: Current Liabilities and Provisions					
Liabilities	8	**4,701,172**	**296,371,285**	4,330,947	250,891,764
		4,701,172	**296,371,285**	4,330,947	250,891,764
Net Current Assets		**(303,393)**	**(19,126,502)**	(2,925,717)	(169,486,758)
TOTAL		**17,788,624**	**1,121,430,434**	15,166,300	878,583,790

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

Place: Hyderabad
Date: 29th August, 2008

Palem Srikanth Reddy
Managing Director

FOUR SOFT B.V.
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2008

	Schedules	**For the Year ended March 31, 2008 €**	**For the Year ended March 31, 2008 Rs.**	For the Year ended March 31, 2007 €	For the Year ended March 31, 2007 Rs.
INCOME					
Other income	9	**962,245**	**54,902,168**	1,171,359	67,985,688
TOTAL		**962,245**	**54,902,168**	1,171,359	67,985,688
EXPENDITURE					
Finance Expenses	10	**647,596**	**36,949,451**	607,367	35,251,546
Operating and other expenses	11	**21,434**	**1,222,973**	62,359	3,619,321
TOTAL		**669,030**	**38,172,424**	669,726	38,870,867
Profit before tax		**293,215**	**16,729,744**	501,633	29,114,821
Provision for current tax		**–**	**–**	–	–
Tax for earlier years		**–**	**–**	(45,707)	(2,652,834)
		–	**–**	(45,707)	(2,652,834)
Net profit		**293,215**	**16,729,744**	547,340	31,767,655
Balance brought forward from previous year		**1,641,338**	**95,142,974**	1,093,998	63,375,319
Surplus carried to Balance Sheet		**1,934,553**	**111,872,718**	1,641,338	95,142,974

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

Place: Hyderabad
Date: 29th August, 2008

Palem Srikanth Reddy
Managing Director

FOUR SOFT B.V.
SCHEDULES TO THE ACCOUNTS

	As at March 31, 2008 €	As at March 31, 2008 Rs.	As at March 31, 2007 €	As at March 31, 2007 Rs.
Schedule 1: Capital				
Opning Balance of Share Capital	**18,152**	**1,051,545**	18152	1051545
18,152 shares of Euro 1 each fully paid-up				
Add: Further issue of Share Cpaital				
48,093 shares of Euro 1 each fully paid-up	**48,093**	**3,124,672**	–	–
TOTAL	**66,245**	**4,176,217**	18,152	1,051,545
Schedule 2: Reserves and surplus				
Securities Premium Account				
Balance as per last account	**5,061,905**	**293,236,132**	5,061,905	293,236,132
Add: Received during the year	**4,476,203**	**308,065,273**	–	–
	9,538,108	**601,301,405**	5,061,905	293,236,132
Profit and Loss Account	**1,934,553**	**111,872,718**	1,641,338	95,142,974
Foreign Currency Translation Reserve				
Balance as per last account	**–**	**(60,208)**	–	–
Add: Current year translation adjustment	**–**	**10,145,580**	–	(60,208)
	–	**10,085,372**	–	(60,208)
TOTAL	**11,472,661**	**723,259,495**	6,703,243	388,318,898
Schedule 3: Secured loan				
Loans and advances from banks				
Term loan	**5,900,318**	**371,967,847**	8,095,505	468,972,605
TOTAL	**5,900,318**	**371,967,847**	8,095,505	468,972,605
Schedule 4: Investments				
Long Term Investments (Unquoted and at cost)				
Other than trade				
In subsidiaries	**18,092,017**	**1,140,556,936**	18,092,017	1,048,070,548
TOTAL	**18,092,017**	**1,140,556,936**	18,092,017	1,048,070,548
Schedule 5: Sundry debtors				
Unsecured, considered good	**3,597,461**	**226,791,136**	340,170	19,706,024
	3,597,461	**226,791,136**	340,170	19,706,024
Less : Provision for doubtful debts	**–**	**–**	-	-
TOTAL	**3,597,461**	**226,791,136**	340,170	19,706,024
Schedule 6: Cash and bank balances				
Cash on hand			–	–
Balances with banks on:				
Current accounts	**1,167**	**73,570**	140,875	8,160,899
Deposit accounts	**10,793**	**680,412**	139,560	8,084,729
TOTAL	**11,960**	**753,982**	280,435	16,245,628

FOUR SOFT B.V.
SCHEDULES TO THE ACCOUNTS

	As at March 31, 2008 €	**As at March 31, 2008 Rs.**	As at March 31, 2007 €	As at March 31, 2007 Rs.
Schedule 7: Loans and advances				
Unsecured, considered good				
Advances and loans to subsidiaires	**742,221**	**46,791,096**	742,221	42,996,890
Advances recoverable in cash or in kind or for value to be received	**3,733**	**235,336**	–	–
Advance income tax (net of provision)	**42,404**	**2,673,233**	42,404	2,456,464
TOTAL	**788,358**	**49,699,665**	784,625	45,453,354
Schedule 8: Liabilities				
Sundry creditors	**85,049**	**5,361,659**	2,049,253	118,713,201
Subsidiary companies	**4,616,123**	**291,009,626**	2,285,580	132,403,659
Other liabilities			(3,886)	(225,096)
TOTAL	**4,701,172**	**296,371,285**	4,330,947	250,891,764

FOUR SOFT B.V.
SCHEDULES TO THE ACCOUNTS

	Schedules	**For the Year ended March 31, 2008 €**	**For the Year ended March 31, 2008 Rs.**	For the Year ended March 31, 2007 €	For the Year ended March 31, 2007 Rs.
Schedule 9: Other income					
Interest income		**71,387**	**4,073,080**	180	10,420
Dividend from subsidiary		**–**	**–**	1,172,091	68,028,187
Miscellaneous Income		**2,478**	**141,386**	–	–
Exchange difference (net)		**888,380**	**50,687,702**	(912)	(52,919)
TOTAL		**962,245**	**54,902,168**	1,171,359	67,985,688
Schedule 10: Finance Expenses					
Bank charges		**1,728**	**98,593**	1,429	82,911
Interest-bank		**645,868**	**36,850,858**	605,938	35,168,635
TOTAL		**647,596**	**36,949,451**	607,367	35,251,546
Schedule 11: Operating and other expenses					
Rent		**4,848**	**276,609**	4,274	248,054
Fee, rates and taxes		**–**	**–**	140	8,119
Auditors' remuneration		**–**	**–**	5,190	301,228
Travelling and conveyance		**818**	**46,672**	–	–
Electricity and water charges		**3,925**	**223,946**	–	–
Legal and professional fees		**5,934**	**338,572**	52,455	3,044,510
Miscellaneous expenses		**5,909**	**337,174**	300	17,410
TOTAL		**21,434**	**1,222,973**	62,359	3,619,321

FOUR SOFT B.V.
SCHEDULES TO THE ACCOUNTS

	Euros	INR
Schedule 5: Sundry debtors		
Unsecured, considered good	340,170	19,706,024
	340,170	19,706,024
Less : Provision for doubtful debts	–	–
TOTAL	**340,170**	**19,706,024**
Schedule 6: Cash and bank balances		
Cash on hand	–	–
Balances with banks on:		
Current accounts	140,875	8,160,899
Deposit accounts	139,560	8,084,729
TOTAL	**280,435**	**16,245,628**
Schedule 7: Loans and advances		
Unsecured, considered good		
Advances and loans to subsidiaires	742,221	42,996,890
Advance income tax (net of provision)	42,404	2,456,464
	784,625	**45,453,354**
Schedule 8: Liabilities		
Sundry creditors	2,049,253	118,713,201
Subsidiary companies	2,285,580	132,403,659
Other liabilities	(3,886)	(225,096)
TOTAL	**4,330,947**	**250,891,764**
Schedule 9: Other income		
Interest income	180	10,420
Dividend from subsidiary	1,172,091	68,028,187
TOTAL	**1,172,271**	**68,038,607**
Schedule 10: Personnel expenses		
Bank charges	1,429	82,911
Interest-bank	605,938	35,168,635
TOTAL	**607,367**	**35,251,546**
Schedule 11: Operating and other expenses		
Rent	4,274	248,054
Fee, rates and taxes	140	8,119
Auditors' remuneration	5,190	301,228
Legal and professional fees	52,455	3,044,510
Exchange difference (net)	912	52,919
Miscellaneous expenses	300	17,412
TOTAL	**63,270**	**3,672,242**

FOUR SOFT SINGAPORE PTE LTD

(Incorporated in Singapore)
FINANCIAL STATEMENTS - 31 MARCH 2008

REPORT OF THE DIRECTORS

The directors submit their report to the members together with the audited financial statements of the company for the year ended 31 March 2008.

1. DIRECTORS

The directors in office at the date of this report are: -

PALEM SRIKANTH REDDY
LEE YEW CHEUNG
RAKESH KUMAR MUNIGALA (Appointed on 18.01.2008)
BIJU SIVARAMAN (Appointed on 18.01.2008)

2. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Neither during nor at the end of the financial year was the company a party to any arrangement whose object was to enable the directors of the company to acquire benefits through the acquisition of shares in, or debentures of the company or any other body corporate.

3. DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under section 164 of the Companies Act, an interest in the company and related corporations as stated below:

	Shares of Rs 5/- each	
Names of Directors	At the beginning of the year	At end of the year
SHARES IN HOLDING COMPANY FOUR SOFT LIMITED, INDIA		
Palem Srikanth Reddy	8,259,226	8,258,279

4. DIRECTOR'S CONTRACTUAL BENEFITS

During the year no director has received or become entitled to receive a benefit by reason of a contract made by the company or by a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest other than those disclosed in the financial statements.

5. OPTIONS GRANTED

During the year, there were no options to take up unissued shares of the company.

6. OPTIONS EXERCISED

During the year, no shares have been issued by virtue of the exercise of options granted.

7. OPTIONS OUTSTANDING

There were no share option outstanding as at 31 March 2008.

8. AUDITORS

The auditors, M/s MGI N Rajan Associates, Certified Public Accountants have expressed their willingness to accept re-appointment.

On behalf of the directors,

PALEM SRIKANTH REDDY

RAKESH KUMAR MUNIGALA

SINGAPORE
DATE: 16th June, 2008

STATEMENT BY DIRECTORS

We, PALEM SRIKANTH REDDY and RAKESH KUMAR MUNIGALA being two of the directors of FOUR SOFT SINGAPORE PTE LTD, do hereby state that, in the opinion of the directors:

(a) the accompanying balance sheet, profit and loss account and statement of changes in equity and cash flow statement together with the notes thereto are drawn up so as to give a true and fair view of the state of affairs of the company for the year ended 31 March 2008 and of the results and changes in equity of the business and cash flows of the company for the year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

On behalf of the directors,

PALEM SRIKANTH REDDY

RAKESH KUMAR MUNIGALA

SINGAPORE
DATE: 16th June, 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF

FOUR SOFT SINGAPORE PTE LTD

(Incorporated in Singapore)

We have audited the accompanying financial statements of the Company, which comprise the balance sheet as at 31 March 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes:

a) devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets;

b) selecting and applying appropriate accounting policies; and

c) making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion,

(a) the financial statements are properly drawn up in accordance with the provisions of Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the company as at 31 March 2008 and of the results, changes in equity of the company and the cash flows of the company for the year ended on that date ; and

(b) the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

MGI N RAJAN ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

SINGAPORE
DATE: 16th June, 2008

FOUR SOFT SINGAPORE PTE LTD

(Incorporated in the Republic of Singapore)

BALANCE SHEET AS AT 31 MARCH 2008

	Notes	2008 S$	2007 S$
Non-current assets			
Property, plant and equipment	6	**14,339**	15,204
Investment in subsidiary	7	**41,632**	41,632
Total non-current assets		**55,971**	56,836
Current assets			
Cash and cash equivalents	8	**89,232**	134,121
Trade receivables	9	**375,177**	488,018
Other receivables,deposits and prepayments	10	**55,437**	60,984
Loan to a subsidiary	7	**510,047**	153,623
Amounts due from related companies (trade)	11	**274,603**	206,607
Amounts due from related companies (non-trade)	12	**6,381**	66,501
Amounts due from holding company (trade)	11	**103,009**	102,635
Amounts due from holding company (non-trade)	12	**303,929**	302,203
Total current assets		**1,717,815**	1,514,692
TOTAL ASSETS		**1,773,786**	1,571,528
EQUITY AND LIABILITIES			
Non-Current Liability			
Interst bearing Loans & Borrowings	13	**5,263**	–
Current Liabilities			
Trade payables		**20,648**	18,293
Other payables and accruals	14	**701,531**	662,612
Interest bearing Loans& Borrowings	13	**1,505**	–
Amount due to holding company (trade)	15	**802,716**	646,480
Amount due to holding company (non-trade)		**539,225**	1,217,767
Amounts due to related companies (trade)		**350,615**	285,945
Amounts due to related companies (non-trade)		**642,501**	–
Total current liabilities		**3,058,741**	2,831,097
Share capital and reserves			
Share capital	16	**1,130,200**	1,130,200
Accumulated (losses)		**(2,420,418)**	(2,389,770)
		(1,290,218)	(1,259,570)
TOTAL EQUITY AND LIABILITIES		**1,773,786**	1,571,528

The annexed notes form an integral part of and should be read in conjunction with these financial statements

FOUR SOFT SINGAPORE PTE LTD

(Incorporated in the Republic of Singapore)

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2008

	NOTE	**Year ended 31.03.08 S$**	Period ended 31.03.07 S$
REVENUE			
Sale of goods		**1,660,594**	1,942,184
Less: costs of sales		**976,721**	1,011,783
Gross profit		**683,873**	930,401
Add: Other operating income	3	**174,325**	22,166
		858,199	952,567
Less: Operating expenses			
Administration & Other operating expenses		**706,329**	1,257,378
Sales and Distribution expenses		**92,322**	101,705
TOTAL EXPENSES		**798,652**	1,359,084
Profit/(Loss) before finance cost		**59,547**	(406,517)
Less/Add : Finance cost	5	**90,194**	92,689
(Loss) after finance cost		**(30,648)**	(499,206)
(Loss) before tax		**(30,648)**	(499,206)
Add : Tax expense		**–**	–
(Loss) after tax		**(30,648)**	(499,206)

The annexed notes form an integral part of and should be read in conjunction with these financial statements

FOUR SOFT SINGAPORE PTE LTD

(Incorporated in the Republic of Singapore)

STATEMENTS OF CHANGES IN EQUITY

	Issued Capital S$	Accumulated (losses) S$	Total S$
Balance as at 31 March 2006	1,130,200	(1,890,564)	(760,364)
Issuance of ordinary shares	–	–	–
(Loss)for the year	–	(499,206)	(499,206)
Balance as at 31 March 2007	1,130,200	(2,389,770)	(1,259,570)
Issuance of ordinary shares	–	–	–
(Loss)for the year	–	(30,648)	(30,648)
Balance as at 31 March 2008	1,130,200	(2,420,418)	(1,290,218)

FOUR SOFT SINGAPORE PTE LTD

(Incorporated in the Republic of Singapore)

CASH FLOW STATEMENT

	NOTE	Year ended 31.03.08 S$	Period ended 31.03.07 S$
Cash flows from operating activities			
(Loss) for the year before tax		**(30,648)**	(499,205)
Adjustment for:			
Depreciation on fixed assets		**9,874**	7,573
Interest paid		**87,366**	90,470
Bad debts written off		**-**	960
Provision for doubtful debts		**90,138**	270,493
Profit on sale of Asset		**-**	(4,550)
FD interest		**-**	(1,419)
Gain on exchange		**(90,126)**	(12,654)
Others		**-**	(3,542)
Operating profit / (loss) before reinvestment of capital		**66,605**	(151,874)
(Increase)/Decrease in trade receivables		**22,703**	(369,436)
(Increase)/Decrease in other receivables		**5,547**	(40,868)
Increase/(Decrease) in trade payables		**2,355**	(71,953)
Increase/(Decrease) in other payables		**38,919**	399,214
Increase/ (Decrease) in finance lease creditor		**6,767**	-
(Increase)/Decrease in related party(receivables)		**(7,876)**	(226,736)
Increase/(Decrease) in related party(payables)		**707,171**	225,945
(Increase)/Decrease in due from holding Co.		**(2,100)**	(153,275)
Increase/(Decrease) in due to holding Co.		**(609,672)**	646,480
Cash generated from / (used in) operations		**230,419**	257,497
FD interest		**-**	1,419
Gain on exchange		**90,126**	12,654
Others		**-**	3,542
Net cash flows from operating activities		**320,545**	275,112
Cash flows from investing activities:			
Acquisition of fixed assets		**(9,010)**	(6,904)
Sale of fixed assets		**-**	4,550
Investments in subsidiary		**-**	(41,632)
Net cash flows from/ (used in) investing activities		**(9,010)**	(43,986)
Cash flows from financing activities			
Loan from holding company		**-**	(113,244)
Loan to a related party/subsidiary		**(356,424)**	(153,623)
Net Cash flows from financing activities		**(356,424)**	(266,867)
Net Increase/(decrease) in cash & cash equivalents		**(44,888)**	(35,741)
Cash & cash equivalents at the beginning of the year		**134,121**	169,862
Cash & Cash equivalents at end of the year	8	**89,232**	134,121

The annexed notes form an integral part of and should be read in conjunction with these financial statements

FOUR SOFT SINGAPORE PTE LTD

(Incorporated in Singapore)

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2007

1. GENERAL

The company is incorporated and domiciled in Singapore. The financial statements of the company are expressed in Singapore dollars, which is the company's functional currency.

The principal activities of the company are to carry on the business of software development, sale of software and provision of information technology consultancy services.

The immediate and ultimate holding company FOUR SOFT LIMITED, incorporated in India.

The company's registered office & principal place of business address:-

4 Leng Kee Rd, #05-11 A , Singapore 159088

The financial statements of the company for the year ended 31 MARCH 2008 were authorised for issue in accordance with a resolution of the directors on the date of the Statement by Directors.

The company had employed 6 (2007: 10) employees as at 31 March 2008.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (FRS) as required by the Companies Act.

The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The preparation of these financial statements in conformity with FRS requires management to exercise its judgment in the process of applying the Company's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. There are no estimates and assumptions made by the company that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Interpretations and amendments to published standards effective in 2007

On 1 April 2007, the company adopted the new and revised FRS and Interpretations to FRS (INT FRS) that are mandatory for application from that date. Changes to the company's accounting policies have been made as required, in accordance with the relevant transitional provisions in the respective FRS and INT FRS.

The following are the revised FRS that are relevant to the Company:

FRS 1	Presentation of financial statements
FRS 21 (revised)	The Effects of Changes in Foreign Exchange Rates
FRS 107	Financial Instruments: Disclosures

The adoption of the above FRS and INT FRS did not result in any substantial changes to the Company's accounting policies.

b) PROPERTY, PLANT & EQUIPMENT & DEPRECIATION

(i) Measurement

All property ,plant and equipment are initially recognized at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) Depreciation

Depreciation on property, plant and equipments calculated using the straight line method to allocate their depreciable amounts over their estimated useful lives at the following rates

Computers & accessories	33 1/3 %
Computer Softwares	50%
Office equipment	20 %

The residual values and useful lives of property plant and equipment are reviewed and adjusted as appropriate , at each balance sheet date. The effects of any revision of the residual values and useful lives are included in the income statement of the financial year in which the changes arise.

(iii) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognized is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. Other subsequent expenditure is recognized as an expense in the income statement during the financial year in which it is incurred.

(iv) Disposal

On disposal of an item of property, plant and equipment, the difference between the net disposable proceeds and its carrying amount is taken to the income statement.

c) Subsidiaries

Subsidiaries are entities over which the company has power to govern the financial and economic policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the company controls another entity.

Investments in the subsidiaries are stated in the financial statements of the Company at cost less impairments losses. Where an indication of impairment exists , the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

The subsidiaries' results have not been consolidated as the company is itself a wholly owned subsidiary of another company, Four Soft Ltd India, which publishes the consolidated financial statements .

2.1 Financial Assets

(a) Classification

The Company classifies its financial assets as loans and receivables. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or payments that are not quoted in an active market. They are included in current assets, except those maturing later than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are classified within "trade and other receivables" and "cash and cash equivalents" on the balance sheet.

(b) Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date - the date on which the Company commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

On sale of a financial asset, the difference between the net sale proceeds and its carrying amount is taken to the income statement. Any amount in the fair value reserve relating to that asset is also taken to the income statement.

Trade receivables that are factored out to banks and other financial institutions with recourse to the Company are not derecognized until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

(c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs .

Subsequent measurement

Loans and receivables are carried at amortised cost using the effective interest method.

(d) Impairment

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a company of financial assets is impaired.

(i) Loans and receivables

An allowance for impairment of loans and receivables, including trade and other receivables, is recognised when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the allowance for impairment is recognised in the income statement within "Administrative expenses".

d) Functional and Presentation currency.

Items included in the financial statements are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the company ("the functional currency"). The financial statements are prepared in Singapore Dollars, which is the functional and presentation currency of the Company.

Transactions and balances

Monetary assets and liabilities in foreign currencies are translated into Singapore dollars at rates of exchange closely approximating those ruling at balance sheet date. Transactions in foreign currencies are converted at rates closely approximating those ruling at transaction dates. Exchange differences arising from such transactions are recorded in the profit and loss account in the year in which they arise. However, where a foreign currency transaction is to be settled at a contracted rate or is covered by a related or matching forward exchange contract, the rate of exchange specified in the contract will be used and any corresponding monetary assets or liabilities will not be retranslated.

e) Borrowing cost

Borrowing costs are expensed in the profit and loss account in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition or production of an asset which necessarily takes substantial period of time to prepare for its intended use or sale.

f) Trade and other receivables

These are initially recognised at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method.

An allowance for impairment of loans and receivables, including trade and other receivables, is recognised when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the allowance for impairment is recognised in the income statements.

g) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank.

h) Liabilities and interest bearing borrowings

Trade and other payables and interest bearing borrowings are stated at cost. Interest bearing borrowings are recognised initially at cost less attributable transaction costs. Subsequent to initial recognition, interest - bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit & loss account over the period of the borrowings on effective interest basis.

i) Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

j) Revenue recognition

Revenue from services is recognised based on milestones achieved.

Revenue from maintenance contracts is recognised over the period of service.

k) Taxation

The tax expenses are determined on the basis of tax effect accounting, using the liability method, and it is applied to all significant timing differences. Deferred tax benefits are not recognised unless there is reasonable expectation of their realisation.

l) Employee benefits

The company contributes to the Central Provident Fund ("CPF"), a defined contribution plan regulated and managed by the Government of Singapore, which applies to the majority of the employees. The company's contributions to CPF are charged to the profit and loss account in the period to which the contributions relate.

m) Impairment

The carrying amounts of company's assets, other than inventories, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset (or) loss its cash generating unit exceeds its recoverable amount. All impairment losses are recognised in the profit and loss account.

n) Related party

For the purpose of these financial statements, parties are considered to be related to the company if the company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the company and the party are subject to common control or significant influence. Related parties may be individuals or other entities.

o) Going concern

The accumulated losses of the company is S$ 2,420,418/- .The financial statements have been prepared on the basis that the company is a going concern as the immediate holding company has given assurance of its continued financial support to the company as and when required.

3. OTHER OPERATING INCOME

	31.03.08 S$	31.03.07 S$
Bank Interest	**19**	1,419
Gain on exchange	**90,126**	12,654
Other receivables written back	**84,000**	-
Others	**180**	3,542
	174,325	22,166

4. PROFIT BEFORE TAX

The above is arrived after charging:		
Depreciation	**9,874**	7,573
Bad debts written off-trade	**-**	960
Provision for doubtful debts:		
Trade	**90,138**	200,476
Non -trade	**-**	70,017
And crediting		
Bank interest	**19**	1,419
Gain on exchange	**90,126**	12,654
Profit on sale of property ,plant and equipment	**-**	4,550
Other creditors written back	**84,000**	-
Others	**180**	3,542

5. FINANCE COST

Interest paid to holding company	**87,243**	90,470
Bank charges	**2,829**	2,219
Other interest	**123**	-
	90,195	92,689

6. PROPERTY, PLANT AND EQUIPMENT

	Computers S$	Office Equipment S$	Computer Software S$	Total S$
At Cost				
Beginning of year	100,264	7,010	34,359	141,632
Additions	-	9,010	-	9,010
At end of year	100,264	16,020	34,359	150,643
Accumulated Depreciation				
At beginning of year	91,217	3,882	31,330	126,429
Charge for the year	4,828	3,315	1,731	9,874
At end of the year	96,046	7,197	33,061	136,303
Net book value				
At 31.03.08	4,218	8,823	1,298	14,339
At 31.03.07	9,047	3,128	3,029	15,204

7. INVESTMENT IN SUBSIDIARY

	2008 S$	2007 S$
Investments in unquoted equity shares, at cost	**41,632**	41,632
Advances *	**510,047**	153,623

* The loan to subsidiary is unsecured, interest free, is repayable on demand and is denominated in Singapore dollors.The carrying amounts of the loan and amount due from subsidiaries approximate their fair values.

Details of investments in subsidiaries are as follows:

Subsidiary company	Principal activities	Country of incorporation	Equity Holding	Cost of InvestmentS$
Four Soft -Japan	Development and sales of hardware and software	Japan	100%	41,632

8. OTHER PAYABLES

	31.03.2008 S$	31.03.2007 S$
Cash on hand	**250**	595
Cash at banks	**88,982**	133,526
	89,232	134,121

9. TRADE RECEIVABLES

Trade debtors(net of provision)	**375,177**	488,018
	375,177	488,018
Movements of provision		
Balance at the beginning of the year	**289,465**	268,514
(Written off)	**(60,000)**	(179,526)
Provision for the year	**90,138**	200,476
Balance at the end of the year	**319,603**	289,464

10. OTHER RECEIVABLES

Other debtors	**35,484**	45,272
Deposit	**15,452**	14,192
Prepayments	**4,500**	1,520
	55,437	60,984

11. DUE FROM RELATED PARTIES/ HOLDING COMPANY (TRADE)

These are dues for trading transactions, are unsecured and have no fixed repayment terms.

12. DUE FROM RELATED PARTIES/HOLDING COMPANY(NON-TRADE)

These amounts are due for non trading transactions, are unsecured, interest free and no fixed repayment terms.

13. INTEREST BEARING LOANS AND BORROWINGS

	31.03.2008 S$	31.03.2007 S$
Interest Bearing Loan		
Obligations under finance lease - Unsecured	6,768	-
	6,768	-
Due within 12 months	1,505	-
Due beyond 12 months	5,263	-
	6,768	-

14. OTHER PAYABLES

Other creditors	88,589	92,925
Unearned revenue	589,686	550,091
Accrued liabilities	23,256	19,596
	701,531	662,612

15. DUE TO HOLDING COMPANY/RELATED PARTIES- TRADE

These amounts due are unsecured, interest free and have no fixed terms of repayment.

16. DUE TO HOLDING COMPANY/RELATED PARTIES- NON-TRADE

These amounts due to Holding Company and a related party are advances and carry interest @ 8.3% and 8.05%per annum respectively, are unsecured and have no fixed terms of repayment.

17. SHARE CAPITAL

	31.03.08 S$	31.03.07 S$
Issued & fully paid up		
Ordinary shares	930,000	930,000
Class"A" preference shares	70,000	70,000
Share premium	130,200	130,200
	1,130,200	1,130,200

18. TAXATION

No tax provision has been made in the accounts in view of loss. Subject to agreement by the Comptroller of Income Tax the estimated losses and capital allowances available for future setoff would be S$1,690,377/- and S$29,689/- respectively. Deferred tax asset on losses are not recognized since there is no convincing evidence available that the company will make sufficient profit to utilize the asset.

A reconciliation of statutory tax rate to the company's effective tax rate

	31.03.08 S$	31.03.07 S$
(Net Loss) as per accounts	(30,648)	(499,205)
Tax on (loss) at 18%	(5,517)	(89,857)
Expenses not deductible/taxable to tax	–	12,603
Unrecognized deferred tax asset	5,517	77,254
	–	–

19. STAFF COSTS

	31.03.08 S$	31.03.07 S$
Staff - Gross Salary	**417,485**	740,060
Staff - Employer contribution to CPF	**32,510**	57,161
Employee Medical Reimbursement	**1,484**	2,953
Foreign workers levy	**–**	104
Employee welfare expenses	**1,551**	3,127
Staff Training and Recruitment	**476**	3,500
	453,506	806,905

20. FINANCIAL RISK MANAGEMENT

The company does not have any written financial risk management policies and guidelines. The company does not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rates and foreign exchange. The company's exposure to financial risks associated with financial instruments held in the ordinary course of business include:

a) Price risk

i) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The company operates and sells its products/services in several countries other than Singapore and transacted in foreign currencies including United States Dollars , Indian Rupees, Euro Dollars, Great British Pound and Japanese Yen. Trade Receivables and Dues from related parties include US$ 64,755/- and Japanese Yen 3,004,000/-. Payables to Holding Company and related aprties include GBP 115,430/-, Euro 2,020/-, US$ 581,131/-, INR 376,559 and AUD 508,773. As a result, the company is exposed to movements in foreign currencies exchange rates.

However, the company does not use any financial derivatives such as foreign currency forward contracts, foreign currency options or swaps for hedging purposes.

(ii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The company has no interest-bearing financial instruments, hence, is not exposed to any movements in market interest rates.

(iii) Market risk

Market risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

The company does not hold any quoted or marketable financial instrument, hence, is not exposed to any movements in market prices.

b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The company has no significant concentrations of credit risk.

Cash is held with financial institutions of good standing/ established financial institutions/ reputable financial institutions.

(c) Liquidity risk

Liquidity or funding risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. The company ensures that there are adequate funds to meet all its obligations in a timely and cost-effective manner.

The holding company has assured that it will support the company to meet its liabilities as and when necessary and keep the company as a going concern.

(d) Cash flow risk

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount.

The company is not exposed to any cash flows risk as it does not have any monetary financial instruments with variable interest rates.

21. Fair value of financial assets and financial liabilities

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in Note 2 to the financial statements.

22. TRANSACTION WITH RELATED PARTIES AND HOLDING COMPANY

During the period the company had significant related parties transaction at terms agreed between the parties as follows.

	31.03.2008 S$	31.03.2007 S$
Sales to related party	**-**	282,569
Sales to holding company	**-**	155,056
Purchases from holding company	**972,721**	877,326
Purchases from related party	**-**	279,019
Travel Expenses - Holding Company	**7,787**	–

FOUR SOFT MALAYSIA SDN BHD

(Incorporated in Malaysia)

DIRECTORS' REPORT

31 MARCH 2008

The directors have pleasure in presenting their Eighth Annual Report on the affairs of the company together with the audited financial statements for the financial year ended 31 March 2008.

PRINCIPAL ACTIVITIES

The company is principally engaged in the development, licensing, marketing and implementation of e~commerce business solutions, innovations and applications for the logistics and distribution industry and the provision of ancillary consultancy and maintenance services. There have been no significant changes in the nature of these principal activities during the financial year.

RESULTS FOR THE FINANCIAL YEAR

	RM
Loss before tax	(155,946)
Tax expense	–
Loss after tax	(155,946)
Accumulated losses at beginning of year	(10,053,993)
Accumulated losses at end of year	(10,209,939)

DIVIDENDS

Since the end of the previous financial year, no dividends have been paid or declared or recommended to be paid by the directors of the company.

MOVEMENTS IN RESERVES OR PROVISIONS

There were no transfers to or from reserves or provisions during the financial year except as disclosed in the financial statements.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and have satisfied themselves that all known bad debts have been written off and that adequate provision have been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts or the provision for doubtful debts in the financial statements of the company, inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the company were made out, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business, including their values as shown in the accounting records of the company, have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing methods of valuation of assets and liabilities in the financial statements of the company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist :-

(a) any charge on the assets of the company which has arisen since the end of the financial year which secures the liabilities of any other person ; and

(b) any contingent liability of the company which has arisen since the end of the financial year

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the company to meet its obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the company which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

In the opinion of the directors, the results of the operations of the company for the financial year ended 31 March 2008 have not been substantially affected by any item, transaction or event of a material and unusual nature nor have there been any occurrences of such an item, transaction or event in the interval between the end of the financial year and the date of this report which will substantially affect the results of operations of the company for the financial year in which this report is made.

ISSUE OF SHARES OR DEBENTURES

During the financial year, the company did not issue any new ordinary shares or debentures.

SHARE OPTIONS

During the financial year, no share options have been granted by the company and no shares have been issued by virtue of the exercise of any options to take up unissued shares of the company.

As at the end of the financial year, there were no unissued shares under option.

DIRECTORS AND THEIR INTEREST IN SHARES

The directors holding office since date of the last report are :

Ba-azlan bin Che' Wan Ibrahim

Lee Siak Liang

Palem Srikanth Reddy

Rajshekhar Roy (appointed on 12 June 2008)

Lo Tuck Choy (appointed on 14 June 2008)

Anil s/o Sarasijakshan (appointed on 04/09/2007 ; resigned on 30 April 2008)

Rakesh Kumar Munigala (appointed on 13/09/2007)

Ang Ban Leong (not re-elected at Annual General Meeting on 6 July 2007)

Ramachandran Ganesan (not re-elected at Annual General Meeting on 6 July 2007)

None of the directors holding office at the end of the financial year has any interest in the shares of the company. The directors in office at the end of the financial year and their interests in the shares of the holding company during the year as recorded in the register required to be kept under the provisions of the Companies Act 1965 are as follows :

	Number of ordinary shares of Rs.5 each			
	As at 01/04/07	Bought	Sold	As at 31/03/08
Four Soft Limited				
Palem Srikanth Reddy	8,259,226	-	(947)	8,258,279

By virtue of his shareholding in the holding company, Palem Srikanth Reddy is deemed to have interests in the shares of the company and its related companies.

In accordance with Regulations 63 and 68 of the company's Articles of Association, all the directors except for Lee Siak Liang and Palem Srikanth Reddy shall retire at the forthcoming Annual General Meeting and being eligible, shall offer themselves for re-election.

DIRECTORS' BENEFITS

Neither at the end of the financial year nor at any time during that year did there subsist any arrangements to which the company is a party, being arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the directors as shown in the financial statements) by reason of a contract made by the company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

DIRECTORS' RESPONSIBILITIES

Company law requires directors to maintain proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and attribute responsibility to directors to prepare financial statements and all information and representations contained therein which show a true and fair view of the results of its operations, changes in equity and cash flows and of its state of affairs for each year under review and which comply with the statutory reporting requirements and practices in Malaysia. The directors also have general responsibilities in maintaining an adequate internal control and reporting system to ensure the overall accuracy, completeness and propriety of the transactions of the company and that transactions are free from material misstatements, properly authorised, executed and recorded, assets and liabilities are safeguarded against unauthorised use or disposition and in the prevention and detection of fraud and other irregularities.

AUDITORS

TLH Associates (AF1009) has expressed its willingness to continue in office and the reappointment shall be confirmed at the forthcoming Annual General Meeting.

Signed on behalf of the Board in accordance with a resolution of the directors

Sd/-	Sd/-
Lee Siak Liang	Ba-azlan bin Che' Wan Ibrahim

Johor Bahru
16 June 2008

STATEMENT BY DIRECTORS

We, Lee Siak Liang and Ba-azlan bin Che Wan Ibrahim, being two of the directors of FOUR SOFT MALAYSIA SDN. BHD. (502653-M), do hereby state that in the opinion of the directors, the financial statements set out on pages 7 to 17 are drawn up in accordance with approved accounting standards in Malaysia and applicable requirements of Malaysian law so as to give a true and fair view of the results of the business and of the changes in equity and cash flows of the company for the financial year ended 31 March 2008 and of the state of affairs of the company as at the end of that date.

Signed on behalf of the Board in accordance with a resolution of the directors

Sd/-	Sd/-
Lee Siak Liang	Ba-azlan bin Che' Wan Ibrahim

Johor Bahru
18 June 2008

STATUTORY DECLARATION

I, Lee Siak Liang, the director primarily responsible for the financial management of FOUR SOFT MALAYSIA SDN. BHD. (502653-M), do solemnly and sincerely declare that the financial statements for the financial year ended 31 March 2008, as set out on pages 7 to 17 and drawn up in accordance with approved accounting standards in Malaysia and applicable requirements of Malaysian law, are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared)
by the abovenamed Lee Siak Liang)
at Johor Bahru in the State of Johor)
on 16 June 2008)

Sd/-
Lee Siak Liang

AUDITOR'S REPORT
TO THE MEMBERS OF
FOUR SOFT MALAYSIA SDN BHD
(Incorporated in Malaysia)

We have audited the financial statements set out on pages 7 to 17 for the financial year ended 31 March 2008. As described more fully on page 4, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion on these financial statements based on our audit and to report our opinion to you in accordance with the Companies Act 1965 (the "Act") and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with approved auditing standards in Malaysia. An audit includes examination on a test basis, of evidence relevant to the amounts and disclosures in the financial statements, including an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we require in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud, irregularities or errors. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion :

(a) the financial statements are properly drawn up in accordance with approved accounting standards in Malaysia and applicable requirements of Malaysian law so as to give a true and fair view of :

  (i) the results and changes in equity and cash flows of the company for the financial year ended 31 March 2008 and of the state of affairs of the company as at the end of that date ; and

  (ii) the matters required by Section 169 of the Act to be dealt with in the financial statements

(b) the accounting and other records and the registers required by the Act to be kept by the company have been properly kept in accordance with the provisions of the Act

Without qualifying our report, we draw attention to Note 2 to the financial statements which states that the financial statements have been prepared on the basis that the company shall continue as a going concern. As at 31 March 2008, the company has accumulated losses of RM10,209,939, a negative equity of RM209,939 and a history of recurring losses. Continuation of the company as a going concern is dependent upon the satisfactory outcome from litigation proceedings as disclosed in Note 7 to the financial statements and continuing financial support of the holding company and its related companies to evolve new business models, rationalise business plans and provide funding, technical innovations and marketing resources to deliver adequate and reliable earnings and positive cashflows to revitalise its operations. The financial statements do not include any adjustments to recorded amounts that might become necessary should the company be unable to continue as a going concern.

Sd/-	Sd/-
TLH Associates No. AF 1009 Chartered Accountants (M)	Teoh Lye Huat No. 1616/07/09 (J/PH) Sole Practitioner

Johor Bahru
16 June 2008

FOUR SOFT MALAYSIA SDN BHD
INCOME STATEMENT 31 MARCH 2008

	Note	2008 RM	2007 RM
Operating revenue	2(b)	**367,954**	506,502
Costs and expenses			
Cost of services provided and purchases		**56,068**	399,249
Staff costs		**389,140**	94,464
Total costs and expenses		**523,900**	578,645
Loss before tax		**(155,946)**	(72,143)
Tax expense	3	**-**	-
Loss after tax		**(155,946)**	(72,143)
Loss before tax is arrived at after charging/(crediting) :			
Auditor's remuneration		**3,000**	3,000
Bad and doubtful debts		**30,409**	54,060
Defined contribution post-employment benefits plan costs		**41,568**	10,080
Foreign currency alignment adjustments		**7,201**	1,140

BALANCE SHEET 31 MARCH 2008

	Note	2008	2007
Current Assets			
Trade debtors	4	**148,494**	265,388
Other debtors, deposits and prepayments		**1,800**	55,438
Cash and bank balances		**58,475**	102,972
		208,769	423,798
Current Liabilities			
Other creditors and accruals		**18,522**	21,130
Amount owing to related companies	5	**342,111**	319,463
Deferred income		**55,842**	134,965
Income tax payable		**2,233**	2,233
		418,708	477,791
Net Current Liabilities		**(209,939)**	(53,993)
Non-Current Assets			
Property, plant and equipment	6	**–**	–
NET LIABILITIES		**(209,939)**	(53,993)
Financed by :			
Share capital		**10,000,000**	10,000,000
Accumulated losses		**(10,209,939)**	(10,053,993)
NEGATIVE EQUITY		**(209,939)**	(53,993)

Movements in the share capital are disclosed in the statement of changes in equity on page next papge.

FOUR SOFT MALAYSIA SDN BHD
STATEMENT OF CHANGES IN EQUITY 31 MARCH 2008

	Note	2008 RM	2007 RM
Share capital - ordinary shares at par value of RM1 each:			
Authorised share capital			
At beginning and end of year :			
10,000,000 ordinary shares at RM1 each		**10,000,000**	10,000,000
Issued and fully paid share capital			
At beginning and end of year :			
10,000,000 ordinary shares at RM1 each		**10,000,000**	10,000,000
Income statement			
At beginning of year		**(10,053,993)**	(9,981,850)
Loss for the year		**(155,946)**	(72,143)
At end of year		**(10,209,939)**	(10,053,993)
Negative equity		**(209,939)**	(53,993)
Net change in equity other than from the income statement and capital transactions with owners		**–**	–

Holders of ordinary shares are entitled to receive dividends out of distributable reserves as and when declared by the company and return of capital in a winding up after the debts of all classes of creditors have been fully satisfied. All fully paid ordinary shares shall carry one vote per share without any restrictions.

STATEMENT OF CASH FLOWS 31 MARCH 2008

	Note	2008 RM	2007 RM
Cash flows from operating activities			
Loss before tax		**(155,946)**	(72,143)
Operating loss before working capital changes		**(155,946)**	(72,143)
Debtors		**170,532**	(131,841)
Creditors (including related companies)		**(59,083)**	278,234
Net cash (used in)/from operating activities		**(44,497)**	74,250
Cash flows from investing activities			
Net cash from investing activities		**–**	–
Cash flows from financing activities			
Net cash from financing activities		**–**	–
Net (decrease)/increase in cash		**(44,497)**	74,250
Cash at beginning of year		**102,972**	28,722
Cash at end of year		**58,475**	102,972

FOUR SOFT MALAYSIA SDN BHD
NOTES TO FINANCIAL STATEMENTS 31 MARCH 2008

1. CORPORATE INFORMATION

The financial statements of the company for the financial year ended 31 March 2008 have been authorised for issue in accordance with a resolution of the directors on 16 June 2008.

Four Soft Malaysia Sdn. Bhd. (502653-M) is a private company limited by shares, incorporated and domiciled in Malaysia. The registered office is situated at 28A-1 Jalan Serampang, Taman Pelangi, 80050 Johor Bahru, Johor.

The company is principally engaged in the development, licensing, marketing and implementation of e~commerce business solutions, innovations and applications for the logistics and distribution industry and the provision of ancillary consultancy and maintenance services. There have been no significant changes in the nature of these principal activities during the financial year.

The company is a wholly-owned subsidiary of Four Soft Limited, a public-listed company incorporated in the Republic of India and which is regarded by the directors as its ultimate holding company.

As at the end of the financial year, the company has 1 full-time employee (2007: 2).

2. ACCOUNTING POLICIES

The financial statements, expressed in the functional currency, the Ringgit and prepared within the framework of the historical cost convention, are drawn up in accordance with approved accounting standards in Malaysia in all material respects and applicable requirements of Malaysian law.

The financial statements have been prepared on the basis that the company shall continue as a going concern. As at 31 March 2008, the company has accumulated losses of RM10,209,939, a negative equity of RM209,939 and a history of recurring losses. The efficacy of the going concern basis is dependent upon the satisfactory outcome from litigation proceedings as disclosed in Note 7 below and the continuing financial support of the holding company and its related companies to evolve new business models, rationalise business plans and provide requisite funding, technical innovations and marketing resources to deliver adequate and reliable earnings and cashflow streams to revitalise its operations. Should the going concern basis in the preparation of financial statements be no longer valid, adjustments relating to real and prospective liabilities, recoverability and reclassification of recorded amounts may become necessary.

The main accounting policies of the company, which have been consistently applied, are summarised below :

(a) Financial Assets and Liabilities

Regular purchases and sales of financial assets are transactions that require delivery of assets in the ordinary course of business established either by contractual obligations or market conventions. Purchases of financial assets are recognised on the trade date, being the date that the company commits to purchase the asset and sales of financial assets are recognised on the settlement date, being the date the asset is delivered and accepted by the counterparties.

Trade receivables under normal operating cycles and trade terms not exceeding 90 days are recognised and carried at invoiced prices less allowances for any uncollectible amounts. An estimate of doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Trade and other payables under normal operating cycles and settlement terms not exceeding 90 days are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received. Payables to related parties are carried at cost.

(b) Revenue Recognition

Revenue is recognised when the company has transferred the significant risks and rewards of proprietary and copyright materials which generally coincide with the passing of possession and performance of the services and the acceptance by the clients and that the revenue can be reliably measured, economic benefits shall flow to the company and when there is no significant uncertainty as to its collectibility.

Revenue from the use by others of enterprise' intellectual properties yielding licensing fees is recognised upon notification of rights to receive payments have been established and that economic benefits associated with such enterprise assets shall flow to the company and when there is no uncertainty as to its collectibility.

Annual maintenance revenue and recurring consultancy services are systematically allocated to income over the accounting period of the maintenance and the performance of the services to which it relates. Maintenance revenue in respect of future periods and advance billings on consultancy services are excluded from the income statement and credited to deferred income.

Income from software development is recognised by reference to the stage of completion of development activity at the balance sheet date or the separately identifiable components of a contract to reflect the substance of the transaction, determined on the basis of survey of work done and acceptance by clients. Where contracts have been substantially completed at the balance sheet date, the full contract value and related costs to complete are accrued and included in the income statement. Provision is made in full to cover all foreseeable losses on software development irrespective of the stage of completion.

Revenue represents the invoiced value of software development, licensing fees, consultancy services and maintenance income net of allowances, discounts and deferred income.

(c) Foreign Currency Transactions

Transactions in foreign currencies are recorded in the functional currency at exchange rates ruling at the transaction dates. Recorded monetary balances that are denominated in foreign currencies at the end of the financial year are reported at the rate of exchange ruling at the balance sheet date. All foreign currency alignment adjustments are dealt with in the income statement.

The exchange rates used in reporting foreign currency monetary balances at the date of the balance sheet are as follows :

	2008	2007
Singapore Dollar	**2.31**	2.28

(d) Employee Benefits

The undiscounted amount of short-term employee benefits is charged as an expense in the year in which employees render their services. Short-term vested accumulating compensated absences are recognised when employees render services that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences are recognised when the absences occur.

Contributions of post-employment benefits to defined contribution plans are recognised as an expense as and when they are incurred.

(e) Property, Plant and Equipment

Property, plant and equipment are carried at cost (determined by reference to purchase prices) net of accumulated depreciation. At the balance sheet date, an assessment of the recoverable amounts is carried out and a writedown of the assets is made for any differences between the net recoverable amounts and the carrying amounts where the diminution in value is other than temporary.

Depreciation is calculated on the straight-line method over the estimated useful lives of the related assets at the following annual rates :

	%
Office equipment and computers	$33^{1/3}$
Furniture and fittings	$33^{1/3}$

Fully depreciated assets are retained in the financial statements until they are no longer in use.

(f) Income Tax Expense

The income tax expense comprises a current tax and a deferred tax charge against the profit and loss account. Current tax charge is the amount payable on the taxable earnings for the fiscal year to which it relates calculated by reference to the applicable tax rate structure extant s of the date of the balance sheet.

Deferred tax charge is provided in full under the liability method in respect of future tax consequences arising from temporary differences between the financial reporting basis of recognising assets and liabilities and their related tax bases. Temporary differences are not given effect where the initial recognition of assets and liabilities do not affect accounting or taxable profit.

Deferred tax assets are not recognised except where there are probable expectations that future taxable earnings will be available against which the temporary differences can be utilised.

(g) Cash and Cash Equivalents

Cash and cash equivalents comprise cash and bank balances, demand deposits and highly liquid short-term investments that are readily exchanged for cash with insignificant risks to changes in value. Cash for the statement of cash flows includes cash and cash equivalents net of bank overdrafts but excludes demand deposits earmarked against security documents.

3. TAX EXPENSE

	2008 RM	2007 RM
Current tax charge	**–**	–
Tax charge based on the results for the year	**–**	–
	%	%
Effective tax rate of tax charge to results for the year	**–**	–
Reconciliation of effective tax rate		
Statutory tax rate	**(28)**	(28)
Tax effect of permanent differences :		
Exempt income and tax incentives	**–**	–
Non-deductible expenses	**1**	1
Other tax effects :		
Temporary differences not recognised	**1**	–
Unrelieved tax losses and allowances not recognised in the financial statements	**26**	27
Differential tax rate on taxable earnings threshold	**–**	–
	–	–

Following revisions to the substantial ownership rules in the intervening qualifying period, the company qualifies for the carryforward of unrelieved tax losses and allowances and accordingly, the forfeiture in prior years amounting to RM3,169,498 has been reinstated.

Subject to the agreement with the Inland Revenue Board, unrelieved tax losses and allowances of RM3,438,273 (2007 : RM3,169,498 as restated) are available for offset against future taxable earnings provided that conditions regulating substantial ownership changes have been complied. Deferred tax assets are not recognised in the financial statements as the company has a history of recurring losses from its operations and there are no indications that sufficient taxable earnings shall be available against which the timing differences can be utilised.

4. TRADE DEBTORS

	2008 RM	2007 RM
Trade debtors	**148,494**	280,903
Provision for bad debts	**–**	(15,515)
	148,494	265,388
Movements in the provision for doubtful debts are as follows :		
Bad debts written off against specific gross debtors	**15,515**	23,200
Bad debts charged directly to income statement	**30,409**	54,060

5. AMOUNT OWING TO RELATED COMPANIES

	2008 RM	2007 RM
Amount owing to a fellow subsidiary	**377,826**	355,178
Amount owing by holding company	**(35,715)**	(35,715)
	342,111	319,463

Parties are classified as related where the company has the ability, directly or indirectly, to control the party or exercise significant influence over its operating and financial decisions or vice versa or under circumstances where the company and the party are subject to common control or significant influence.The amount owing to related companies are unsecured, non-interest bearing and there are no fixed terms of repayment.

Significant transactions and arrangements with related companies in the ordinary course of business and the effect of these on bases determined between the parties and reflected in the financial statements are as follows :

	2008 RM	2007 RM
Project and reimbursible costs	**56,068**	399,249

The directors are of the opinion that the transactions are established in the ordinary course of business and on terms not more favourable than those available to unrelated parties. The company has access to the management and supervisory resources of the related companies at no charge to the company,

6. PROPERTY, PLANT AND EQUIPMENT

	Office equipment, computers RM	Furniture and fittings RM	TOTAL **2008 RM**	2007 RM
Gross carrying amounts				
As at 1 April 2007	266,102	74,628	**340,730**	340,730
Writeoffs during the year	(266,102)	(74,628)	**(340,730)**	-
As at 31 March 2008	-	-	**-**	340,730
Accumulated depreciation				
As at 1 April 2007	266,102	74,628	**340,730**	340,730
Writeoffs during the year	(266,102)	(74,628)	**(340,730)**	-
As at 31 March 2008	-	-	**-**	340,730
Depreciation charge				
31 March 2007	-	-	**-**	-
Net carrying amounts				
As at 31 March 2008	-	-	**-**	-
As at 31 March 2007	-	-	**-**	-

7. CONTINGENT ASSETS AND LIABILITIES

During the year, an ex-employee instituted Industrial Court proceedings against the company contending wrongful dismissal and seeking reinstatement of employment without loss of wages and perquisites from 9 May 2002 of approximately RM539,000. The directors, in consultation with legal counsel, are of the opinion that the company has a fair chance of prevailing and accordingly, no provision has been made in the financial statements to cover such eventuality.

The company is a defendant in legal proceedings for damages amounting to RM526,600 arising from defective software sold. The company is denying the basis of the claims and making a counterclaim of RM52,700 in respect of the unpaid purchase price of the software. Litigation proceedings have not advanced to a stage where the outcome is predictable or significant litigation costs have been incurred or where reimbursement of party-to-party costs can be ascertained. The directors are of the opinion that it may be too early to assess such liabilities and costs and accordingly, no provision for future litigation costs has been made in the financial statements.

8. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

Transactions in financial instruments give rise to a variety of financial risks as described below which is or may be assumed by the company in the ordinary course of its business dealings. The company's overall financial risk management objectives and policies is to strike a prudent balance between value creation and managing financial risks by ensuring that adequate resources are available to develop overall business strategies, risk tolerance profiles and to establish general guidelines and business processes for control and monitoring purposes. It is the company's policy not to engage in speculative transactions or use derivative financial instruments.

(b) Price Risks

The company has limited exposure to currency risks as its operating cash flows are primarily denominated in the functional currency. Financial liabilities accruing from project cost commitments denominated in currencies other than the functional currency give rise to foreign currency risks and expected cash flow risks. There are no hedging mechanisms in place for the open positions and the company operates within the exchange control mechanisms fixed by Bank Negara Malaysia as a natural hedge against currency risks during the settlement process in the ordinary course of business.

(c) Credit Risks

The company has a significant concentration of credit and liquidity risks arising from its exposure to two major clients. The company has in place a credit policy and manages these risks through continuous credit evaluations and reviews and market and industry assessments to avert or mitigate any potential adverse impact on its financial performance and position.

The maximum exposure to credit risks is the carrying value of each financial asset as of the date of the balance sheet.

(d) Liquidity Risks

The company does not have any committed bank credit lines and engages a policy of maintaining adequate and reliable operating cash flows from cash-generating units and internal gearing to meet working capital requirements. Management actively reviews funding requirements and manages its overall leverage structure to optimise cost efficiencies in funding and liquidity.

(e) Fair Values

The fair values of financial assets and liabilities approximate the carrying values of recognised financial instruments in view of their relatively short maturity periods.

Four Soft Nordic A/S

Company details

Four Soft Nordic A/S
Bizonvej 12
8464 Galten
www.four-soft.com
Tel: +4586945099
Fax: +4586945447

Supervisory Board

Srikanth Reddy Palem, formand/Chairman

Jørgen Winther Nielsen

Biju Sivaraman

Rajshekhar Roy

David George Pickburn

Ulrik Henriksen Damm (medarbejderrepræsentant / employee bord member)

Executive Board

Rajshekhar Roy

David George Pickburn

Parent

Four Soft Ltd., 5Q1 A2-A3, Cyber Towers, Hitec City, Madhapur, Hyderabad, Indien

Group enterprises

Transaxiom Asia Pacific PTY, Limited, Level 3, 53 Berry St., North Sydney, eherandel/interest: 100%
Transaxiom HK Limited, Level 2, Suite 5, 56 Berry St., North Sydney, ejerandel/interest: 100%
Transaxiom UK Limited, c/o Four Soft Nordic A/S, Bizonvej 12, 8464 Galten, ejerandel/interest: 100%
Transaxiom US Inc., 707 Whitlock, Building D, Ste 34, Marietta 30064, ejerandel/interest: 100%

Auditors

Ernst & Young Statsutoriseret Revisionsaktieselskab
Søren Frichs Vej 38 A, 8230 Åbyhøj - Århus, Denmark

Bankers
Nordea

Four Soft Nordic A/S

Statement by the Supervisory and Executive Boards on the Annual Report

The Supervisory and Executive Boards have presented the Annual Report for the year ended 31 March 2008. The Annual Report was discussed and adopted on today's date. The Annual Report has been presented in accordance with the Danish Financial Statements Act. We consider the accounting policies used appropriate and the accounting estimates made reasonable. To the best of our belief, the Annual Report includes the information which is relevant for an assessment of the Company's financial position. Against this background, it is our opinion that the Annual Report gives a true and fair view of the Company's assets and liabilities, financial position and results of operations for the year ended 31 March 2008. We recommend that the Annual Report be adopted by the Annual General Meeting of shareholders.

Skovby, 15 July 2008
Executive Board:

Rajshekhar Roy David George Pickburn

Supervisory Board:

. . . .
Srikanth Reddy Palem
formand/Chairman

. . . .
Jørgen Winther Nielsen

. . . .
Biju Sivaraman.

. . . .
Rajshekhar Roy

. . . .
David George Pickburn

. . . .
Ulrik Henriksen Damm

Four Soft Nordic A/S

Independent Auditors' Report

To the Shareholders of Four Soft Nordic A/S

We have audited the Annual Report of Four Soft Nordic A/S for the financial year ended 31 March 2008, which comprises the Statement of the Supervisory and Executive Boards on the Annual Report, the Management's Review, a summary of significant accounting policies, the income statement, balance sheet and notes. The Annual Report has been prepared in accordance with the Danish Financial Statements Act.

The Supervisory and Executive Boards' Responsibility for the Annual Report

The Supervisory and Executive Boards are responsible for the preparation and fair presentation of this Annual Report in accordance with the Danish Financial Statements Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of an Annual Report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility and Basis of Opinion

Our responsibility is to express an opinion on this Annual Report based on our audit. We conducted our audit in accordance with Danish Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Annual Report is free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Annual Report. The procedures selected depend on the auditors' judgments, including the assessment of the risks of material misstatement of the Annual Report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Annual Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Supervisory and Executive Boards, as well as evaluating the overall presentation of the Annual Report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. The audit did not result in any qualification.

Opinion

In our opinion, the Annual Report gives a true and fair view of the Company's financial position at 31 March 2008 and of the results of its operations in accordance with the Danish Financial Statements Act.

Hans A. Nielsen
statsautoriseret revisor
State Authorised Public Accountant

Management's Review

Business activities and mission

The Company's most important business activity is development and servicing of IT-solutions to the international transport and logistic industry.

Business review

The Company's income statement for the year ended 31 March 2008 shows a net profit of DKK 6,914,190 and the balance sheet at 31 March 2008 shows shareholders' equity of DKK 11,285,797.

Related party transactions

At 31 March 2008 the parent owes the Company DKK 1,887,215. As the parent resides outside of the EU shareholders' loans are not legal according to Danish legislation.

Post balance sheet events

No events have occurred after the financial year-end, which could significantly affect the Company's financial position.

Accounting policies

The Annual Report of Four Soft Nordic A/S has been presented in accordance with the provisions of the Danish Financial Statements Act as regards reporting class B enterprises.

Last year the Company's Annual Report was represented in accordance with the provisions of the Danish Financial Statements Act as regards reporting class C enterprises. As a consequence less information is represented in this year's Annual Report.

Furthermore the Company has changed chart of accounts during this financial year in connection with implementation of a new IT-system. As a consequence classification differences exist in the financial statements. As a result of this and because last year only comprises 3 months, the comparative figures are not comparable. The accounting policies are otherwise consistent with those of last year.

Consolidated financial statements

No consolidated financial statements have been prepared, as the Group is a small group, cf. section 110 of the Danish Financial Statements Act.

Foreign currency translation

Transactions denominated in foreign currencies are translated into Danish kroner at the exchange rates at the date of the transaction. Monetary items denominated in foreign currencies are translated into Danish kroner at the exchange rates at the balance sheet date. Realized and unrealized exchange gains and losses are recognized in the income statement as financial income/expenses.

Foreign group enterprises

As for foreign entities, financial statement items are translated using the following principles:

Balance sheet items are translated at closing rates. Items in the income statement are translated at the rate at the date of the transaction. Any exchange differences resulting from the translation of the opening equity at the closing rate and the exchange adjustment of the items in the income statement from the rate at the date of the transaction to the closing rate are taken directly to equity.

Income statement

Revenue

Income from the sale of goods held for sale and finished goods is recognized in revenue at the time of delivery and when the risk passes to the buyer, provided that the income can be made up reliably. VAT, indirect taxes and discounts are excluded from the revenue. Income from the supply of services is recognized as revenue with reference to the stage of completion.

Other external expenses

Other external expenses include expenses related to distribution, sale, advertising, administration, premises, bad debts, lease payments under operating leases, etc.

Gross margin

With reference to section 32 of the Danish Financial Statements Act, the items 'Revenue' to and including 'Other external expenses' are consolidated into one item designated 'Gross margin'.

Amortisation/depreciation and write-downs

Amortisation/depreciation and write-downs include amortisation/depreciation and write-downs of intangible assets and property, plant and equipment. Fixed assets are amortised/depreciated using the straight-line method, based on the cost, measured by reference to the below assessment of the useful life of the assets:

	Useful life
Other fixtures and fittings, tools and equipment:	2 - 5 years

Gains or losses on the sale of fixed assets are recognised in the income statement under 'Amortisation/- depreciation'.

Income from investments in group enterprises and associates

These include the parent's proportionate share of the profit or loss for the year, net of tax and adjustment of intra-group gains/losses.

Net financials

Financial income and expenses are recognised in the income statement at the amounts that relate to the reporting period. Net financials include interest income and expenses, realized and unrealised capital and exchange gains and losses on securities and foreign currency transactions and surcharges and allowances under the advance-payment-of-tax scheme, etc.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments less the share of the tax for the year that concerns changes in equity. Current and deferred taxes related to items recognised directly in equity are taken directly to equity.

Balance sheet

Equipment

Equipment comprises other fixtures, fittings, tools and equipment. Equipment is measured at cost less accumulated depreciation and write-downs. An impairment test is made for property, plant and equipment if there are indications of decreases in value. The impairment test is made for each individual asset or group of assets, respectively. The assets are written down to the higher of the value in use and the net selling price of the asset or group of assets (recoverable amount) if it is lower than the carrying amount.

Investments

Investments in group enterprises and associates are measured, using the equity method, at the parent's proportionate share of such enterprises' equity plus goodwill on consolidation and less intra-group profits and negative goodwill. Enterprises whose equity is negative are measured at zero, as the proportionate share corresponding to the negative value is set off against receivables, if any, and additional amounts are recognised under 'Provisions'.

Rendering of services

Services rendered are measured by reference to the stage of completion. The stage of completion is calculated on the basis of the direct and indirect costs incurred relative to the expected total expenses. The value of the individual contracts, less prepayments, is classified under 'Receivables' if the amounts are positive and under 'Payables' if the amounts are negative. Writedowns for losses are made up as the total expected loss on the contract irrespective of the stage of completion.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value. The value is reduced by writedowns for bad debts.

Prepayments

Prepayments recognised under 'Assets' comprise prepaid expenses regarding subsequent reporting years.

Shareholders' equity

Dividends proposed for the reporting period are presented as a separate item under 'Shareholders' equity'.

Income taxes

Current tax charges are recognised in the balance sheet as the estimated tax charge in respect of the expected taxable income for the year, adjusted for tax on prior years' taxable income and tax paid in advance. Provisions for deferred tax are calculated at 25% of all temporary differences between carrying amounts and tax values, with the exception of temporary differences occurring at the time of acquisition of assets and liabilities neither affecting the results of operations nor the taxable income, and temporary differences on non-amortisable goodwill. Deferred tax concerning investments in group enterprises and associates is disclosed in the notes only, as the investments are expected to be held for more than three years, after which time there will be no tax liability. Deferred tax assets are recognised at the value at which they are expected to be utilised, either through elimination against tax on future earnings or a set-off against deferred tax liabilities.

Financial liabilities

Financial liabilities are recognised on the raising of the loan at the proceeds received net of transaction costs incurred. Interest bearing debt is subsequently measured at amortised cost, using the effective interest rate method. Other debt is subsequently measured at amortised cost corresponding to the nominal unpaid debt.

Deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent reporting years.

Four Soft Nordic A/S

Income statements

For the year ended 31 March 2008

	Notes	**2007/08** **12 Months** **DKK**	2007 3 Months DKK'000
Gross Margin		**27,868,258**	6,829
Staff costs	1	**21,277,583**	6,033
Amortization /depreciation and write-downs of intangible assets and property, plant and equipment	2	**139,265**	-595
Profit before net financial		**6,451,410**	1,391
Income from investments in Group enterprises	5	**2,281,060**	597
Other Financial Income		**119,194**	6
Other financial Expenses		**167,980**	47
Profit before Tax		**8,683,684**	1,947
Tax for the year	3	**1,769,494**	-1,258
Net Profit for the year		**6,914,190**	3,205
Appropriation of Profit			
Profit to be appropriated			
Retained Earnings		**544,646**	-2,506
Net Profit for the year		**6,914,190**	3,205
Available for appropriation		**7,458,836**	699
The supervisory board recommends the following appropriation of the profit			
Reserve for net revaluation according to the equity method		**2,281,060**	155
Retained Earnings		**5,177,776**	544
Total Appropriation		**7,458,836**	699

Four Soft Nordic A/S

Balance Sheet as at 31 March

31 March 2008

	Notes	**2008 DKK**	2007 DKK'000
Assets			
Fixed Assets			
Other Fixtures and Fittings, tools and equipment		**88,096**	422
Property, plant and equipment	4	**88,096**	422
Investments in group enterprises	5	**5,236,540**	3,963
Deposits		**509,783**	506
Investments		**5,746,323**	4,469
Total Fixed Assets		**5,834,419**	4,891
Current Assets			
Goods for resale		**480,274**	407
Inventories		**480,274**	407
Trade Debtors		**9,731,761**	6,420
Work in progress for third parties		**240,707**	320
Receivables from group enterprises		**4,815,968**	427
Other receivables		**29,482**	3,174
Deferred Tax Asset		**1,464,890**	2,150
Prepayments		**402,639**	255
Receivables		**16,685,447**	12,746
Cash		**1,903,197**	179
Total Current Assets		**19,068,918**	13,332
Total Assets		**24,903,337**	18,223
Equities and liabilities			
Share holders equity			
Share Capital		**1,000,000**	1,000
Reserve for net revaluation according to the equity method		**5,108,021**	3,073
Retained Earnings		**51,777,776**	545
Total Shareholders Equity	6	**11,285,797**	4,618
Provisions			
Negative Investments in Group Enterprises	5	**–**	445
Total Provisions		**–**	445
Liabilities other than provisions			
Amounts owed to other credit institutions		**–**	294
Trade payables		**943,441**	456
Payables to group enterprises		**3,721,041**	3,318
Income Taxes		**1,904,698**	1,067
Other Payables		**4,193,612**	5,975
Deferred Income		**2,854,748**	2,050
Short term liabilities		**13,617,540**	13,160
Total Liabilities other than provisions		**13,617,540**	13,160
Total equity and liabilities		**24,903,337**	18,223
Security for loans	7		
Other Financial Obligations	8		

Four Soft Nordic A/S

Notes

31 March 2008

	Notes	**2007/08 12 Months DKK**	2007 3 Months DKK'000
Note I			
Staff Costs			
Analysis of staff costs			
Wages and salaries		**19,153,933**	5,042
Pension Costs		**1,471,709**	828
Other Social Security Costs		**319,081**	62
Other Staff Costs		**332,860**	101
		21,277,583	6,033
Average number of employees		**35**	39
Note 2			
Amortisation/depreciation and write downs of intangible assets and property, plant and equipment			
Buildings		**–**	31
Other Fixtures and fittings, tools and equipment		**149,265**	60
		149,265	91
Profit/Loss on the sale of properties		**–**	-686
Profit/Loss on the sale of Property, plant and equipment		**-10,000**	–
		139,265	-595
Note 3			
Tax for the year			
Estimated income tax charge, excl. interest surcharges		**1,217,291**	892
Change in provision for deferred tax		**685,274**	-554
Prior year adjustments		**1,902,565**	338
		-133,071	-1,596
Analysed as follows			
Tax for the year		**1,769,494**	-1,258
Total		**1,769,494**	-1,258

Four Soft Nordic A/S

Notes

31 March 2008

	Other fixtures and fittings, tools and equipment
Note 4	
Property, plant and equipment	
Cost	
Balance at 1 / 4 2007	**2,684,951**
Additions in the year	**–**
Disposals in the year	**399,175**
Cost at 31 March 2008	**2,285,776**
Depreciation and write downs	
Balance at 1st April 2007	**2,262,591**
Depreciation in the year	**149,264**
Accumulated depreciations and write down disposals	**214,175**
Depreciations and write downs at 31 March 2008	**2,197,680**
Carrying amount at 31 March 2008	**88,096**

	Group enterprises
Note 5	
Investments (DKK)	
Cost	
Balance at 1st April 2007	**2,277,200**
Cost at 31 March 2008	**2,277,200**
Adjustments	
Balance at 1st April 2007	**973,982**
Exchange Adjustment	**-245,702**
Share of net profit or loss for the year	**2,281,060**
Adjustments at 31st March 2008	**3,009,340**
Carrying amount at 31 March 2008	**5,236,540**
Analysis of the company's share of the net profit/loss the year	
Share of the pre-tax profit/loss for the year	**3,051,902**
Share of tax on profit/loss from ordinary activities	**77,842**
	2,281,060

Four Soft Nordic A/S

Noter

Notes

Note 6. Statement of changes in equity

	Share capital	Equity method transfer to net revaluation reserve	Retained earnings/- Accumulated loss	Total
Shareholders equity at 1st April 2007	1,000,000	3,072,663	544,646	4,167,309
Exchange adjustment	–	-245,702	–	-245,702
Revaluations in the year	–	2,281,060	–	2,281,060
Transfer in the year	–	–	4,633,130	4,633,130
Shareholders equity at 31 March 2008	1,000,000	5,108,021	5,177,776	11,285,797

Note 7
Security for loans

No security for loans had been placed at 31 March 2008

Note 8
Security for loans

	2008 DKK	2007 DKK'000
Payments under operating leases and rent contract	**3,227,334**	4,576
The remaining terms are 0-5 years		

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

(Amounts in Rs.)

Sl. No.	Particulars	Four Soft BV	Four Soft Singapore Pte Ltd	Four Soft Malaysia Sdn Bhd.	Four Soft Nordic A/S
1	Financial Year ending of the Subsidiary	**31.03.2008**	**31.03.2008**	**31.03.2008**	**31.03.2008**
2	Shares of Subsidiary Company held on the above date and extend of holding				
	i) Number of Shares held	**66,245**	**1,000,000**	**10,000,000**	**1,000**
	ii) Extend of holding	**100%**	**100%**	**100%**	**100%**
3	Net aggregate amount of profits/losses of the subsidiary for the above financial year so for as they concern members of Four Soft Limited				
	i) dealt with in the accounts of Four Soft Limited	**Nil**	**Nil**	**Nil**	**Nil**
	ii) not dealt with in the accounts of Four Soft Limited	**16,729,689**	**(542,627)**	**(1,870,914)**	**52,957,374**
4	Net aggregate amount of profits/loss for previous financial years of the subsidiary so far as they concern membrs of Four Soft Limited				
	i) dealt with in the accounts of Four Soft Limited	**Nil**	**Nil**	**Nil**	**Nil**
	ii) not dealt with in the accounts of Four Soft Limited	**90,849,408**	**(29,297,401)**	**(1,474,785)**	**24,873,035**

For and on behalf of the Board of Directors

Palem Srikanth Reddy
Chairman & Managing Director

P Mangamma
Director

Place : Hyderabad
Date : 29th August, 2008

4S

FOUR SOFT LIMITED

Registered Office: 5Q1 A3, 5th Floor, Cyber Towers, Hitech City, Madhapur, Hyderabad - 500 033 India.

ATTENDANCE SLIP

9th Annual General Meeting 29th September, 2008

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

Name & Address Of the Member	Registered Folio No.	Client ID & DP ID No.	No. of Shares Held

I hereby record my presence at Ninth Annual General Meeting of the Company to be held on Monday, the 29th September' 2008 at Chip Auditorium, Cyber Towers, Hitec City, Madhapur, Hyderabad, A.P at 10.00 A.M.

SIGNATURE OF THE MEMBER OR THE PROXY ATTENDING THE MEETING

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

Note : Members are requested to bring their copies of the AGM Notice at the Meeting as the same will not be circulated at the Meeting.

4S

FOUR SOFT LIMITED

Registered Office: 5Q1 A3, 5th Floor, Cyber Towers, Hitech City, Madhapur, Hyderabad - 500 033 India.

PROXY FORM

9th Annual General Meeting 29th September, 2008

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 attend and vote for me / us on my / our behalf at the Ninth Annual General Meeting of the Company to be held on Monday, the 29th September' 2008 at Chip Auditorium, Cyber Towers, Hitec City, Madhapur, Hyderabad, A.P at 10.00. A.M. and at any adjournment thereof.

Affix Re.1.00 Revenue Stamp

Signed this .... day of .... 2008.

Note : The Proxy form duly completed must be deposited at the Registered Office of the Company, not less than 48 hours before the time of holding the meeting. The Proxy need not be a Member of the Company.

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If undelivered, please return to:

4S FOUR SOFT
Internet Solutions for Logistics
5Q1 A3,
Cyber Towers,
HITEC City, Madhapur,
Hyderabad - 500 081 India.
Web : www.four-soft.com