FOUR SOFT
Internet Solutions for Logistics

ANNUAL REPORT
09 - 10

www.four-soft.com

BOARD OF DIRECTORS

Mr. Palem Srikanth Reddy	Chairman & Managing Director
Dr. T.R. Sivaramakrishnan	Independent Director
Mr. Srinivas Prasad	Independent Director
Mr. Mohan Krishna Reddy	Independent Director
Mr. K. V. Ramakrishna	Non-Executive & Nominee Director
Mrs. P. Mangamma	Non-Executive Director
Mr. Joergen Winther Nielsen	Non-Executive Director
Company Secretary & Compliance Officer	Ms. Kavitha Pakala
Auditors	M/s. Walker, Chandiok & Co Chartered Accountants
Internal Auditors	M/s Laxminiwas Neeth & Co Chartered Accountants
Bankers	The Hong Kong Shanghai Banking Corporation Ltd Citibank N.A.
Registrars & Share Transfer Agents	M/s. Karvy Computershare (P) Ltd. Plot No.17 to 24, Vittal Rao Nagar, Madhapur, Hyderabad - 500 081.

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Message from the CMD

Dear Stakeholders,

I take pleasure in presenting the Eleventh Annual Report of your Company. I use this opportunity to present what we accomplished this fiscal year financially, our other significant accomplishments, and what we see for the future. The Company has made profits in the last year as well despite a decline in revenue due to reduced IT spending by some of our major clients due to late reaction of recessionary trend. We did manage our deliveries well and also leveraged our India delivery capability to manage our cost efficiently. We have always been monitoring and controlling our costs deligently to ensure better margins.

This year also proved that Four Soft is the only Company who could deliver the multiple products in various geographies and of various sizes with 100% success rate. This has resulted in 20 implementations in the last 24 months. Thanks to our India delivery capability. The Company has retired all its debts and we have managed our working capital very diligently. The strong financial position of the Company and the successful implementations in the last 2 years has given tremendous confidence in us.

It is important to note that we have sailed through turbulent times and emerged as a potential leader in this domain industry. The Board and the Management have concrete strategies for the next three financial years which are as mentioned below

- Consolidate /retain the existing revenue from acquired customers, improve on margins from the business.
- Multifold growth from sale of Four Soft enterprise products in the transport logistics industry and exploring the potential of supply chain execution products.
- Diversifying into Services and BPO segments.

Our approach is to ensure that each of our resources generate positive returns, whether it be human resources, infrastructure or capital resources. As always we will update the stake holders, investors, employees, customers, vendors and also keep them posted about all the developments from time to time. Your Company has always been actively contributing to social causes as a part of its Corporate Social Responsibility.

The economic environment, regulatory climate, government policies and market conditions all appear favorable to us.

NOTICE

Notice is hereby given that the **Eleventh Annual General Meeting of Four Soft Limited** will be held on **Tuesday, the 28th day of September, 2010** at The Chip Auditorium, Cyber Towers, HITEC City, Madhapur, Hyderabad, and A.P at **11.00 A.M**. to transact the following items of business:

Ordinary Business:

1. To receive, consider and adopt the Report of the Board of Directors, Profit and Loss Account for the financial year ended on March 31, 2010 and the Balance Sheet as at that date and the report of Auditors' thereon.

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

3. To appoint a director in place of Dr. T. R. Sivaramakrishnan, 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 Walker Chandiok & 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 remuneration to be fixed by the Board of Directors of the Company."

Special Business:

5. **Appointment of Mr. Joergen Winther Nielsen as a Director of the Company.**

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

   "RESOLVED THAT Mr. Joergen Winther Nielsen who became an Additional Director of the Company with effect from 20.01.2010 and who holds office up to the date of this Annual General Meeting in terms of Section 260 of the Companies Act, 1956 ("the Act") and in respect of whom the Company has received a notice in writing from a member under Section 257 of the Act proposing his candidature to the office of Director of the Company, be and is hereby appointed a Director of the Company, who shall be liable to retire by rotation."

6. **To Consider the Issue of Warrants on Preferential basis to the Promoters and others:**

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

"**RESOLVED THAT** in terms of Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force), Memorandum and Articles of Association of the Company, Listing Agreements entered into by the Company with the Stock Exchanges where the Company's shares are listed, and in accordance with the provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 as may be applicable to the preferential issue of Equity Shares and other applicable regulations of SEBI, if any, and subject to such conditions and modifications as may be considered appropriate by the Board of Directors of the Company (hereinafter referred to as "the Board" which expression shall include any committees thereof for the time being to which all or any of the powers hereby conferred on the Board by this resolution, have been delegated) and subject to such consents and approvals of SEBI, Stock Exchanges, Government of India or such other bodies or authorities as may be required by law and as may be necessary and subject to such conditions and modifications as may be imposed upon and accepted by the Board while granting such consents and approvals, and which may be agreed to by or any other authority as may be necessary for that purpose, the consent of the members of the Company be and is hereby accorded to the Board to offer, issue and allot in one or more trenches up to 2,75,000 convertible warrants to Mr. Palem Srikanth Reddy, belonging to the Promoter Group at an issue price including such premium not less than the price to be determined in accordance with the preferential issue regulations given in chapter VII of SEBI (ICDR) Regulations, 2009 and subsequent amendments thereto convertible in to equal number of equity shares of Rs. 5 each with such premium with in a period not exceeding 18 months from the date of allotment of warrants :

"**RESOLVED FURTHER THAT** the pricing of the Warrants to be allotted on preferential basis shall be in accordance with the SEBI's Preferential Issue Regulations given in chapter VII of SEBI (ICDR) Regulations, 2009 with reference to the 'Relevant Date'

The "relevant date" for the purpose of pricing of the resultant warrants is 29.08.2010 i.e. thirty days prior to the date on which this Annual General Meeting is held in terms of Section 81(1A) of the Companies Act, 1956. (AGM will be held on 28.09.2010).

"**RESOLVED THAT** the Equity Shares issued on conversion of warrants shall rank pari-passu with the existing Equity Shares of the Company in all respects and that the equity shares so allotted during the financial year shall be entitled to the dividend, if any, declared including other corporate benefits, if any, for which the book closure or the Record Date falls subsequent to the allotment of Equity Shares."

"**RESOLVED FURTHER THAT** the aforesaid warrants allotted in terms of this resolution and the resultant equity shares arising on exercise of right attached to such warrants shall be subject to lock-in requirements as per the provisions of SEBI (ICDR) Regulations, 2009.

"**RESOLVED FURTHER THAT** the aforesaid warrants shall be in accordance with the following terms and conditions:

- A warrant by itself shall not give to a warrant holder thereof, any rights of the shareholder of the Company.
- In the event, the equity shares of the Company are either sub-divided or consolidated before the conversion of the warrants into equity shares of the Company, then the face value, the number of equity shares to be acquired on conversion of the warrants and the warrant issue price shall automatically stand adjusted in the same proportion, as the present value of the equity shares of the Company bears, to the newly sub-divided / consolidated equity shares without affection any right or obligation of the said warrant holders: and

In the event the Company's equity capital is affected or changed due to any other corporate actions such as a merger, demerger, consolidation of business, or other reorganization of the Company, tender offer for equity shares of sale of undertaking, necessary adjustments with respect to the terms of the aforesaid warrants shall be made by the Company and such other action as may be deemed necessary or appropriate by the Board shall be taken to reflect such corporate actions, including but without limitation, suitable adjustment of the warrant issue price, subject to necessary approvals.

"**RESOLVED FURTHER THAT** the Board be and is hereby authorized to modify and decide the price, terms and conditions of the Issue of the warrants, if necessary, keeping in view the provisions of various Acts and Guidelines in force from time to time. However, the issue price shall in no case be less than the price to be determined as per the Preferential Issue Regulations as provided in Chapter VII of (ICDR) Regulations, 2009."

"**RESOLVED FURTHER THAT** for the purpose of giving effect to the above resolution, the Board be and is hereby authorized to agree and accept all such condition(s), modification(s) and alteration(s) as may be stipulated by any relevant authorities while according approval or consent to the issue as may be considered necessary, proper or expedient and give effect to such modification(s) and to resolve and settle all questions, difficulties or doubts that may arise in this regard to implementation of this Resolution, issue and allotment of warrants and to do all acts, deeds and things in connection therewith and incidental thereto without being required to seek any further consent or approval of the members of the Company to the intent that the members shall be deemed to have given their approval thereto expressly by the authority of this resolution."

"**RESOLVED FURTHER THAT** the Company do apply for listing of the new equity shares on all the Stock Exchange where the shares of the Company are at present listed."

"**RESOLVED FURTHER THAT** the Company do make an application to the Depositories for admission of the new equity shares."

"**RESOLVED FURTHER THAT** the Board be and is hereby authorized to take all such necessary steps as may be required in this regard and to delegate all or any of the powers herein conferred to any Committee of Directors or any other officer or officers of the Company to give effect to the aforesaid resolutions."

7. Increase In Remuneration Of Sri Palem Srikanth Reddy, Chairman And Managing Director

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

"**RESOLVED THAT** in supersession of the resolution passed at the Annual General Meeting held on 29th September, 2008 pursuant to Sections 198, 269, 302, 309, 310 and 311, read with Schedule XIII and other applicable provisions, if any, of the Companies Act 1956, including any statutory modification(s) or enactment(s) thereof, for the time being in force, subject to the approval of the Central Government and such other approvals as may be required, the consent and approval of the members be and is hereby accorded to the payment of remuneration to Sri Palem Srikanth Reddy, Chairman and Managing Director in whole time employment of the Company w.e.f. 01.04.2010 as has been set out below:

a. Basic Salary: Rs. 20,000/- per month (Rupees twenty thousand only)

b. Performance allowance: Maximum of Rs. 8,00,000/- per month based on the quarterly performance evaluated by the remuneration committee.

c. 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.

RESOLVED FURTHER THAT in the event of any statutory amendment or modification or Schedule XIII to the Companies Act, 1956, the Board of Directors be and are hereby authorized to vary or increase the remuneration including Basic Salary, Commission, Perquisites, Allowances etc. within such prescribed limits.

Where in any Financial Year comprised by the period of appointment, the Company has no profits or its profits are inadequate, the foregoing amount of remuneration and benefits shall be paid or given to the incumbent in accordance with the approval of the Central Government, wherever required.

Adequate Profits

Where in any Financial Year, during the tenure of Sri Palem Srikanth Reddy, the Company has adequate profits, the Company shall pay to Sri Palem Srikanth Reddy, remuneration by way of Basic Salary, Commission, Perquisites and Allowances exceeding the amount approved by the Central Government and which shall not exceed the limits prescribed from time to time under Sections 198, 309 read with Schedule XIII to the Companies Act, 1956 for the time being in force.

RESOLVED FURTHER THAT the Board of Directors be and are hereby authorized to take all necessary steps as may be necessary to give effect to the above resolution."

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll instead of 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 24th September, 2010 to 28th September, 2010 (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. 040-44655000, Fax No. 040-23420814
Email: einward.ris@karvy.com

For and on behalf of the Board of Directors

Sd/-
Palem Srikanth Reddy
Chairman & Managing Director

Place : Hyderabad
Date : 19th August, 2010

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

Item No. 5

Mr. Joergen Winther Nielsen

Mr. Joergen Winther Nielsen was appointed as an Additional Director of the Company on 20.01.2010. Joergen Winther Nielsen graduated from Arhus Business School in 1982 and then he joined one of the leading forwarding companies and was eventually promoted to VP of the Scandinavian airfreight division. In 1986, Joergen became Director and later co-owner of Plus Data Group and was paramount in developing the Company into one of the leading providers of ERP solutions to the global forwarding Industry.

After Swissair acquired Plus Data Group in 1997, he moved to Switzerland to take a position as EVP of Atraxis Cargo Solution. With 200+ people in 8 countries, he drove products, development and technology for all logistics segments.

In 2001, he orchestrated a management buy out of Atraxis Cargo Solution (re-named to Transaxiom) and as majority shareholder and chairman, he developed Transaxiom into a visionary, customer- and product oriented Company with offices in Europe, USA, UK, Hong Kong and Australia. Transaxiom was acquired by Four Soft in 2007. From 2008 till date Joergen took the interim role as MD for Four Soft Nordic, and developed Nordic to become the most profitable subsidiary in Four Soft Group with two digit growth figures. He is also a board member of a number of companies in the software, music- and construction industries as well as investment and real- estate businesses. Joergen is 47 years old, based in Copenhagen/Denmark and have 2 sons aged 12 and 14.He is a passionate skier, leisure diver and hunter and runs a marathon now and then

Pursuant to section 260 of the Companies Act, 1956 the tenure of office of the above Director will expire at the present Annual General Meeting. The Company has received separate notice in writing from a member under section 257 of the Act proposing his candidature for the office of Director of the Company and hence 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. Joergen Winther Nielsen is, in any way, concerned or interested in this resolution.

Item No. 6

Information pertaining to the proposed preferential allotment in terms of the Chapter VII of SEBI (ICDR) Regulations, 2009 and subsequent amendments there to as set out as below:

Issuance of convertible warrants on preferential basis

The special resolution as mentioned above proposes to authorize the Board of directors to issue up to 2,75,000 convertible warrants at an issue price which will be determined in accordance with the preferential issue regulations given in chapter VII of SEBI (ICDR) Regulations, 2009 and subsequent amendments thereto.

(1) Objects of the issue through preferential offer:

The object is to consolidate stake of the promoter by way of additional issue/allotment of warrants; to meet the working capital requirements; to meet expansions plans; to meet other general corporate purposes.

(2) Pricing of the issue and Relevant Date:

The issue price of the equity shares / convertible warrants shall be fixed as per the SEBI (ICDR) Regulations, 2009. The price of the equity shares and convertible warrants shall be decided based on the relevant date. The relevant date for the purpose is 29.08.2010 being 30 days prior to the date AGM - 28.09.2010.

The price of the convertible warrants will be such price, including premium as per the SEBI (ICDR) Regulations, 2009 to be issued based on the relevant date being 29.08.2010 and will be calculated in the manner specified for pricing of shares/securities as per the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009.

For this purpose, the share price quotations available at the Bombay Stock Exchange Limited and National Stock Exchange, Mumbai will be considered. The average of the high and low of the weekly closing prices preceding 6 months and 2 weeks of the relevant date is determined as per the said Regulations. The minimum issue price shall not be less than the price determined as per the SEBI (ICDR) Regulations, 2009.

A Certificate will be obtained from the Statutory Auditors of the Company confirming the minimum price for the preferential issue as per Preferential Issue Guideline in Chapter VII of SEBI (ICDR) Regulations, 2009 and showing the calculation thereof and the same will also be made available for inspection at the Registered Office of the Company and apart from placing before Annual General Meeting.

(3) Proposal of the allottees or their associates and relatives, Directors or Key Management personnel to subscribe to the offer:

The proposed allottee for preferential issue of 2,75,000 (Two lakhs and seventy-five thousand only) Convertible warrants referred to in the resolution, belongs to the promoter group.

The said allottee proposes to subscribe for the total 2,75,000 (Two lakhs and seventy-five thousand only) convertible warrants.

(4) Identity of the proposed allottees and percentage of Pre and Post Preferential issue capital that may be held by them:

Sl No.	Name of the proposed allottee	Pre issue holding details		Warrants proposed to be allotted *	Post issue holding details	
	Category	No of Shares held	% to capital		No of Shares	% to capital
I	Mr. Palem Srikanth Reddy	86,51,297	22.21	2,75,000	89,26,297	22.75

*Assuming that all warrants are converted into equity shares.

(5) Shareholding Pattern of the Company before and after proposed preferential issue:

Sl No.	Category	Pre issue holding details		Post issue holding details	
		No of Shares	**% to capital**	**No of Shares**	**% to capital**
A	**Promoter Share Holding**				
I	Indian Promoters	9210250	23.64	9485250	24.18
2	Foreign Promoters	3229076	8.29	3229076	8.23
	Sub-Total (A)	**12439326**	**31.93**	**12714326**	**32.41**
B	**Public Share holding**				
I	Institutions	4189782	10.75	4189782	10.68
2	Non-Institutions				
a)	Bodies Corporate	3447576	8.85	3447576	8.79
b)	Individuals	15514160	39.82	15514160	39.54
c)	NRIs	361435	0.93	361435	0.92
d)	Trusts	328015	0.84	328015	0.84
e)	Clearing members	31001	0.08	31001	0.08
f)	Overseas Corporate Bodies	2067581	5.31	2067581	5.27
g)	Foreign Nationals and Corporate Bodies	580868	1.49	580868	1.48
	Sub-Total (B)	**26520418**	**68.07**	**26520418**	**67.59**
	Grand Total (A+B)	**38959744**	**100.00**	**39234744**	**100.00**

* Assuming that all warrants are converted into equity shares

(6) Proposed time within which the Preferential Issue shall be completed:

The Board may allot Convertible Warrants at a price not being less than the price to be decided as per the SEBI (ICDR) Regulations, 2009.

The allotment of Convertible Warrants shall be completed, within a period of 15 days from the date of passing of the resolution by the Members provided, that where the allotment is pending on account of pendency of any approval from any regulatory authority or the Central Government, the allotment shall be completed by the Company within a period of 15 days from the date of such approvals.

An amount, as may be decided by the Board of Directors, not being less than 25% of the issue price shall be payable on allotment of the warrants. The warrants would be allotted on the following terms:

a. The holder of Warrants will have an option to apply for and be allotted 1 (one) Equity Share of the Company per warrant, any time after the date of allotment but on or before the expiry of 18 months from the date of allotment in one or more tranches.

b. Upon receipt of the payment as above, the Board shall allot one Equity Share per Warrant by appropriating Rs.5/- towards Equity Share Capital and the balance amount paid against each Warrant, towards the Securities Premium.

c. If the entitlement against the warrants to apply for the Equity Share is not exercised within the period specified, the entitlement of the Warrant holder to apply for Equity Shares of the Company along with the rights attached thereto shall expire and any amount paid on such warrants shall stand forfeited.

d. The warrant holder shall also be entitled to any future bonus/rights issue(s) of equity shares or other securities convertible into Equity Shares by the Company, in the same proportion and manner as any other Members of the Company for the time being.

e. The warrants by itself do not give to the holder thereof any rights of the Members of the Company.

(7) Approvals

The Company is taking necessary steps to obtain the required approvals from the Stock Exchanges, SEBI or any other regulatory agency as may be applicable, for the proposed preferential issue of equity shares and warrants.

(8) SEBI Takeover code

The provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, are not attracted for this issue and therefore proposed allottees are not required to make an open offer and comply with formalities related to an open offer for this preferential allotment except the specific disclosures as may be required by the Regulations.

(9) Holding of shares in the Demat Account, non disposal of shares by the proposed allottees and lock-in period of shares:

- The entire shareholding of the proposed allottees in the Company, if any, is held by them in dematerialized form.
- The entire pre preferential allotment shareholding of such allottees shall be under lock-in from the relevant date up to a period of six months from the date of preferential allotment.
- The shareholders who have sold their shares during the six months period prior to the relevant date shall not be eligible for allotment of shares on preferential basis.

(10) Lock-in Period

The convertible warrants or equity shares allotted to the proposed allottees shall be subject to 'lock-in' for a period of one year / three years from the date of their allotment as per Clause 78 of the SEBI (ICDR) Regulations, 2009.

(11) Auditor's Certificate

M/s. Walker Chandiok & Co, Chartered Accountants of the Company confirming that the proposed issue of equity shares and/ or convertible warrants are in accordance with the SEBI (ICDR) Regulations, is available for inspection up to the date of the

Annual General Meeting at the Registered Office of the Company on any working day and also at the place of the meeting on the meeting day.

(12) Control

As a result of the proposed preferential allotment of equity shares and / convertible warrants, there will be no change in the management control of the Company.

(13) Compliance of clause 40A of the Listing Agreement

The Company has complied with the requirements of listing agreement including clause 40A i.e., maintaining a minimum of 25% of the paid up capital in the hands of public.

(14) Approval under the Companies Act, 1956

Section 81(1A) of the Companies Act, 1956 provides, inter alia, that whenever it is proposed to increase the subscribed capital of a Company by a further issue and allotment of shares, such shares shall be first offered to the existing shareholders of the Company in the manner laid down in the said section, unless the shareholders decide otherwise in general meeting by way of special resolution.

Accordingly, the consent of the shareholders is being sought pursuant to the provisions of section 81 and all other applicable provisions of the Companies Act, 1956, SEBI Guidelines or regulations and the provisions of the Listing Agreement with the Stock Exchanges for authorizing the Board to offer, issue and allot equity shares/convertible share warrants as stated in the resolution, which would result in a further issuance of securities of the Company to the promoter on a preferential allotment basis, in such form, manner and upon such terms and conditions as the Board may in its absolute discretion deem fit.

The Board of Directors recommends the passing of this resolution as a Special Resolution as set out in the Notice.

The Chairman & Managing Director of the Company Mr. Palem Srikanth Reddy is concerned or interested in the above said resolution to the extent of issue of convertible warrants proposed to be allotted to him under promoter's category.

Item No. 7

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

Palem Srikanth Reddy is the Chairman & Managing Director of Four Soft Limited. Through his leadership and vision, he has applied his supply chain execution experience to the innovative development of the prime products of 4S, which has become the first ever enterprise operating platforms for the logistics and supply chain management industries on the Internet. His career profile began as an executive in various supply chain execution operations such as: JV Partner & Emery Worldwide (Managing Director), India and Asia Pacific Logistics/Distribution operations at Hewlett Packard (Manager), Singapore.

The Board of Directors confidently feels that the Company will immensely benefit from the services of Sri Palem Srikanth Reddy as he is a very able and experienced person. Hence the Board of Directors at their meeting held on 19.08.2010 has considered increasing the remuneration of Sri Palem Srikanth Reddy w.e.f.01.04.2010 subject to the approval of Members of the Company and Central Government.

The Remuneration Committee fixed the remuneration package with a view to align the package with the best corporate practices prevailing in the industry. After considering the various factors, his contributions and responsibilities, the Remuneration Committee recommended the package as disclosed in the resolution of remuneration payable to Sri Palem Srikanth Reddy as disclosed.

The remuneration proposed to Sri Palem Srikanth Reddy as recommended by the Remuneration Committee requires the approval of Members and the Central Government.

An application to the Central Government will be made for obtaining the approval.

STATEMENT OF INFORMATION PURSUANT TO SCHEDULE XIII OF THE COMPANIES ACT, 1956

I. GENERAL INFORMATION:

(1) Nature of industry: Software Development

(2) Date of commencement of commercial production: 24th December, 1999

(3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus: Not Applicable

(4) Financial performance based on given indicators:

(Rs. in crores)

Standalone Financial performance	2005-06	2006-07	2007-08	2008-09	**2009-10**
Turnover	24.40	37.53	38.03	32.64	**33.15**
Net proft as computed under Section 349	5.96	6.30	0.25	2.24	**2.03**
Net proft / loss as per profit and loss account	4.19	5.09	0.36	1.97	**1.15**
Amount of dividend paid (including dividend tax)	3.09	–	–	–	**1.14**
Rate of dividend declared	7.5 %	–	–	–	**5%**

(Rs. in crores)

Consolidated Financial performance	2005-06	2006-07	2007-08	2008-09	**2009-10**
Turnover	94.21	163.09	176.89	212.03	**138.12**
Net proft / loss as per consolidated profit and loss account	5.94	0.94	5.04	44.72	**7.66**

(5) Export performance and net foreign exchange collaborations: 235.3 Million

(6) Foreign investments or collaborators, if any:

Investments	(Amount in Rs.)
In subsidiaries	
Four Soft USA, Inc.	**727,500**
Four Soft B.V.	**618,133,185**
Four Soft Singapore Pte. Ltd.	**42,424,120**
Four Soft Nordic A/S	**495,060,556**
Four Soft Sdn. Bhd.	**2,625**
	1,156,347,986

II. INFORMATION ABOUT THE APPOINTEES:

(1) Background details:

Sri Palem Srikanth Reddy, aged 47 years, is an Industrial Engineering Graduate from REC, Trichy, India and a Post Graduate in Industrial Engineering from Stanford University, USA. and is associated with the Company since its inception.

(2) Past remuneration:

Year	Total Remuneration (in Rs.)
2009-10	794,192
2008-09	9,60,,622
2007-08	6,18,769
2006-07	16,86,759
2005-06	1,698,697

(3) Recognition or awards: Not Applicable

(4) Job profile and suitability:

Srikanth is the Chairman & Managing Director of Four Soft Limited. Through his leadership and vision, he has applied his supply chain execution experience to the innovative development of the prime products of 4S, which has become the first ever enterprise operating platforms for the logistics and supply chain management industries on the Internet. His career profile began as an executive in various supply chain execution operations such as: JV Partner & Emery Worldwide (Managing Director), India and Asia Pacific Logistics/Distribution operations at Hewlett Packard (Manager), Singapore.

(5) Remuneration proposed:

As set out in the resolutions for the item no.7 The remuneration to Sri Palem Srikanth Reddy, Chairman & Managing Director has the approval of the Remuneration Committee.

(6) Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person (in case of expatriates the relevant details would be w.r.t. the country of his origin)

Taking into consideration of the size of the Company, the profile of Sri Palem Srikanth Reddy and the responsibilities shouldered on him, the aforesaid remuneration package is commensurate with the remuneration package paid to managerial positions in other companies.

(7) Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any:

Besides, the remuneration proposed, he is holding 86, 51,297 Equity Shares of the Company.

The Board of Directors recommends the passing of this resolution as a Special Resolution as set out in the Notice.

None of the Directors except Sri Palem Srikanth Reddy may be deemed to be concerned or interested in the above resolution.

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting to you the Eleventh Annual Report together with the Audited Statement of Accounts for the year ended 31st March 2010.

1. Standalone Financial Results :

Rs. in Million, except per share

Particulars	2009-10	2008-09	Growth%
Total Income	**331.52**	390.96	-15%
Total Operating Expenditure	**282.13**	331.21	-15%
Operating Profit (EBITDA)	**49.39**	59.75	-17%
Interest	**15.81**	16.94	-7%
Depreciation	**14.70**	22.42	-34%
Profit Before Tax	**18.88**	20.39	-7%
Provision for Tax	**5.71**	2.29	149%
Deferred Tax	**1.63**	(3.28)	-150%
Fringe Benefit Tax	–	1.72	-100%
Profit after tax	**11.54**	19.66	-41%
Basic Earnings per share	**0.30**	0.51	-41%

Consolidated Financial Results :

Rs. in Million, except per share

Particulars	2009-10	2008-09	Growth%
Total Income	**1381.22**	2094.38	-34%
Total Operating Expenditure	**1247.16**	1380.61	-10%
Operating Profit (EBITDA)	**134.06**	713.77	-81%
Interest	**24.71**	39.57	-38%
Depreciation	**23.86**	42.12	-43%
Impairment Loss	–	36.40	-100%
Profit Before Tax	**85.49**	595.68	-86%
Provision for Tax	**18.87**	144.22	-87%
Deferred Tax	**4.83**	2.50	93%
Fringe Benefit Tax	–	1.72	-100%
Profit after tax	**76.65**	447.24	-83%
Basic Earnings per share	**1.99**	11.62	-83%

2. Changes to Share Capital

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

3. Dividend

The Company has paid in interim dividend of 0.5 per equity share in respect of financial year 2009-10 amounting to Rs.1.14 crores including dividend tax.

4. Transfer to Reserves

The Company proposes the entire amount of Profit after tax of Rs. 11.54 Million to be retained in the profit and loss account.

BUSINESS PERFORMANCE

Result of Operations

During the year under review, the global economic slowdown had impact on the Company's revenues as customers have deferred the decision to make investments in IT systems. However this provides opportunity for your Company in the year 2010-11 as the customers are likely to release the IT budgets withheld last year as the economy is showing sign of improvement. The global logistics industry, market dynamics and the environment in which our business operates has started improving significantly towards the end of year and is likely to benefit us in the next financial year. In current financial year all our flagship products such as 4S eTrans, 4S eLog, 4S Visilog, 4S Visilog Plus and 4S iShipping have been implemented successfully across numerous customers in multiple global locations. With the global economy showing signs of coming out of the recessionary phase, we believe this is the right time to strengthen our sales and marketing engine and take up an aggressive product and services roll out. Accordingly the Company has made significant investment by appointing global sales team in last quarter of the year and will continue investing significantly in products.

Revenues

Total income in financial year 2009-10 is Rs. 331.52 Million (Previous year Rs.390.96 Million) and Rs. 1381.21- Million as per the Consolidated Accounts (previous Year Rs 2094.38 Million).

Operating Profit (EBITDA) is at Rs. 49.39 Million (previous year Rs. 59.75 Million) and Rs.134.06 Million as per Consolidated Accounts (previous year Rs. 713.77 Million). Profit after tax is Rs. 11.54 Million or 3.48% of total income (Previous Year Rs. 19.66 Million or 6.02% of total income) and Rs. 76.65 Million or 5.55% as per the Consolidated Accounts (Previous Year Rs. 447.24 Million or 21.09% 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 the excellence in technology, domain and processes and continue to get more than 80% of revenues from existing customers. The Company has incurred capital expenditure of Rs. 0.87 Million for infrastructure and facilities. The Company has incurred Rs. 80.59 Million on R&D expenses for the year 2009-10 as against Rs 59.61 Million during the year 2008-09.

We were also able to close many deals in India during this year and India is now emerging as a potential market which will be untapped for your Company in the years to come. To capitalize on the opportunities that are opening up in the domestic market, we are investing in new marketing initiatives, strengthening IT capability and expanding our research division.

Liquidity

Your Company continues to generate cash from operations and has been able to manage working capital requirements and had cash equivalents of Rs. 21.02 Million as on March31,2010.

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., Four Soft UK Ltd. Four Soft USA Inc., Four Soft Japan KK, Four Soft (HK) Ltd. and Four Soft Australia Pty Ltd.

The summary of the key financials of all the four subsidiaries is mentioned below:

Four Soft B.V Netherlands

During the year 2009-10, Four Soft B.V. has made a consolidated net loss after tax of € 0.48 Million (2008-09 profit of € 5.94 Million) on revenue of € 12.78 Million (2008-09 € 22.21 Million).

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 generated revenues of DKK 43,56 Million, with a net profit of DKK 6.41 Million.

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$ 0.93 Million, with gross profit of SG$ 0.35 Million and a net loss of SG$ 0.02 Million.

Our business in Far East has remained at the same level, primarily due to the macro-economic developments. However we anticipate good traction in emerging markets such as Japan and China in the coming years. We have initiated entering into these markets by direct and channel partner models.

Acquisition of Comex Frontier and further developments in far east has let to our entry in the Japanese Market which has huge potential to grow in the future.

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 0.11 Million, with a net profit of RM 0.03 Million.

INDUSTRY SOLUTIONS

Presently, your Company offers solutions in the areas of Freight forwarding industry, 3PLs and Service providers, Customs brokerage, Contract & Warehousing Logistics, and for Liners, NVOCCS & Agencies. Products in Freight forwarding industry include 4S eTrans, 4S Visilog iLogistics, Shipper Logistics, and 4S eTrans SME and that for Contract and 3PL warehousing providers include 4S eLog. In addition, 4s iShipping targets the Liners market, 4S eCustoms targets the customs brokers & shippers and 4S Visilog Plus which represents the 4S Shipper Logistics targets the shippers and manufacturers for their logistics. Your Company also offers IT- Services including Consulting, Software Development and System Integration & Implementation in the domain of Logistics related IT.

Your Company had re-branded the product 4S ePOMS to 4S Visilog as a more suitable name for the functionality it provides, namely order management and track and trace, and it being the visibility layer in our product range. Similarly 4S Visilog has been renamed as 4S Visilog Plus as a more appropriate name for its wide encompassing feature set of visibility, order management, freight management, warehouse management etc.

HUMAN RESOURCES

Last year due to global recession, the Company confronted a challenging competitive landscape and industry conditions. In response to the corporate strategic goal of being an internationally leading enterprise and the need for developing the business further, the Company focused on developing a competitive edge in human resources (HR) in support of its business operation. By enhancing its system for employee utilization and optimizing its HR structure, the Company improved its organizational capabilities. The Company consistently innovated its HR management system and process and promoted the application of differentiation and diversified management. All these efforts provided stronger organizational and HR support for the strategic goal of being a worldwide leader in logistics and supply chain management solutions.

The Company has further pursued its HR enhancement work and laid down the theoretical system and basic framework for its competence model building. The fundamental employee management system was consolidated so as to lower employment risks. In light of the current development stage and the direction for future development, the Company strengthened its performance management and brought the motivational and binding effect of the remuneration strategy into full play. The Company earnestly promoted the establishment of its core talent team and continuously optimized the dynamic of talent management system and built up the competitive advantage in key talents. The recruitment management system was fully optimized to maintain the enhancement of the efficiency of talent selection and hiring. The qualities of corporate HR were comprehensively improved by effectively advancing the development of training system, perfecting the internal & external trainer management system, promoting the implementation of the training curriculum, and furthering the popularization of on-the-job learning.

Some of the Key initiatives launched last year and will continue in the Company can be categorized as follows:

Talent Management Program (TMP)

TMP is a skill-based development guide or "road map" designed at identifying, developing and retaining all top-performers identified through the formal performance evaluations. This program aims at career management of these employees into positions of higher responsibility and authority by developing their leadership skills, knowledge and abilities which is not only required in their current work but also in their planned future work. Initially all employees categorized as A-level (top performers) will be part of the TMP and it will be an on-going program in the future.

Participants in TMP will complete a self-assessment to confirm their leadership strengths. Following a conversation with their supervisor and the TMP committee that centers on development needs and interests, the participant will prepare a plan tying their career goals with the priorities of their department. In TMP all employees will be challenged to take responsibility for their development and in return are provided with the support to continually learn.

The Intern/Trainee and Placement Programs

Many existing programs that have been attracting new, young and diverse employee populations into the Company were reviewed, revised, and in some cases expanded. These programs have succeeded in attracting exceptionally talented individuals while providing them with the intense orientation and work experience that makes them productive contributors from the beginning of their employment. These programs are primarily of 2 types:

a) Management Internship (MI) Program - resources, with or without prior work experience, are hired on temporary basis and after performance evaluation are converted into permanent employees, and

b) Management Trainee (MT) Program - for resources with no prior work experience having good academic records and typically hired directly from campuses.

Corporate Human Resource Action Plan

A plan was developed for modernizing human resource management practice through the use of eStart (Strategic Talent Administration, Recruitment and Training) an in-house developed HR Information System software aimed at streamlining the HR policies, process and practices in all regions in which the Company operates its businesses. The plan has three major goals - 1) improved governance with respect to the delivery of HR management, 2) transactional reform, and 3) shared services. Each goal has a set of specific outcomes to be completed. Collectively these goals mean that, once achieved, there will be an even more effective HR coordination to ensure greater efficiency and consistency in administering and monitoring all HR related policies and practices.

PROCESSES

Your Company's quality system is built on three pillars: ISO 9000, CMMI and Lean Management. We have built our process definitions, standards, tools and documents so that the system is in conformance with all these three frameworks. We not only undertake extensive customer satisfaction surveys but also conduct internal audits to maintain and verify high levels of compliance.

CMMi LEVEL 5 CERTIFICATION

Having achieved CMMi level 3 certification last year, we had targeted level 5 certification during 2010 - 11. We have refined our size-based estimation models and put in place process performance models that give the level of certainty to the project managers. They indicate critical sub-phases that managers can analyze and take preventive action so that software delivery is in time and with the expected quality. Through internal assessments and external spot checks, we have demonstrated that projects are operating at higher levels of maturity in their implementations. Thus we are going well on our way to achieve CMMi level certification.

LEAN MANAGEMENT

As you know, we had initiated lean management last year; we are seeing benefits of the same in all identified value streams. Measures that validate the success of this program are reducing amounts of rework in the Company, faster implementation cycle for standard implementations and increasing automation levels in various functions.

CORPORATE GOVERNANCE

As good governance initiative, Four Soft continues to improvise on complying and provide additional disclosures apart from complying with recommended SEBI guidelines on Corporate Governance. A Report on Corporate Governance along with the Certificate of the Practising Company Secretary confirming compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreements with the stock exchanges form part of the Annual Report.

The Company has well framed policies like The Whistle Blower Policy, Fraud Detection Policy and the Code of Conduct for Senior Officers and Executives in the Company. The Company has internal controls and documented procedures and continues to ensure compliance with the said recommendations.

CORPORATE SOCIAL RESPONSIBILITY

As a concerned corporate citizen, Four Soft believes in sharing and contributing to the overall global development. We at Four Soft do not just deliver goods but also believe in sharing health and happiness. Your Company has recognized the underutilized potential of the educated and skilled people in rural areas by new dimension of promoting IT Education in rural schools. Your Company has enabled the economically disadvantaged rural school children to gain access and develop IT skills from a young age. Your Company has tied up with NGO's for working towards bridging this gap between Million of educated but unemployed or under employed youth and shortage of skilled, trained and talented manpower in most sectors including retail, infrastructure, IT and Pharma and create a win-win situation for the industry as well as to people of the country who need appropriate employment. As a part of this effort, your Company in co-ordination with NGO's has taken up the project on a massive scale to provide IT education in schools. This programme will fill the gap to the benefit of the IT Industry as well as economically disadvantaged rural children.

Flood Relief Operations

October 2, 2009 goes down as the darkest day in the history of Kurnool city as well as scores of villages along the Tungabhadra and Hundri rivers. The city witnessed many floods during its 1000-year existence but the present one left unforgettable deep sorrow.Four Soft and its employees in India have participated in the disaster relief effort by way financial support amounting to over Rs.1.5 lacs and also ground zero support by way of donation of clothes, participating in rescue operations. With over 450 employees in India and a presence in the country for over 11 years, Four Soft was deeply saddened by this tragedy. The contributions to the relief funds marked the solidarity of the Company and its employees to enable speedy easing of the situation caused by unprecedented floods.

Going Green

Consistent with Four Soft approach to social responsibility, the Company is "Going Green." The FS green policy has two primary goals: (a) to lessen the Companies' impact on the environment and (b) to become a standard-bearer in the logistics industry in promoting responsible stewardship toward the environment and its natural resources. Four Soft has built and maintained over the years a firm culture that prizes excellence not only in the logistics business, but also in discharging the Companies responsibility to the communities in which our staff live and work. Our green policy is consistent with the 4S commitment to good corporate citizenship and best management practices. The initiative will involve programs and policies in the following areas:

Document Production & Management

The Going Green initiative seeks to (a) decrease our consumption of paper and (b) increase our usage of paper that contains recycled content.

Energy Reduction & Conservation

At Four Soft the green committee is dedicated to reduce the energy footprint in the data center. The policy we adopt for a green data centre is to keep the hot and cold air separate. The Company also proposes for consolidating servers and encourage employees to turn off any equipment that doesn't need to be on when they are not in the office, and if possible unplug them too.

Recycle and Reuse

The policy includes reduce, reuse, recycle programs including reducing the volume of disposable materials used at our offices and by offering each employee a reusable mug for daily beverages; thus discouraging the use of disposable glass and further the policy also encourages recycling.

Four Soft Emission Calculators

Four Soft in conjunction with FFIFA members has developed an emission calculator, which provides detailed data of emissions, which allows transport and logistics companies to document and report the emission of co2 and other green house gases directly to the transport customers, as well as in the preparation of environmental reports.

Vendor & Client Programs

Our Going Green initiative seeks to address the consumer choices we make across the breadth of our operations, from office supplies and equipment to commercial real estate. We also seek to participate in our clients' vendor programs, wherever possible.

Office 'Green Committees'

A key component to our Going Green initiative will be the formation of 'Green Committees' in every office. The Green Committee will be responsible for promoting, implementing, monitoring, and reporting the status and progress of our office's Going Green efforts.

Four Soft as a commitment to the Environment and to running an Energy Efficient business for its associates, customers, community and stakeholders has been working towards becoming an environment friendly organization.

DIRECTORS:

Mr. Joergen Winther Nielsen was appointed as Additional Director by the Board of Directors in its meeting held on 20 January, 2010. As per the provisions of the Section 260 of the Companies Act, 1956 Mr. Joergen Winther Nielsen shall hold office up to this Annual General Meeting. Mr. Joergen Winther Nielsen is eligible for re-appointment as Director of the Company. The Company has received a Notice along with requisite fee from member under Section 257 of the Companies Act, 1956 proposing the candidature of Mr. Joergen Winther Nielsen as Director of the Company.

As per Article 88 of the Articles of Association Dr. Sivaramakrishnan and Mr. Srinivas Prasad, Directors are retiring by rotation at this meeting and being eligible, offer themselves for re-appointment.

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.

The Board of Directors of your Company recommends their appointment / re-appointment.

AUDITORS:

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

The Board of Directors recommends the appointment of M/s. Walker, Chandiok & Co, as the Statutory Auditors of the Company for the year 2010-11.

AUDITOR'S REPORT:

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

The observations made by the auditors in the audit report are self explanatory.

DISCLOSURE AS PER LISTING AGREEEMNT:

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 2010-11 has been paid.

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

Your Directors confirm that -

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

The financial statements have been audited by Walker Chandiok & Associates, Chartered Accountants - the statutory auditors.

Employee Welfare Trust

The Company has established Four Soft Limited Employees Welfare Trust ("The Trust") to administer the ESOP Scheme and as at March 31, 2010 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 equity shares at an exercise price of Rs. 5 each to the eligible employees, which are subject to progressive vesting (1 year after date of issue of options) over a period of three years from the date of grant. As of March 31, 2010 the total shares held by the Trust is 466,318 (previous year 556,856). Mode of settlement of these stock options is equity.

Outstanding at the beginning of the year	345,352
Granted during the year	–
Forfeited during the year	56,834
Exercised during the year	117,993
Expired during the year	–
Outstanding at the end of the year	2118,512
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	Rs.0.31

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.

PERSONNEL

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

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.

ACKNOWLEDGMENTS:

Your Directors take this opportunity to convey their appreciation for the support and co-operation received during the year under review, from all the Government Authorities, Shareholders, other Stakeholders, Clients, Vendors, Partners, Bankers and other Business Associates. Your Directors wish to place on record their deep sense of appreciation for the dedicated and sincere services rendered by the Employees at all levels.

For and on behalf of the Board of Directors

Sd/-

Palem Srikanth Reddy
Chairman & Managing Director

Place : Hyderabad
Date : 19th of August 2010

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**

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

2. **Research and Development**

Your Company has always played a pioneering role in technology adaptation. Our mission in the area of technology moves forward in three stages. Firstly, we constantly monitor trends in the technology world. The second step is that we determine the business scenarios where the new technologies can be applied in our domain and then evaluate the business benefits. Once lab prototypes and tests confirm the justification, we perform the system design to implement the technologies into our product suite directly or make them available as plugins or integration layers. This is last step is a collaborative exercise between R&D and product development functions.

a) **Ongoing focus**

Four Soft Ltd., as an Enterprise Solutions provider, has always had technology prowess on most advanced technology tools and trained personnel for R&D activities on its payroll. As an inherent aspect of product development, the Company continues evaluating new technologies and methodologies for implementing them for immediate as well as future benefits to customers.

Realizing the need of providing analytics to senior management of our clients, we evaluated various technologies and products and have entered into an OEM agreement with QlikView to use it as a business intelligence layer over the Four Soft suite. This product, named as 4S InfoTips, was launched this year and will be implemented at customer locations in the coming quarters.

Similarly as part of the FFIFA alliance, we identified the need of a carbon-emission calculator that will be useful to all clients. This product has been tentatively named eMission. Combining a variety of Web2.0 technologies like AJAX and Google Maps API along with web services and our in-house 4S model-driven development framework, we have already built a prototype and have demonstrated it to clients. Further development will happen in the next financial year.

b) **Interoperability solutions - Specific R&D activities**

Integration architecture is determined on a case-by-case basis for every client depending on the integration problem that needs to be addressed. Here we apply industry best practices to arrive at the optimum integration solution by mixing and matching different platforms, protocols, formats, hardware etc.

Our product 4S eConnect has been successfully developed as a domain-specific ESB layer that offers reliable multi-format message transformation and routing. 4S eConnect is an in-house developed technology offering. The evolution of 4S eConnect marks the capability of our Company not just as a functional product provider but also as a technology solution provider. This year, this tool has been successfully implemented as the integration layer at clients like Flyjac, MIDL, Mondial etc. Going forward, we will be conducting studies on third-party ESBs that we will be partnering with to provide with additional features like adapters to legacy systems. This combination will serve as eConnect plus.

c) **Investment and Benefits derived as a result of R&D**

Our investments in Research and Development (R&D) have been continuous and consistent. Your Company spent Rs. 80.59 Million in current year (Rs. 59.61 Million previous year), which includes amount spent on product enhancement through adopting new technology methods and other activities mentioned in the previous paragraphs.

The Company's R&D activity continuously provides technical innovation, improves the product technical quality and streamlines the process flow. It ensures our products are best of breed in the domain and provide the correct technology solutions to business problems. One of the benefits of using object-oriented technologies is the ability to reuse software. Software reuse reduces development time and the code to be written, and increases application maintainability and quality. As part of R&D, we continuously evaluate reliable open source options that can be part of the platform on which our products are developed and deployed. The resulting cost benefits are passed on to our customers.

Our R&D function evaluates external tools or supports building internal tools that help perform important critical tasks in important projects. We started using Nagios, an open source tool to monitor our servers utilization in terms of their uptime, CPU utilization etc. Another example this year is the in-house application we built for conducting the customer satisfaction survey online.

d) **Future plan of action**

As part of quality assurance, we always had a mix of manual and automation testing. We have strengthened our test automation team this year and have made plans for a significant increase in the level of testing that will be executed on testing tools.

Training and R&D go hand-in-hand. We build competence across all layers of the Company and in particular for new entrants. During the last quarter of this year, we have recruited bright minds from campuses of reputed institutes like NITs, JNTU, Symbiosis etc. They will be joining in batches and their training will happen in the first two quarters of next year, in which they will be provided with the best facilities, faculty and tools so that we build a new set of technology and product champions.

We will stay ahead as leaders in the technology area and this has always been a core value of your Company since its inception. The Technology function is focusing its research this year on various aspects of social computing, mobile computing, and cloud computing in order to expand the reach and availability of technology in innovative and cost-effective ways. We have to keep pace with the business drivers and the technology developments in such a way that we have scalable solutions for customers in the emerging economies to the developed countries.

Business environment is dynamic and ever changing. Your Company can help the customers to be in forefront in terms of technology adoption and process improvements so that they will be more efficient and cope up with the challenges in future.

3. 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 76 % of its revenues from exports and markets its software product and services overseas through business partners and subsidiaries.

b) Foreign exchange earned and used for the year ended March 31, 2010

(Rs. in Million)

	2010	2009
Gross Earnings	**247.18**	277.69
Outflow (including capital Goods and imported software)	**11.88**	64.77
Net Foreign Exchange		
Earnings	**235.3**	212.92
NFE/Gross Earnings %	**95%**	77%

STATEMENT SHOWING LIST OF EMPLOYEES REQUIRED TO BE ATTACHED TO THE DIRECTORS' REPORT AS PER SECTION 217(2A) OF THE COMPANIES ACT, 1956.

Name of employee	Designation	Remuneration (Rs.)	Nature of employment	Nature of duties of employment	Qualification & experience	Date of commence-ment of work	Age	Last employment	% of shareholding in the Company
Rajshekhar Roy	Chief Executive Officer	4,383,594 pa.	On Rolls	In charge of global project management and operations	BE, MBA, 21 years of experience	08.10.2007	45yrs	CHR Global Pvt Ltd	0.05%

For and on behalf of the Board of Directors

Sd/-
Palem Srikanth Reddy
Chairman & Managing Director

Place : Hyderabad
Date : 19th August, 2010

ANNEXURE - I TO THE DIRECTORS' REPORT

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		1,947,987
3	Pricing Formula		Price of Rs.5/- per share
4	Options vested as on March 31, 2010		348446
5	Options exercised during the year		117,993
6	Options lapsed during the year		56,834
7	Grant Price		Rs.5/-
8	Total no. of options in force as on March 31, 2010		2,118,512
9	Money realized by exercise of options		589,96
10.	Grant details to members of senior management team		–
11	Employees holding 5% or more of total options granted during the year		NIL
12	Identified employees, who were granted options during the financial year exceeding 1% of issued capital		NIL
13	Diluted EPS as per Accounting Standard 20		0.51
14	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 :		Rs1,580,095

(iii) The impact of this difference on profits and on EPS of the company	PAT	Rs. 11,537,037
	Less: Additional employees	
	Compensation cost based on Fair value	Rs. 1,580,095
	Adjusted PAT	Rs. 9,956,948
	Adjusted EPS	
	Basic	Rs. 0.26
	Diluted	Rs. 0.26
(iv) Weighted average exercise price and fair value of stock options granted:	N.A	
(v) Description of the method and significant assumptions used during the year to estimate the fair value of the Options, including the following weighted average information :	The Black Scholes option pricing model was developed for estimating fair value of traded options that have no vesting restrictions and are fully transferable. Since options pricing models require use of substantive assumptions, changes therein can materially affect fair value of options. The option pricing model does not necessarily provide a reliable measure of fair value of Options.	

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

		2010	2009
Risk free interest rate	:	**8.0%**	7.5%
Expected life of options from the date of grant	:	**1 to 4 Years**	1 to 3 years
Expected volatility	:	**0.47 to 0.60**	.695
Expected Dividend yield	:	**Nil**	Nil

For and on behalf of the Board of Directors

Sd/-
Palem Srikanth Reddy
Chairman & Managing Director

Place : Hyderabad
Date : 19th August, 2010

ANNEXURE TO THE DIRECTORS' REPORT ON CORPORATE GOVERNANCE

Report on Corporate Governance forming part of Director's Report of Four Soft Ltd for the year ended March 31, 2010 pursuant to Annexure I C(Mandatory Requirements) read with Para VI of Clause 49 of the Listing Agreement with the Stock Exchanges in India.

Corporate Governance Philosophy

Your Company believes that good corporate governance enhances accountability and increases shareholder value. The Company is focused on good governance, which is a key driver of sustainable growth and enhanced shareholder value.

Your Company believes that Corporate Governance is a set of guidelines to help fulfill its responsibilities to all its stakeholders. It is a voluntary code of self-discipline to ensure that the Company abides by high ethical standards. The Company believes in adapting and adhering globally recognized standards of corporate conduct towards its employees, clients and society. Corporate Governance is an ongoing process ensuring integrity, transparency and accountability in dealing with employees, shareholders, customers and the community at large.

The Certificate of Corporate Governance from the Practing Company Secretary of the Company confirming compliance of the conditions of Corporate Governance is annexed hereto.

Your directors place on record the Corporate Governance report for the year 2009-10.

A. BOARD COMPOSITION

1. Size and Composition of the Board

The Company has optimum combination of executive and non - executive directors with more than fifty per cent of the Board comprising of non - executive directors. All independent non-executive directors comply with the requirement of Independent 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
Palem Srikanth Reddy	Executive Chairman & Managing Director	8	6	Yes	–	3	10	–	–
P. Mangamma	Non-Executive Director	8	5	Yes	–	2	–	1	–
K.V. Ramakrishna	Non-Executive Nominee Director	8	7	No	3	1	–	3	6
Dr.T.R.Sivaramakrishnan	Non-Executive and Independent Director	8	4	Yes	–	–	–	3	–
Srinivas Prasad	Non-Executive and Independent Director	8	4	Yes	–	–	–	3	–
Mohan Krishna Reddy	Non-Executive and Independent Director	8	5	Yes	1	5	–	3	–
Joergen Winther Nielsen*	Additional Director	1	–	No	–	–	–	–	–
Douglas Terence Ash**	Non-Executive and Independent Director	1	–	No	–	–	3	1	–

** Resigned as director with effect from 20.07.2009

* Appointed as Additional Director w.e.f. 20.01.10

2. Particulars of Directors appointed / reappointed during the year

As per provisions of Article 88, Dr. T.R. Sivaramakrishnan and Mr. Srinivas Prasad, directors retire at the ensuing general meeting and being eligible, offer themselves for re-appointment.

Dr. T.R. Sivaramakrishnan aged 48 Yrs is an Independant Director of the Company. He has got nearly 23 years of rich cross cultural experience in Strategic Planning, Project Management, Business Development and Sourcing & Procurement, Sub-contracting, Finance and Project Management in various sectors. Prior to joining Four Soft Limited as a Director, he was working with Get Power Ltd as President - Development responsible for the P&L and business development activities of the Company. He is an engineering graduate from IIT - Madras and done his MBA from IGNOU, Delhi. He has obtained the PhD. in Business Administration from Redding University USA. He is also an Associate of ICWA.

He holds 22 shares in the Company.

Mr. Srinivas Prasad was appointed aged 48 Yrs is an Independant Director of the Company. He is an able businessman and also a former Director of M/s. Venkatram Paper Products Pvt Ltd. His interest also spreads to real estate investments. He possesses excellent entrepreneurship skills and thereby contributes extensively to the growth of the Company.

He holds nil shares in the Company and is not related to any other Director of the Company.

The retiring directors seek reappointment at the ensuing Annual General Meeting and the Board recommends the re-appointment of the retiring Directors.

Mr.Joergen Winther Nielsen was appointed as Additional Director of the Company with effect from 20.01.2010.

Proposal for the regularization of the appointment of newly appointed director is coming up before you at the ensuing annual general meeting. Letter was received from a member proposing his candidature for the post of the Director. The detailed profile of the Director is provided in the notice calling the forthcoming Annual General Meeting.

B. BOARD MEETINGS

Eight board meetings were held during the financial year ended March 31, 2010. The dates of the Board meetings were 19.06.2009, 28.07.2009, 19.08.2009, 01.10.2009, 23.10.2009, 06.11.2009, 20.01.2010 and 25.03.2010. The gap between two meetings did not exceed four months.

The Company circulates the Agenda papers for Board Meetings in advance before the Meeting. The Directors actively participate in the discussions at the Board Meetings. There were no circular resolutions of the Board passed during the year under report. The Company has granted leave of absence to directors from attending Board Meetings after due requisition from them.

C. BOARD COMMITTEES

The Company presently has 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 on the following matters:

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

The financial results are 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 Company's Managing Director, Chief Executive Officer, Chief Financial Officer, statutory auditors and its internal auditors are permanent invitees to the Audit Committee's meetings. The Chairman of the Audit Committee was also present at the Company's Annual General Meeting held on 25.09.2009 to answer the shareholders' queries.

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

Following are the members of the Audit Committee:

Dr.T.R.Sivaramakrishnan	:	Chairman
Srinivas Prasad	:	Member
K.V. Ramakrishna	:	Member
Mohan Krishna Reddy	:	Member

Six meetings of Audit committee were held during the year on 30.04.2009, 19.06.2009, 28.07.2009 19.08.2009,23.10.2009 ,20.01.2010.

Attendance at the Audit Committee Meeting:

The audit committee met six times during the year 2009-10 and number of meetings attended by each member of Audit Committee is as follows:

Name	Number of meetings during the tenure	
	Held	Attended
K.V.Ramakrishna	6	5
Dr.T.R.Sivaramakrishnan	6	4
Srinivas Prasad	6	3
Mohan Krishna Reddy	6	3

2. **Remuneration Committee / Compensation Committee**

The brief terms of reference of Remuneration Committee are:

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

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

The Remuneration committee comprises of mainly Independent and non-executive directors.

Dr.T.R.Sivaramakrishnan	Chairman
Mr. K.V. Ramakrishna	Member
Mrs. P. Mangamma	Member
Mr. Mohan Krishna Reddy	Member

Attendance at the Remuneration / Compensation Committee Meeting:

The Remuneration/Compensation Committee met two times during the year 2009-10 and number of meetings attended by each member of Remuneration Committee is as follows:

Name	Number of meetings during the tenure	
	Held	Attended
K.V.Ramakrishna	2	2
Dr.T.R.Sivaramakrishnan	2	nil
Mangamma	2	1
Mohan Krishna Reddy	2	1

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. Sitting Fees are paid to independent non-executive directors for attending every meeting of the Board of Directors (other than committee meetings).

Two meetings of Remuneration committee were held during the year on 23.10.2009 and 25.03.2010.

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

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

The Remuneration committee also oversees the recommendation and administration of ESOP schemes.

Number of shares held by the directors of the Company as on 31.03.2010 is as follows:

	Name	No. of shares
a.	Palem Srikanth Reddy	: 8651297
b.	KV Ramakrishna	: nil
c.	Dr.T.R.Sivaramakrishnan	: 22
d.	Srinivas Prasad	: nil
e.	P.Mangamma	: 3480
f.	Mohan Krishna Reddy	:100
g.	Joergen Winther Nielsen	: nil

3. **Share Transfer and Investor Grievance Committee**

The Investor Grievance Committee administers the following:

- Transfer, Transmission of shares
- Issue of Duplicate share certificates, as and when required
- Redressal of Shareholders / Investors Grievances from time to time.

The Investor grievance committee consists of following Independent and non-executive directors.

Dr.T.R.Sivaramakrishnan	Chairman
Mr.Srinivas Prasad	Member
Mr. K.V. Ramakrishna	Member
Mr.Mohan Krishna Reddy	Member

Four meetings of Investor Grievances committee were held during the year on 30.04.2009, 28.07.2009, 23.10.2009 and 20.01.2010

Attendance at the Investor Grievance Committee Meeting:

The Investor Grievances committee met four times during the year 2009-10 and number of meetings attended by each member of Committee is as follows:

Name	Number of meetings during the tenure	
	Held	Attended
K.V.Ramakrishna	4	3
Dr.T.R.Sivaramakrishnan	4	2
Srinivas Prasad	4	2
Mohan Krishna Reddy	4	2

a. Name and Designation of Compliance Officer:

Mrs. P.Kavitha, Company Secretary

b. Status of Share transfers as on the date:

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

c. Details of Investor Correspondence/ grievances for the year 2009-2010

Received	Redressed	Pending
14	14	NIL

It is also noted that the shareholding in dematerialization mode is 94.76% as against 94.36% during the previous year

D. GENERAL BODY MEETINGS

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

Financial Year	Date	Time	Venue
2006-07	28-09-07	10.00 a.m	Chip Auditorium, Cyber Towers, Hitech City, Hyderabad-33
2007-08	29.09.08	10.00a.m.	Chip Auditorium, Cyber Towers, Hitech City, Hyderabad-33
2008-09	25.09.09	11.00a.m.	Chip Auditorium, Cyber Towers, Hitech City, Hyderabad-33

An Extra-Ordinary General Meeting was held on 21st December, 2009 at the Chip Auditorium, Cyber Towers, Hitech City, Hyderabad-33 for seeking approval for allotment of equity shares/options under Employee Stock Option Sceme-2009 and Employee Stock Purchase Scheme - 2009.

No Resolution was passed through Postal Ballot during last year.

DISCLOSURES:

i) There have been no materially significant transactions, pecuniary transactions or relationships between the Company and directors, management, subsidiary or related parties except those disclosed in the financial statements for the year ended 31st March 2010.

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

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

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

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

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

(c) The Company has formulated a Whistle Blower Policy during the year which provides a mechanism for employees to raise concerns that relate to violation of the Code of Conduct, Accounting, Internal Accounting Controls, Auditing Matters and applicable national and international laws including statutory / regulatory rules and regulations. No personnel has been denied access to the Audit Committee.

Means of communication	
Quarterly and Annual Financial Results to SE's	Yes (Both to NSE and BSE)
Quarterly results:	
Which newspapers normally published in:	Business Standard and Andhra Bhoomi
Any website where displayed:	www.four-soft.com
Whether it also displays official news releases and presentations made to institutional investors or to analysts:	Yes
Whether MD&A is a part of annual report or not:	Yes

General Shareholder Information

1.	**Date, time and venue of 11th AGM**	28th September, 2010 at 11.00 A.M The Chip Auditorium, Cyber Towers, HITEC City, Madhapur, Hyderabad - 500 081, AP, INDIA
2.	**Financial Calendar**	1st April to 31st March
3.	**Dates of book closure**	24th September, 2010 to 28th September, 2010 (both days inclusive)
4.	**Calendar of Board meetings to adopt the accounts** (tentative and subject to change)	
	for quarter ending June 30, 2010	July 23, 2010
	for quarter ending September 30, 2010	between 15th & 31st Oct '10
	for quarter ending December 31, 2010	between 15th & 31st Jan '11
	for quarter ending March 31, 2011	between 15th & 30th Apr '11 or
	Audited Annual Results	by June 30th 2011.
5.	**Listing on stock exchanges**	National Stock Exchange of India Ltd. (NSE) and the The Stock Exchange, Mumbai (BSE) Listing fees for the year 2009-10 have been paid to both the stock exchanges.
6.	**Stock Code**	Bombay Stock Exchange Ltd., Mumbai : 532521 National Stock Exchange of India Ltd. : Four Soft
7.	**Electronic Connectivity**	National Securities Depository Ltd. & Central Depository Services (India) Ltd.

8. Stock market data

Monthly closing high and low quotations of shares traded on National and Mumbai Stock Exchanges for the year 2009-10.

Year 2009 - 10	NSE			BSE		
Month	High Rs. Traded	Low Rs. Traded	No.of Shares Traded	High Rs. Traded	Low Rs. Traded	No. of Shares Traded
April	17.15	12.60	415222	17.25	12.95	2,38,743
May	23.75	14.60	959553	23.80	14.55	5,12,944
June	26.45	19.10	684223	25.95	19.20	5,39,529
July	25.20	19.75	426430	25.05	19.85	6,00,845
August	26.90	20.05	1282691	26.70	20.10	14,35,972
September	27.00	21.50	1038543	26.95	22.80	7,64,873
October	25.65	19.75	1152080	26.50	19.70	8,35,056
November	25.45	18.00	3639053	25.75	18.10	25,96,770
December	36.70	22.50	11142455	35.80	22.50	58,40,349
January	31.80	23.75	966837	31.90	23.75	8,52,289
February	26.95	23.00	311040	26.90	22.70	2,82,567
March	26.40	22.30	1263136	26.50	22.50	10,43,408

9. Registered Office

5Q1 A3, 5th floor, Cyber Towers, Hitec City, Madhapur,
Hyderabad - 500 081, A.P India
Tel: +91-40-2310 0600, Fax: +91-40-2310 0602
Website: www.four-soft.com

10. 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
Plot No. 17-24, Vittal Rao Nagar
Madhapur- Hyderabad - 500 081.
India
Tel : 040 - 44655000 Fax : 23420814
Email: einward.ris@karvy.com

11. 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.

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 are dematerialized and sent to shareholders within 21 days.

Pursuant to Clause 47 (c) of the Listing Agreement with stock exchanges, certificates on half-yearly basis are issued by a Company Secretary-in-practice for due compliance with share transfer formalities by the Company.

Pursuant to the SEBI (Depositories and Participants) Regulations, 1996, certificates have been received from a Company Secretary-in-practice for timely dematerialization of the Company's shares and for conducting a secretarial audit on a quarterly basis for reconciliation of the Company's share capital.

12. Distribution of shareholding as on March 31, 2010.

No. of Equity shares held	No. of Shareholders	% of Shareholders	Total Shares	Amount of Shares	% of Total Amount
1 - 5000	22231	92.46	5164950	25824750	13.26%
5001 - 10000	868	3.61	1367118	6835590	3.51%
10001 - 20000	380	1.58	1116877	5584385	2.87%
20001 - 30000	218	0.91	1099745	5498725	2.82%
30001 - 40000	70	0.29	498052	2490260	1.28%
40001 - 50000	76	0.32	722824	3614120	1.86%
50001 - 100000	102	0.42	1436571	7182855	3.69%
100001& Above	100	0.42	27553607	137768035	70.72%
Total	24045	100.00	38959744	194798720	100.00%

13. Investor's correspondence

For investor matters:
Ms. Kavitha Pakala
Company Secretary and Compliance Officer
Secretarial Department
Four Soft Limited
5Q1 A3, 5th Floor, Cyber Towers
Hitec City, Madhapur, Hyderabad - 500 081
Tel: +91-40-2310 0600, Fax: +91-40-2310 0602
email: companysecretary@four-soft.com

For queries on Financial statements
Ms.Geniya Banerjee
Manager - Finance & Investor Relations
Four Soft Limited
5Q1 A3, 5th Floor, Cyber Towers
Hitec City, Madhapur, Hyderabad - 500 081
Tel: +91-40-2310 0600,
Fax: +91-40-2310 0602
email: geniya.b@four-soft.com

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	2,30,647	10th October 2011
2005-06	29th September 2006	1,74,011	6th November 2013
2008-09	10th August 2009	1,000,291	10th August 2016

An unclaimed amount of Rs.2,04,958.55 is lying in the IPO - Refund Account of the Company. The due date for transfer to IEPF is 05.03.2011.

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 should write to their respective Depository participants.

3. Nomination in case of shares held in physical form

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

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 with 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 June 19, 2010 obtained from Mr. S Sarveswar Reddy, S S Reddy & Associates. Company Secretaries in Whole-time Practice is given at relevant page in annual report.

6. **CEO / CFO Certification**

As required under Clause 49 V of the Listing Agreement with the Stock Exchanges, the Chief Executive Officer and the Chief Financial Officer of the Company have certified to the Board regarding Financial Statements for the year ended 31st March 2010.

7. **Code of Conduct**

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

8. **Policy for prohibition of Insider Trading**

In compliance with the provisions of SEBI (Prohibition of Insider Trading) Regulations, 1992, (as amended from time to time) and to preserve the confidentiality and prevent misuse of unpublished price sensitive information, the Company has adopted a policy for prohibition of Insider Trading for Directors and specified employees of the Company, relating to dealing in the shares of the Company. This policy also provides for periodical disclosures from designated employees as well as pre-clearance of transactions by such persons.

9. **Whistle Blower Policy**

Your Company has a Whistle Blower Policy. In terms of this policy, all employees are encouraged to report any instance/s of unethical behavior, fraud, violation of the Company's Code of Conduct or any behavior which may otherwise be inappropriate and harmful to the Company. The policy provides a mechanism for employees to rise concerns that relate to violation of the Code of Conduct, Accounting, Internal Accounting Controls, Auditing Matters and applicable national and international laws including statutory / regulatory rules and regulations. This policy has been communicated to all employees and has also been posted on the Company's Intranet for ready access.

10. **Fraud Detection Policy**

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

Request to Investors

- As a step towards greater shareholder participation and sharing of material information related to the Company, all shareholders are requested to provide their e-mail addresses to the Company for effective communication. This will enable the shareholders to get acquainted with all material events and financial performance of the Company on a regular basis. Please address all your email ids to our Investor Relations Manager - Ms.Geniya Banerjee in her email id: geniya.b@four-soft.com
- Investors are requested to communicate change of address, if any, directly to the Company's Registrar and Share Transfer Agent.
- As required by the SEBI, investors shall furnish details of their respective bank account number and name and address of the bank for incorporating in the dividend warrants to reduce the risk to them of fraudulent encashment.
- Investors holding shares in electronic form are requested to deal only with their respective depository participant for change of address, nomination facility, bank account number, etc.

Sd/-

Palem Srikanth Reddy
Chairman & Managing Director

Place : Hyderabad
Date : 19th August, 2010

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

As Chairman 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, 2010.

Sd/-

Palem Srikanth Reddy
Chairman & Managing Director

Place : Hyderabad
Date : 19th August, 2010

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 2010 as stipulated in Clause 49 of the Listing Agreement of the company with the Stock Exchanges.

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

In our opinion and to the best of our information and according to the explanation give to us and the representation made by the directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in clause - 49 of the above mentioned Listing Agreement.

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

Place : Hyderabad
Date : 19th August, 2010

For **S.S. REDDY & ASSOCIATES,**
Company Secretaries in Whole-time Practice

Sd/-
S.Sarweswar Reddy
PCS. 7478

MANAGEMENT DISCUSSION AND ANALYSIS REPORT FOR THE YEAR 2009-10

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 is an enterprise applications and product Company that operates in the SCM (Supply Chain Management) market space. Four Soft has its suite of products for Transportation, Logistics, Freight Forwarding, Customs, Shipping, Non-Vessel Operating Common Carrier (NVOCC), 3PL and 4PL companies. The target customers in 'Transportation and Logistics' vertical include service providers; and for 'Supply Chain Execution / Distribution' vertical, the target market includes shippers / manufacturing and 4PL companies. These are execution and mission critical applications for the customers. Our product portfolio enhances efficiency, provides visibility and integration across operations and also to other third party software and systems. The Company's product development centre (India Technology Centre) and Global Delivery centre are located at Hyderabad with sales and support offices in UK, Netherlands, Denmark, USA, Singapore, Australia and Japan. Four Soft continues to be a global leader in Supply Chain Execution Software Solutions for Transportation, Freight forwarding and Logistics domain.

Transport and logistics industry is growing at a faster pace 12-18% globally and more important the future of this industry is heavily dependant upon the efficient delivery and visibility which requires more than current investment in IT. This applies to all the manufacturing industries specifically to Pharmaceutical, Automobile and Retail industry. The industry will soon be called IT driven supply chain companies which means opportunities for IT products and services companies across the globe.

2. Business Segments and Industry Outlook

2.1 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 iLogistics, 4S Visilogplus, 4S iShipping, 4S visilog, and 4S eCustoms. Four Soft offers the above products in license hosting as well as in SAS models to cater to wide range of clients.

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.
- 4s visilog offers Track & Trace functionality to service providers who in turn could also be using other applications in this domain.

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 WMS application that fulfils warehousing and contract logistics for 3PL companies with capabilities to handle order management, fulfillment and partner collaboration. The product is sold and deployed in the conventional user license based model as well as SaaS (Software as a Service) model, wherein the revenue model is more on subscription basis for the usage of the system which is hosted by Four Soft. The SME customers see the SaaS model as an easily adaptable one, as they save upfront investment in terms of hardware as well as are free from implementation hurdles.

Shipper Logistics

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

Customs Brokerage

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

2.2 Customer Base

Our clientele includes 10 of world's top 20 Transport and Logistics players. Being a market leader in the transportation and logistics segment, Four Soft has built its total client base from 5-6 customers at the time of IPO to a strong base over 330 clients (comprising of 20-25 clients in e-products segment) across 120 countries and 50,000 users across globe. The Company caters to international and domestic Fortune 500 clients including 10 out of top 20 global leaders in transportation and logistics/3PL industry. Major clients of the Company include **DHL, Agility, Geodis Wilson, Schenker, CEVA Logistics (EGL), AFL Dachser, Pan Nordic Logistics, Gebrueder Weiss, Kuehne+Nagel and Panasonic Corporation amongst others** This gives us the market leadership and enables us to grow significantly and increase our market share and grow significantly with time.

2.3 Four Soft business Model

Four Soft sells its software products in various delivery models including Licensed and Hosted basis. The License model is typically done on the 'Named Users' count, which increases as the customer's scale of operations increases. The revenue stream is sustainable since there is annual maintenance support contract for the licensed sales made. The service revenues would also come from the implementation services that are performed, helping the customer 'go live' with Four Soft products, at times, also in integrated mode with other existing software applications at customers' site. Further, there is a good chance of revenue to be billed for customization services that would contribute to overall increase in revenues in the forthcoming years. A detailed table representing revenues from various services is given below for easy understanding.

(Rs. in millions)

Consolidated numbers for the Year ended March 31	2010	% of Revenue	2009	% of Revenue
Revenue from				
Services	**800.60**	**60.21**	1004.71	51.63
Support Services	**399.80**	**30.07**	563.99	28.98
Software Licenses	**102.48**	**7.71**	350.49	18.01
Third Party	**26.71**	**2.01**	26.74	1.37
Total	**1,329.59**	**100.00**	**1945.93**	**100.00**

Previous year has seen a significant jump in revenues and profits with a unique transaction involving sale of customer-specific legacy software solution to an existing customer on non-exclusive basis.

2.4 Geographical Mix

The long term potential of our revenue stream is from various geographic regions specified below. It could be observed that EMEA continues to be contributing to majority of the revenue share, given the number of logistic hubs it accommodates. We are taking necessary steps to also improve the revenue share of other regions.

Consolidated numbers for the Year ended March 31	2010 %	2009 %
EMEA	**75.25**	82.70
North America	**8.97**	9.23
APAC	**15.78**	8.07
Total	**100.00**	**100.00**

2.5 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 table depicts the growth:

Average	FY 2005	FY 2006	FY2007	FY2008	FY2009	FY 2010
Rev. per Person Rupees in Million	0.63	1.54	1.87	2.14	3.27	2.37

2.6 Quality Control

Four Soft has strong commitment towards process excellence resulting in enhanced productivity and reduced project execution cost demonstrated through CMMi Level 3 certification with CMMi level 5 initiatives in progress. The Company is also certified as ISO 9001:2000 since 2004 from Bureau Veritas Quality Improvement (BVQI) India, an international accreditation body. It has been accredited by prestigious Institution -National Software Testing Labs (NSTL).

The Company was accredited by Deloitte as India's Top 10 Fast Growing Technology Company in 2007; was awarded as "Top Best IT SME" by Hyderabad Software Exporters Association in 2005; and was awarded with "Award of Excellence" for fully web-based software for supply chain management by Global Institute of Logistics (GIL) in 2004. It has also been listed on the IBM Service Oriented Architecture (SOA) Business Catalog (a comprehensive online directory of reusable SOA content that has been validated to perform with IBM SOA Foundation products), after successfully completing IBM's rigorous SOA technical validation process.

3. Strategy Outlook

The Company endeavors to achieve higher than industry growth rates in both revenues and profits during the coming year. The quality of revenues, profile of new clients that we acquire, and the average size of orders from new clients will all improve in the coming year. Strong domain expertise and attractive business potential of logistics space have seen it attract multiple rounds of VC investments in its early years. Sustained R&D investments since inception have seen it develop a comprehensive suite of contemporary web-based products. We anticipate higher percentage of gross profits from the new projects that we undertake during next year. Four Soft will see strong traction in revenue and profitability over the next few years as it leverages its R&D investments. Revenue mix is expected to change rapidly in favor of e-products, which will drive expanding margins and exponential profit growth from FY 2010-11 onwards.

Four Soft is now focusing on Web2.0, Cloud computing and other leading edge technologies. The products will be available in the Software as a Service (SaaS) model to extend the benefits of IT to small and medium customers in the Company's domain operation.

In next three years, Four Soft plans to adopt the following strategies for overall growth:

- Consolidating existing revenues from legacy products obtained from acquired companies
- Multifold growth by selling next generation web-centric products
- Diversify into Business Process Outsourcing (BPO) services within the supply chain segment
- Acquire companies in the next 15 months to strengthen presence in new geographies and verticals.
- Strengthen presence in new geographies through focus on SCM and shipper logistics vertical.

Being rich in technology, Four Soft has sought to acquire deep domain expertise through the inorganic route. The Company has already adopted a well planned M&A strategy to strengthen its software solutions for transport & logistics industry by acquiring companies across the globe with Fortune 500 logistics and transportation clients, deep domain expertise and global presence and experienced management. Four Soft is aiming to become a Global Company with Local Operations.

4. Opportunities

4.1 Primary focus on Organic Growth

Four Soft has grown over years by a combination of organic and inorganic strategies. Your Company has successfully integrated all its global operations and also sailed through the turbulent global economic environment in the last twelve months and survived emerged to become the most efficient organization with proven delivery capability. This has set the stage for the management to frame the strategies with main focus on organic growth

a) Diversifying into BPO services within the supply chain segment

The Company plans to foray into Business Process Outsourcing (BPO) space through a blend of organic and inorganic route to offer services like freight settlement reports, customer service and transaction entry to global freight forwarding companies etc by leveraging the existing domain knowledge and customer base. The Company believes that being a product service provider, it has an advantage of understanding the business better and has the potential to start BPO services within the existing customers.

b) Strengthen presence into new geographies through focus on SCM and shipper logistics

FSL is planning to expand presence into new geographies and focus on shipper logistics vertical and SCM market through Ware Housing Management Solution (WMS) companies, with an objective to exploit potential business synergies.

c) Strategic alliance with top industry players to achieve operational efficiency

Four Soft has brought top players of the logistics industry on a single platform to form a strategic forum - FFIFA

(Freight Forwarding Industry & Four Soft Alliance) with players like DHL, Geodis Wilson, CEVA, Agility and others. This would provide a forum for the exchange of ideas where the resultant "industry best practices" will save the industry time and costs in the execution of its duty to its customers. Four-Soft in conjunction with FFIFA members has developed an emission calculator, **eMission,** which provides detailed data of emissions, allows transport and logistics companies to document and report the emission of co2 and other green-house gases directly to the transport customers, and helps in the preparation of environmental reports.

Revenues have grown consistently over the years and your Company has a track record of having profits every year since inception. As a result of focus on continued development of products, Four Soft has acquired reputed customers, different geographies, various regional products and management bandwidth across geographies through acquisitions. The Company integrated all acquired companies to become a stable global business before initiating its organic growth. We offer a whole breadth of new generation and new technology applications to our existing and new customers, which in turn contributes to the organic growth.

4.2 Market Opportunity

Four Soft in the recent past has established its web centric or next generation product portfolios in such a way that these products are available on licensing, hosting and SaaS models. This has opened up a wide range of market space for the Company in terms of attracting stock markets, media and large enterprises in the supply chain .Translogistics 3PL companies will become the IT supply chain drivers of the future and hence their survival itself is dependant on the investment in technology or IT products and technology is necessary to bring additional market space for Four Soft.

Manufacturing companies across the globe spend a large percentage of its expenditure in managing supply chain either directly or through 4 PL companies. Four Soft having its supply chain products Visilog and Visilog+ has proved that there are the products that enterprises look for to manage their supply chain at reduced costs.

With the multiple acquisitions Four Soft has made in the recent years, the product portfolio has extended horizontally. The Company has already adopted a well planned M&A strategy to strengthen its software solutions for transport & logistics industry by acquiring companies across the globe with Fortune 500 logistics and transportation clients, deep domain expertise and global presence and experienced management. Four Soft has adopted a strong integration strategy of retaining the top management and key employees of the acquired companies and off-shoring the billable work to India in order to save high onsite costs along with focus on transition from legacy system to next generation system. 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. It also has offerings built on latest internet technologies, using J2EE, which in turn positions Four Soft as the best in the industry thereby providing 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. Tracking and tracing the consignment is of great business interest to each of the business partner in the supply chain right from consignor to consignee including the service providers in the middle. Powerful transaction applications that would increase operational efficiency added with the capability to offer visibility and track & trace has good market potential in this domain and our applications typically target to offer this value proposition to the target market segments.

5. 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 IT industry serving this domain has been witnessing various mergers and acquisitions recently. However, your Company's focus is to acquire small players in the similar business either in US or Asia-pacific to strengthen its local presence.

On account of slowing economy and the recession that has impacted global industries; the transportation industry has had its impacts too. To some extent, we believe the current customers would have pressures to bring down their costs and possibly buying decisions could also be delayed. We are however working on offsetting this effect by acquiring new customers.

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

Four Soft has a substantial edge over competitors due to its highly advanced technologies, scalable architecture, delivery capabilities and its vast domain knowledge, apart from its proven capability with 12 out of the top 20 global Transportation and Logistics companies and its proven track record with 18 successful implementations in the last 18 months, and initiatives like FFIFA, the Company is rapidly enhancing market reputation and links with top global customers.

B. Foreign exchange rate fluctuations

Four Soft has been operating through its global subsidiaries spread across Europe, North America and Asia. Four Soft does not have high dependency on any specific currency as the Company's revenues are spread across various currencies. The revenues and cash flows are generated and received in each of its entities and hence the exposure is only to the extent of natural hedging. However, there will be risks in foreign exchange to the extent of its spending in Indian rupees which is not material at this point. The increased cost of acquisitions in Indian market is clearly a move towards further reducing its foreign exchange risk.

C. Technology Obsolescence Mode

The software products industry is highly characterized by rapid technological changes that could make our technology and service offerings obsolete, less competitive and difficult to sell. We are adapting ourselves to continuously improve the features, functionality, scalability, robustness and ability to meet the ever changing 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. Four Soft will continue to invest in its Research and Development activities focussing on newer technologies that will have a major impact on the global technology landscape with the objective of increasing the sales volumes and improving delivery capability.

D. Geographic concentration of revenues

Four Soft has invested in sales and marketing professional across the globe and this will in turn gradually change the geographic mix in terms of its revenue. There has been a slight change upward from the revenue contribution of north America in the recent past. In terms of cost of acquisition we have been successful in clinching many successful deals though the values are not substantial.

Concentration of revenue from any country exposes your Company to the risks inherent to economic slowdown, local laws, work culture and ethics of that country. Four Soft's substantial revenues are contributed by Europe; however these revenues are spread across Pound Sterling, Euro and Danish Kroner. However, 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 and North America.

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. Organic Growth

Four Soft has grown over the years by inorganic growth and its future depends mainly on organic growth, The Company has placed best of the best sales people in various geographies and invested in sales and marketing area to ensure fast and substantial growth in new sales. This should be able to mitigate risk of organic growth.

F. Variability of quarterly operating results

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

G. Intellectual Property Infringement

Four Soft has intellectual property policies in place to take care of laws and confidentiality agreements for its employees and third parties offering. As informed, Four Soft has registered all properties in most of the countries in the world. This is applicable for all acquired as well as redeveloped by the Company in India. Four Soft has adequate clauses in all commercial contracts including customer contracts, partner contracts and other business contracts. It has specific clauses protecting IP in employment contracts. that the Company takes adequate representations and warranties from sellers of the acquired products.

H. Strategy

The Company strategy has always been to strengthen our leadership position in this domain irrespective of market dynamics and this will enable us to have a global leader positioning and thus increasing our scope of offerings to existing and potential clients. The existing engagement with our clients is mostly offering one or more of our suite of solutions. The Company is offering the next level of value added services to its customers. We continue to have recurring business from existing customers along with maintaining a long term relationship. We have continued to expand our global operations through client services across the globe through own offices as well as partners. Currently our presence is in over 10 countries with direct offices and another 3 countries through partner offices. We use these operations to support client services.

We continue to invest in employees, technology tools for R&D, recruitment and honing employee skills, increased 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.

6. 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.

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

7. Culture, values and leadership

The Company considers the quality of its human resources to be its most important asset and fosters an environment that encourages and values diversity and promotes personal and professional development of employees. Continuous endorsement of the Company's HR systems, be it for the processes or quality and competencies of its employees, helps further enhance its core strengths and take its business to the next level. 4S value system is strongly linked to people and values like trust, respect and integrity are manifested not only within the Four Soft family but also in relations with all stakeholders.

As the Company operates in a niche industry that requires high techno functional expertise. The employees constantly need to enhance their technical and functional knowledge and so regular training sessions on specific technical skills and domain knowledge were conducted. Four Soft appreciates its high performers through rewards and recognition on an ongoing basis. To acknowledge the employee contributions and excellence in performance, we had many celebration events at the work place through 4S Kalavedika. The 4S culture instills the spirit of openness and oneness across all levels. As a result, Four Soft works in an exciting and enjoyable team-based environment.

With over 600 strong workforce spread across various nationalities and geographies. Your Company encourages an 'Equal Employment Opportunity Policy' which discourages discrimination for employment on account of sex, race, color, religion, physical challenge and so on.

DISCUSSION ON STANDALONE FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

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

A. Financial Condition

I. Share Capital:

The Company has only two classes of shares - Equity and Preference Shares. The Authorized Share capital is Rs. 350 Million divided 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 Million.

II. Reserves & Surplus:

During the year, your Company recorded a net profit after tax of Rs.11.53 Million (Rs. 19.66 Million previous year) out of which the entire amount Rs 11.53 Million transferred to Balance Sheet. The total Reserves and Surplus as on the balance sheet date is Rs. 817.38 Million (Rs. 813.65 Million Previous Year). There is an expense of Rs.1.35 Million towards stock option compensation during the year (Rs. 2.79 Million previous year).

III. Secured Loans:

The Company had availed working capital short term loan of Rs. 30.29 Million from Citibank NA. in 2009-10 which is outstanding as at balance sheet date.

IV. Fixed Assets:

During the year under review, the total additions to the gross block of assets amounted to Rs. 0.20 Million. The entire investment in fixed assets was funded out of internal accruals

(Rs. In Million)

Particulars	Additions
Computers	0.00
Office equipment	0.09
Software	0.11
Total	**0.20**

V Investments:

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) 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 31 December 2009. As of 31 March 2010, based on the said criteria for determining the consideration the Company has accrued DKK 52,704,013 (equivalent Rs 429,000,125) towards purchase consideration.

VI. Current Assets, Loans and Advances

1. Sundry Debtors

Sundry Debtors, considered good and realizable as of March 31, 2010 amounts to Rs. 81.21 Million (Rs. 151.96 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 25% (42% previous year) of total revenues.

The additional provision for doubtful debts is Rs. 0.63 Million (Rs. 1.11 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.21.02 Million and 17.09 Million for the financial year ended 31 March 2010 and 31 March 2009 respectively. Cash and Bank balance constitutes 1.56% of the total assets (1.30% previous year).

3. Other Current Assets

Other current assets include interest accrued as at March 31, 2010 amounting to Rs 0.03 Million (Previous year Rs 0.05 Million) on fixed deposits with scheduled banks and Rs. 0.89 Million (Previous year 7.27 Million) being interest accrued and due on loans given to wholly owned subsidiaries namely Four Soft B.V, The Netherlands and Four Soft Singapore Pte Ltd, Singapore.

4. Loans and Advances

Advances and loans to subsidiaries have reduced to Rs. 11.77 Million as compared to Rs. 15.00 Million in previous year.

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

Advance for investment is paid to erstwhile shareholders of Transaxiom Holdings A/S towards the purchase consideration for acquiring that Company. This is explained in detail in the notes to accounts.

Deposits represent electricity deposits, telephone deposits and other deposits.

5. Current Liabilities and Provisions

Sundry creditors amounting to Rs.117.70 Million (previous year Rs. 40.90 Million) includes payroll related liabilities and payable for other general expenses

Provisions include Rs. 4.53 Million (previous year 6.92 Million) gratuity & leave encashment.

B. Results of Operations

I. Income

Income from software services and products. Explanation for change in previous years numbers

(Rs. In Million)

Particulars	2009-10	% of Revenue	2008-09	% of Revenue
Revenue from services	**293.62**	90%	335.19	91%
Annual maintenance services	**18.53**	6%	17.06	5%
Sale of licenses	**11.90**	3%	10.55	3%
Income from sale of third party licenses (net)	**1.75**	1%	2.57	1%
Total	**325.80**	100%	365.37	100%

The Company's revenues are generated principally on License sales of products, Customization and fixed price Annual Maintenance contracts. The decline in revenues is due to reduction in business from subsidiaries and other customers.

II. Expenditure

The Total expenditure statement is as follows:

(Rs. In Million)

Particulars	2009-10	% of Total Income	2008-09	% of Total Income
Total Income	**331.52**	100%	390.96	100%
Personnel expenses	**196.63**	59%	212.09	54%
Operating and other expenses	**85.5**	26%	119.12	30%
Operating profit (EBITDA)	**49.40**	15%	59.75	15%
Depreciation and amortization	**14.71**	4%	22.42	6%
Financial expenses	**15.81**	5%	16.94	4%
Profit before tax	**18.88**	6%	20.39	5%
Provision for tax	**7.34**	2%	0.73	0%
Profit after tax	**11.53**	3%	19.66	5%

1. Personnel Expenses:

During the year under review, the personnel expenses were at 59% of its total revenue as compared to 54% during the previous year.

2. Operating and other expenses:

The Operating expenses of the Company were 26% of its revenue during the current financial year as compared to 30% during the previous year. This is attributed to gains in foreign exchange translation.

3. Operating Profits

During the year the Company earned an operating profit of Rs 49.40 Million representing 15% of total revenues as compared to 59.75 Million, representing 15% of total revenues during the previous year.

4. Depreciation

The Company provided a sum of Rs.14.71 Million compared to Rs. 22.42 Million in previous year towards depreciation representing 4% of total revenues (6% in previous year).

5. Financial expenses

The financial expenses has decreased slightly on account of availing of loan from Citicorp Finance (India) Limited for the whole year in the previous year, whereas in the March 2010 it was repaid.

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 11.53 Million for the current financial year and Rs. 19.66 Million (previous year). This represents 3% of the total revenue in the current financial year and 5% 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, 2010, the Company had cash and cash equivalents to the extent of Rs. 21.02 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 0.31(Rs 0.51 previous year). The Diluted earnings per share Rs.0.31 per share compared to Rs 0.51 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.

The shareholders in the extra ordinary general meeting held on December 21, 2009 have approved the Employee Stock Purchase Scheme and Employee Stock Option Scheme for issue of equity shares not exceeding 1,948,000 for each scheme.

11. Foreign Exchange

The Company has an amount of Rs (5.12) Million loss compared to Rs 21.87 Million gain in previous year due to favorable movement in ₹/$ rate during the current year

12. Related Party Transaction

These have been discussed in details in the notes to the financial statements.

DISCUSSION ON CONSOLIDATED FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

A. Financial Condition

I. Share Capital:

The Company has two classes of shares - Equity and Preference Shares. The Authorized Share capital is Rs. 350 Million divided 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 Million.

II. Reserves & Surplus:

The closing balance of Securities Premium Account was Rs. 646.87 Million (Rs. 643.28 Million previous year). Rs.3.59 Million (Rs. 5.71 Million previous year) was transferred on account exercise of stock options.

The General Reserve remained unchanged at Rs. 2.59 Million. The balance of Profit and Loss account as on the Balance Sheet date is Rs.684.76 Million (Rs. 619.51 Million previous year). Net profits after tax for the year were Rs.61.79 Million (Rs. 447.25 Million previous year) which is transferred to Balance Sheet.

The closing balance of Foreign Currency Translation Reserve is Rs. (71.96) Million loss (Rs. 121.73 Million gain previous year)

There is an expense of Rs. 1.35 Million towards stock option compensation during the year (Rs. 2.79 Million previous year).

III. Loans

Secured loans as at the Balance Sheet date aggregated to Rs. 232.93 Million (Rs. 296.53 Million previous year). Rs. 202.64 Million (Rs. 161.53 Million previous year) is availed by Four Soft B.V. from Punjab National Bank International Limited. This loan is secured by all assets of Four Soft B.V. and its subsidiaries and also guaranteed by Four Soft Limited. The loan from ICICI Bank Plc has been completely repaid during the year.

A short term working capital loan of Rs. 30.29 Million was taken from Citibank NA. The term loan of Rs.135 Million availed from Citicorp Finance (India) Limited has been repaid fully during the Financial Year.

Unsecured loans at Balance Sheet date are Rs. 0.13 Million (Rs. 0.18 Million) representing the finance lease obligation.

IV. Fixed Assets:

Addition to tangible fixed assets during the year is Rs. 4.22 Million including Rs. 2.78 Million towards computer equipment.

Addition to intangible assets is Rs 141.34 Million. Goodwill as at Balance Sheet date is Rs. 1,582.20 Million (Rs. 1,625.32 Million previous year). Addition to software is Rs. 0.61 Million.

V. Current Assets, Loans and Advances

1. Sundry Debtors:

Sundry debtors considered good and realizable as on the Balance Sheet date are Rs. 197.18 Million (Rs. 567.70 Million previous year). All the debtors are generally considered good and realizable and necessary provisions for doubtful and bad debts have been made. The provision for doubtful debts stood at Rs. 14.36 Million and additional provision for doubtful debts during the year is Rs. 2.66 Million. Sundry debtors are 15% (29% previous year) of total revenues.

2. Cash and Bank Balance:

Cash and Bank balances are Rs.197.32 Million (Rs. 108.19 Million previous year). Of the above Rs. 176.12 Million (Rs. 90.80 Million previous year) is held in foreign bank accounts as on the Balance Sheet date.

3. Loans and Advances:

Loans and Advances as at the Balance Sheet date aggregated to Rs.73.16 Million (Rs. 82.35 Million previous year) including provision for doubtful advances of Rs. 2.50 Million (Rs. 2.38 Million previous year).

Advances recoverable in cash, kind or value to be received Rs.50.37 Million (Rs. 55.42 Million previous year) are primarily towards prepayments, travel advances and staff advances and other receivables.

Deposits Rs.17.30 Million (Rs. 18.70 Million previous year) represent electricity deposits, telephone deposits and other deposits.

Minimum Alternate Tax (MAT) Rs. Nil (Rs. 0.55 Million previous year) can be set off against tax liability in the future years. Advances for income tax of Rs. 8.00 Million (Rs. 8.89 Million previous year) and fringe benefit tax of Rs. Nil (Rs. 1.84 Million previous year) are net of provision towards tax liability in the consolidating entities.

4. Current Liabilities:

Current Liabilities as on the Balance Sheet date aggregated to Rs.327.21 Million (Rs. 353.95 Million previous year).

Sundry creditors amounting to Rs. 191.64 Million (Rs. 144.96 Million previous year) includes payroll related liabilities and payable for other general expenses.

Advances from customers as on the Balance Sheet date are Rs. 119.13 Million (Rs. 173.39 Million previous year)

5. Provisions:

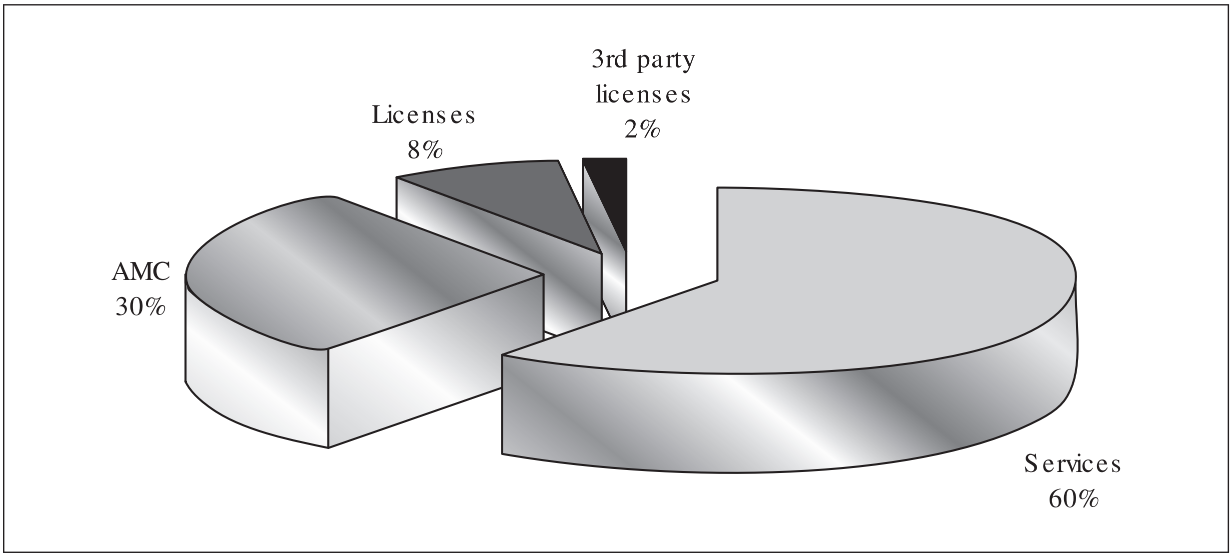
Provisions include Rs. 42.57 Million (Rs. 52.98 Million previous year) towards gratuity & leave encashment. Provision for income tax Rs. 8.67 Million (Rs. 130.61 Million previous year) and fringe benefit tax is Nil (Nil previous year) net of advances towards tax liability in the consolidating entities.

B. Results of Operations:

Particulars	For the Year ended March 31, 2009		For the Year ended March 31, 2008		% Increase/ (Decrease)
	Rs. Million	% of revenues	Rs. Million	% of revenues	
Revenues form services	800.60	60%	1,004.71	52%	(20)
Annual maintenance contracts	399.80	30%	563.99	29%	(29)
Sale of licenses	102.48	8%	350.49	18%	(71)
Income from 3rd party licenses (net)	26.72	2%	26.75	1%	(0)
Total Revenues	**1329.60**	**100%**	**1,945.94**	**100%**	**(32)**
Personnel expenses	879.32	66%	947.45	49%	(7)
Operating and other expenses	367.77	28%	433.17	22%	(15)
Total Expenses	**1247.09**	**94%**	**1,380.62**	**71%**	**(10)**
Other income	51.62	4%	148.45	8%	(65)
Operating profit (EBITDA)	134.13	10%	713.77	37%	(81)
Interest	24.71	2%	39.57	2%	(38)
Depreciation	23.86	2%	42.12	2%	(43)
Profit before tax and impairment loss			**632.08**	**32%**	**(100)**
Impairment loss	0.00	0	36.40	2%	(100)
Profit before tax	**85.49**	**6%**	**595.68**	**31%**	**(86)**
Provision for taxes	23.70	2%	148.43	8%	(84)
Net Profit	**61.79**	**5%**	**447.25**	**23%**	**(86)**

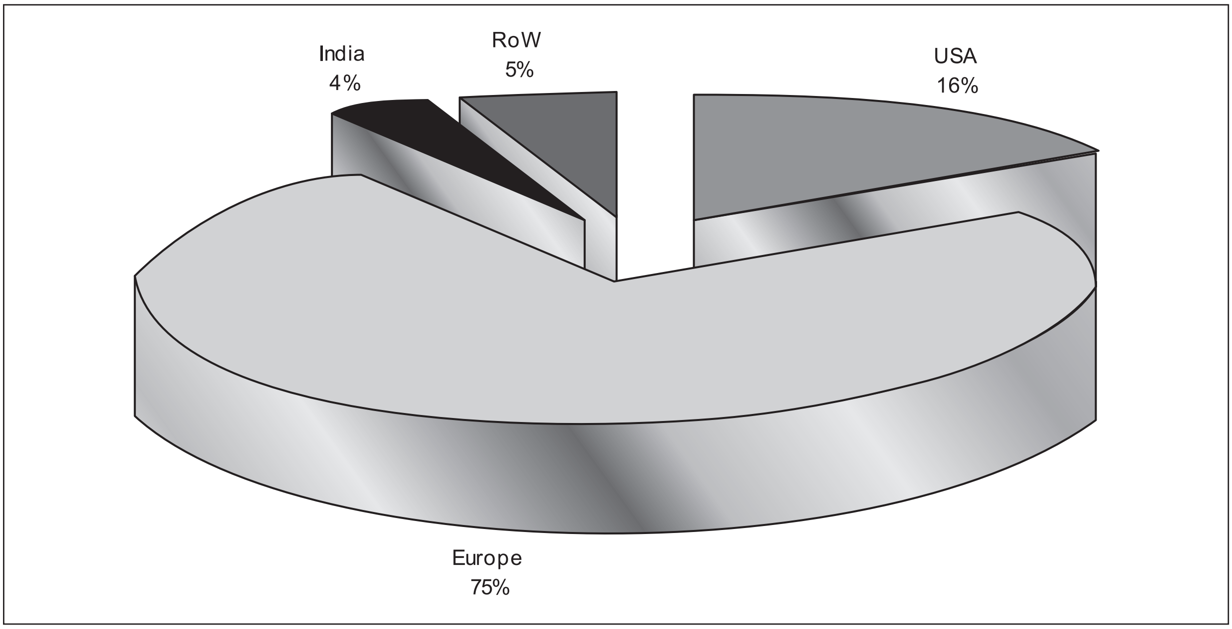
I. Income:

Following chart shows the break up of the streams of revenue.



Revenue by geography:

Unlike other IT companies in India, revenues from Europe constitute the largest piece of the pie followed by US and APAC



II. Expenditure

1. Personnel Expenses

During the year personnel expenses have come down by Rs. 68.13 million on account of cost rationalization exercise The global headcount has come down from 595 at last year end to 561 at current end The payroll cost was 66% of revenues compared to 49% in the previous year.

2. Operating and other expenses

Operating expense was increased during the year with a 6% over previous year.

3. Operating Profits

Operating profit saw a Rs. 579.64 million decrease due to decrease in the revenues and other income coupled with decrease in the personnel and operating expenses. Operating profit was 10% of the total revenues in current financial year compared to 37% in the previous year.

4. Depreciation

Depreciation during the year is Rs. 23.86 million compared to Rs. 42.12 million in the previous year.

5. Financial expenses

Interest expense was down Rs. 14.86 million on account reduction in the outstanding loans. Total interest expense was down to 2% of the revenues compared to previous year.

6. Provision for Tax

Provision for Tax includes income tax, fringe benefit tax and deferred tax. The increase in the tax expense is on account of the increased revenues.

7. Net profit

The net profit of the company amounted to Rs 61.79 Million for the current financial year an decrease of Rs. 385.46 .This represents 5% of revenues compared to 23% in the previous year.

8. Liquidity

During the year company has generated Rs. 466.20 million from operating activities, repaid borrowings of Rs. 230.18 million and invested in assets of Rs.128.0 million.

9. Earnings per share

Earnings per share during the year were Rs 1.99(Rs 11.62 previous year). The Diluted earnings per share were Rs. 1.98 (Rs. 11.60 previous year.)

10. Foreign Exchange

During the year loss due to favorable fluctuation in the foreign exchange rates amounted to Rs. 27.08 million compared to Rs 100.65 million gain in previous year.

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 31 March 2010, and also the Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto (collectively referred as the 'financial statements'). 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 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. As required by the Companies (Auditor's Report) Order, 2003 (the 'Order') (as amended), issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 (the 'Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
4. Further to our comments in the Annexure referred to above, we report that:
   a. The financial statements of the Company, as at and for the year ended 31 March 2009 was audited by M/s. S.R. Batliboi & Associates, Chartered Accountants vide their report dated 19 June 2009. The balances as at 31 March 2009 as per the audited financial statements, regrouped and/or reclassified wherever necessary, have been considered as opening balances for the purpose of these financial statements.
   b. 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;
   c. 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;
   d. The financial statements dealt with by this report are in agreement with the books of account;
   e. On the basis of written representations received from the directors, as on 31 March 2010, and taken on record by the Board of Directors, we report that none of the directors are disqualified as on 31 March 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
   f. In our opinion and to the best of our information and according to the explanations given to us, the financial statements, read together with the notes thereon, comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act, give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, in the case of:
      i) the Balance Sheet, of the state of affairs of the Company as at 31 March 2010;
      ii) the Profit and Loss Account, of the profit for the year ended on that date; and
      iii) the Cash Flow Statement, of the cash flows for the year ended on that date.

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

Per Aashish Arjun Singh
Partner
Membership No: 210122

Bengaluru
28 May 2010

Annexure to the auditors' report of even date to the members of Four Soft Limited, on the financial statements as at and for the year ended 31 March 2010.

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

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

(b) A major portion of the fixed assets has been physically verified by management during the year. In our opinion, the frequency of verification of the fixed assets is reasonable having regards to the size of the Company and nature of its assets. As informed, no material discrepancies were noticed on such verification.

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

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

(iii) (a) There is one body corporate covered in the register maintained under Section 301 of the Act to which the Company has granted unsecured loan. The maximum amount outstanding during the year was Rs 11,590,158 and the year-end balance was Rs 10,947,286.

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

(c) The loans granted and the interest thereon is re-payable on demand. As informed, there has been no default on part of parties to whom the money has been lent.

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

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

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

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

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

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

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

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

(ix) (a) The Company is regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues, as applicable, with the appropriate authorities. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they become payable.

(b) There are no amounts in respect of sales tax, income tax, customs duty, wealth tax, service tax, excise duty and cess that have not been deposited with the appropriate authorities on account of any dispute.

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

(xi) In our opinion, the Company has not defaulted in repayment of dues to a financial institution or a bank during the year. The Company has no dues payable to debenture holders during the year.

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

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

(xv) In our opinion, the terms and conditions on which the Company has given guarantee for loans taken by others from banks or financial institutions are not, prima facie, prejudicial to the interest of the Company.

(xvi) In our opinion, the Company has applied the term loans for the purpose for which the loans were obtained.

(xvii) In our opinion, the Company has used funds amounting to Rs 196,341,071 raised on short-term basis for long-term investment. The short-term funds are on account of increase in current liabilities.

(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 Act. Accordingly, the provisions of clause 4(xviii) of the Order are not applicable the Company.

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

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

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

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

Per Aashish Arjun Singh
Partner
Membership No: 210122

Bengaluru
28 May 2010

BALANCE SHEET AS AT 31ST MARCH, 2010

Amount in Rupees

	Schedules	As at March 31, 2010	As at March 31, 2009
I. Sources of funds			
1. Shareholders' funds			
(a) Capital	1	**194,140,095**	193,544,130
(b) Stock options outstanding	2	**3,594,516**	5,835,742
(c) Reserves and surplus	3	**817,379,939**	813,649,532
		1,015,114,550	1,013,029,404
2. Loan funds			
(a) Secured loans	4	**30,294,700**	135,000,000
3. Deferred tax liabilities (net)	18(8)	**3,690,678**	2,057,721
		1,049,099,928	1,150,087,125
II. Application of funds			
1. Fixed assets	5		
(a) Gross block		**163,205,231**	163,049,489
(b) Less: Depreciation / amortization		**108,097,590**	93,424,816
(c) Net block		**55,107,641**	69,624,673
2. Investments	6	**1,156,347,986**	1,033,492,040
3. Current assets, loans and advances			
(a) Sundry debtors	7	**81,211,742**	151,957,496
(b) Cash and bank balances	8	**21,015,797**	17,092,885
(c) Other current assets	9	**917,965**	7,321,859
(d) Loans and advances	10	**32,486,197**	37,839,579
		135,631,701	214,211,819
Less: Current liabilities and provisions			
(a) Liabilities	11	**291,162,064**	160,321,570
(b) Provisions	12	**6,825,336**	6,919,837
		297,987,400	167,241,407
Net current assets		**(162,355,699)**	46,970,412
		1,049,099,928	1,150,087,125
Notes to accounts	18		

The Schedules referred to above form an integral part of the Balance Sheet
This is the Balance Sheet referred to in our report of even date

For Walker, Chandiok & Co
Chartered Accountants

Per Aashish Arjun Singh
Partner

Place : Bengaluru
Date : 28 May 2010

For and on behalf of the Board of Directors

Sd/-
Palem Srikanth Reddy
Chairman & Managing Director

Sd/-
P. Mangamma
Director

Sd/-
Kavitha Pakala
Company Secretary

Sd/-
Biju S. Nair
Chief Financial Officer

Place : Hyderabad
Date : 28 May 2010

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

Amount in Rupees

		Schedules	**For the Year ended March 31, 2010**	For the Year ended March 31, 2009
I.	**Income**			
	Revenue from software services and products	13	**325,797,143**	365,373,048
	Other income	14	**5,727,239**	25,587,798
			331,524,382	390,960,846
II.	**Expenditure**			
	Personnel expenses	15	**196,627,840**	212,092,574
	Operating and other expenses	16	**85,500,532**	119,122,854
	Depreciation / amortization	5	**14,708,687**	22,415,255
	Financial expenses	17	**15,811,198**	16,940,420
			312,648,257	370,571,103
	Profit before tax		**18,876,125**	20,389,743
	Provision for tax			
	Current tax		**5,801,735**	2,067,000
	MAT credit entitlement		**—**	(547,000)
	Deferred tax		**1,632,957**	(3,282,632)
	Fringe benefit tax		**—**	1,720,000
	Tax for earlier years		**(95,604)**	770,136
	Total tax expense		**7,339,088**	727,504
	Net profit		**11,537,037**	19,662,239
	Balance brought forward from previous year		**153,492,703**	133,830,464
	Profit available for appropriation		**165,029,740**	153,492,703
	Interim dividend @ Rs 0.25 (2009: Rs Nil) on equity shares of Rs 5 each		**9,742,274**	—
	Tax on dividend		**1,655,721**	—
	Surplus carried to balance sheet		**153,631,745**	153,492,703
	Earnings per share	18(17)		
	Basic		**0.30**	0.51
	Diluted		**0.30**	0.51
	Nominal value of shares		**5**	5
	Notes to accounts	18		

The Schedules referred to above form an integral part of the Profit and Loss Account

This is the Profit and Loss Account referred to in our report of even date

For Walker, Chandiok & Co
Chartered Accountants

Per Aashish Arjun Singh
Partner

Place : Bengaluru
Date : 28 May 2010

For and on behalf of the Board of Directors

Sd/-
Palem Srikanth Reddy
Chairman & Managing Director

Sd/-
P. Mangamma
Director

Sd/-
Kavitha Pakala
Company Secretary

Sd/-
Biju S. Nair
Chief Financial Officer

Place : Hyderabad
Date : 28 May 2010

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2010

(All amounts are in Indian Rupee unless otherwise stated) Amount in Rupees

		For the Year ended March 31, 2010	For the Year ended March 31, 2009
A.	**Cash flow from operating activities**		
	Profit before tax	**18,876,125**	20,389,743
	Adjustments for:		
	Depreciation / amortization	**14,708,687**	22,415,255
	Employee stock compensation expenses	**1,350,139**	2,790,587
	Unrealized foreign exchange loss (net)	**(1,379,158)**	4,987,869
	Interest on fixed deposits	**(424,393)**	(478,994)
	Interest on loans to subsidiaries	**(937,727)**	(2,047,681)
	Dividends from non-trade current investments	**(32,228)**	(441,268)
	Provision for doubtful debts	**631,701**	1,112,239
	Bad and doubtful debts written-off	**276,085**	–
	Finance lease charges	**–**	88,704
	(Profit)/Loss on sale of fixed asset	**9,914**	–
	Donations in kind	**–**	255,210
	Interest expense	**15,001,641**	16,200,000
	Operating profit before working capital changes	**48,080,786**	65,271,664
	Movements in working capital :		
	Decrease in sundry debtors	**58,204,491**	101,219,568
	Decrease in loans and advances	**3,097,410**	7,638,116
	Increase/(Decrease) in liabilities	**57,552,150**	(73,146,319)
	Cash generated from operations:	**166,934,837**	100,983,029
	Direct taxes paid (including fringe benefit tax), net of refunds	**(439,020)**	(5,993,133)
	Net cash generated from operating activities	**166,495,817**	94,989,896
B.	**Cash flows from investing activities**		
	Purchase of fixed assets	**(201,569)**	(626,382)
	Investments in subsidiaries	**(37,483,740)**	(120,981,366)
	Repayment of loan granted	**–**	51,615,630
	Loan granted	**–**	(13,990,608)
	Payment towards finance lease obligation	**–**	(955,173)
	Interest received	**7,766,014**	3,500,567
	Dividends received from non-trade current investment	**32,228**	441,268
	Net cash used in investing activities	**(29,887,067)**	(80,996,064)

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2010

Amount in Rupees

		For the Year ended March 31, 2010	For the Year ended March 31, 2009
C.	**Cash flows from financing activities**		
	Proceeds from issuance of share capital	**6,000**	–
	Proceeds from working capital loan	**30,294,700**	–
	Repayment of term loan	**(135,000,000)**	–
	Finance lease charges	**–**	(88,704)
	Dividends paid	**(9,742,274)**	–
	Tax on dividend paid	**(1,655,721)**	–
	Interest on loan	**(15,001,641)**	(16,200,000)
	Net cash used in financing activities	**(131,098,936)**	(16,288,704)
	Net increase/(decrease) in cash and cash equivalents (A + B + C)	**5,509,814**	(2,294,872)
	Cash and cash equivalent at the beginning of the year	**16,760,329**	18,631,575
	Cash and cash equivalent at the end of the year	**22,270,143**	16,336,703
	Notes:		
	Cash and bank balance (as per Schedule 8 of the financial statements)	**21,015,797**	17,092,885
	Less: Deposits with banks with original maturity of more than three months	**299,861**	332,556
		20,715,936	16,760,329
	Effect of unrealized exchange (gain)/ loss	**1,554,207**	(423,626)
	Cash and cash equivalents considered for Cash Flows	**22,270,143**	16,336,703

Notes to accounts (Refer Schedule 18)

The Schedules referred to above form an integral part of the Cash Flow Statement

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

For Walker, Chandiok & Co
Chartered Accountants

Per Aashish Arjun Singh
Partner

Place : Bengaluru
Date : 28 May 2010

For and on behalf of the Board of Directors

Sd/-
Palem Srikanth Reddy
Chairman & Managing Director

Sd/-
P. Mangamma
Director

Sd/-
Kavitha Pakala
Company Secretary

Sd/-
Biju S. Nair
Chief Financial Officer

Place : Hyderabad
Date : 28 May 2010

SCHEDULES TO THE FINANCIAL STATEMENTS

Amount in Rupees

	As at March 31, 2010	As at March 31, 2009
SCHEDULE 1: CAPITAL		
Authorized		
56,077,600 (2009: 56,077,600) equity shares of Rs 5 each	**280,388,000**	280,388,000
696,120 (2009: 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 (2009: 38,959,744) equity shares of Rs 5 each fully paid-up	**194,798,720**	194,798,720
Less: Calls in arrears	**3,000**	9,000
	194,795,720	194,789,720
Less: Amount recoverable from ESOP trust [348,325 equity shares (2009: 466,318), including 217,200 (2009: 217,200) bonus shares allotted to the trust]	**655,625**	1,245,590
	194,140,095	193,544,130

Notes:

Of the above shares:

a. 4,563,970 (2009: 4,563,970) equity shares of Rs 5 each are allotted as fully paid-up bonus shares by capitalization of general reserve.

b. 10,452,102 (2009: 10,452,102) equity shares of Rs 5 each, were allotted as fully paid-up pursuant to a contract without payments being received in cash.

c. 821,875 shares (2009: 703,882 shares) of Rs 5 each, fully paid-up were issued to employees (through ESOP trust) pursuant to the employee stock option scheme.

— Of the above 390,544 (2009: 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.
— Of the above 20,000 (2009: 10,000) shares were issued at Rs 48.45 out of which Rs 43.45 per share were received in the form of employee service.
— Of the above 326,338 (2009: 303,338) shares were issued at Rs 70.75 out of which Rs 65.75 per share were received in the form of employee service.
— Of the above 84,993 (2009: Nil) shares were issued at Rs 24.65 out of which Rs 19.65 per share were received in the form of employee service.

	As at March 31, 2010	As at March 31, 2009
SCHEDULE 2: STOCK OPTIONS OUTSTANDING		
(Refer note 9 on Schedule 18)		
Stock compensation outstanding at the beginning of the year	**8,170,466**	18,815,316
Add: Stock options granted during the year	**4,188,139**	—
	12,358,605	18,815,316
Less: Stock options cancelled/forfeited during the year	**1,273,431**	4,938,714
Less: Transferred to share premium account on exercise of stock options	**3,591,365**	5,706,136
	7,493,809	8,170,466
Less: Deferred employee stock compensation	**3,899,293**	2,334,724
	3,594,516	5,835,742
Note:		
Deferred employee stock compensation:		
Stock compensation outstanding at the beginning of the year	**2,334,724**	10,064,025
Add: Stock options granted during the year	**4,188,139**	—
Less: Stock options cancelled/forfeited during the year	**1,273,431**	4,938,714
Less: Stock compensation amortized during the year	**1,350,139**	2,790,587
Closing balance of deferred employee stock compensation	**3,899,293**	2,334,724

SCHEDULES TO THE FINANCIAL STATEMENTS

Amount in Rupees

	As at March 31, 2010	As at March 31, 2009
SCHEDULE 3: RESERVES AND SURPLUS		
Share premium account		
Balance as per last account	**643,278,615**	637,572,479
Add: On exercise of stock options	**3,591,365**	5,706,136
	646,869,980	643,278,615
Capital reserve		
Balance as per last account	**14,280,000**	–
Add: Share warrants forfeited (Refer note below)	**–**	14,280,000
	14,280,000	14,280,000
General reserve		
Balance as per last account	**2,598,214**	2,598,214
Profit and loss account	**153,631,745**	153,492,703
	817,379,939	813,649,532

Note:

As approved by the shareholders in the Extraordinary general meeting of the Company held on 19 January 2007, the Board of Directors of the Company at their meeting held on 2 February 2007, allotted 2,000,000 warrants to Citicorp Finance (India) Limited and 100,000 warrants to Indus Age 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 were convertible into equal number of equity shares of face value of Rs 5 each 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. The warrant holders did not subscribe to the warrants within the stipulated period and the Company has forfeited the amount so deposited.

SCHEDULE 4: SECURED LOANS		
Working capital (Payable within one year)		
From banks	**30,294,700**	–
(Secured against standby letter of credit from bankers of Four Soft Nordic A/s, a wholly owned subsidiary)		
Term loans		
From others	**–**	135,000,000
(Secured against investment in equity shares of Four Soft Nordic A/s, a wholly owned subsidiary)		
	30,294,700	135,000,000

FOUR SOFT LIMITED
SCHEDULES TO THE FINANCIAL STATEMENTS
SCHEDULE 5: Fixed Assets

All amounts are in Indian Rupee unless otherwise stated

	Tangible asset					Intangible asset	Total	
	Buildings	**Computers**	**Office equipment**	**Furniture and fittings**	**Lease hold improve-ments**	**Software**	**31-Mar-10**	**Previous year**
Gross block								
As at 1 April 2009	30,594,644	50,122,296	24,833,146	16,421,915	3,652,713	37,424,775	**163,049,489**	165,462,923
Additions during the year	–	–	91,769	–	–	109,800	**201,569**	866,701
Disposals / adjustments during the year	–	45,827	–	–	–	–	**45,827**	3,280,135
As at 31 March 2010	30,594,644	50,076,469	24,924,915	16,421,915	3,652,713	37,534,575	**163,205,231**	163,049,489
Depreciation / amortization								
Up to 1 April 2009	7,272,007	38,216,113	9,426,686	11,014,610	3,288,023	24,207,377	**93,424,816**	73,918,681
For the year	1,306,068	4,762,473	2,145,499	1,034,619	170,301	5,289,727	**14,708,687**	22,415,255
Adjustments during the year	–	35,913	–	–	–	–	**35,913**	2,909,120
Up to 31 March 2010	8,578,075	42,942,673	11,572,185	12,049,229	3,458,324	29,497,104	**108,097,590**	93,424,816
Net block								
As at 31 March 2010	22,016,569	7,133,796	13,352,730	4,372,686	194,389	8,037,471	**55,107,641**	69,624,673
As at 31 March 2009	23,322,637	11,906,183	15,406,460	5,407,305	364,690	13,217,398	**69,624,673**	

SCHEDULES TO THE FINANCIAL STATEMENTS

Amount in Rupees

	As at March 31, 2010	As at March 31, 2009
SCHEDULE 6: INVESTMENTS		
(Refer note 16 on Schedule 18)		
Long-term, trade (Unquoted, fully paid-up)		
In subsidiaries		
31 (2009: 31) equity shares of US Dollar 0.01 each, in Four Soft USA, Inc.	**727,500**	727,500
66,245 (2009: 66,245) equity shares of Euro 1 each, in Four Soft B.V.	**618,133,185**	618,133,185
930,000 (2009: 930,000) equity shares of Singapore Dollar 1 each, in Four Soft Singapore Pte. Ltd.	**38,435,758**	38,435,758
70,000 (2009: 70,000) Class A preference shares of Singapore Dollar 1 each, in Four Soft Singapore Pte. Ltd.	**3,988,362**	3,988,362
1,000 (2009: 1,000) ordinary shares of Danish Kroner 1000 each, in Four Soft Nordic A/S	**495,060,556**	372,204,610
10,000,000 (2009: 10,000,000) equity shares of Malaysian Ringgit 1 each, in Four Soft Sdn. Bhd.	**2,625**	2,625
	1,156,347,986	1,033,492,040
Note:		
Aggregate amount of unquoted investments	**1,156,347,986**	1,033,492,040

	As at March 31, 2010	As at March 31, 2009
SCHEDULE 7: SUNDRY DEBTORS		
(Refer note 4 on Schedule 18)		
Unsecured debts outstanding for a period exceeding six months		
Considered good	**48,914,571**	48,438,830
Considered doubtful	**631,701**	7,282,748
	49,546,272	55,721,578
Unsecured other debts		
Considered good	**32,297,171**	103,518,666
Considered doubtful	**–**	79,543
	81,843,443	159,319,787
Less: Provision for doubtful debts (Refer note below)	**631,701**	7,362,291
	81,211,742	151,957,496

Note:
Bad and doubtful debts written-off during the year amounting to Rs 7,362,291 (2009: Rs Nil)

	As at March 31, 2010	As at March 31, 2009
SCHEDULE 8: CASH AND BANK BALANCES		
Cash balance on hand	**14,629**	53,230
Bank balances with Scheduled banks on:		
Current accounts	**19,991,399**	16,097,482
Deposit accounts	**299,861**	332,556
Un-paid dividend accounts	**504,949**	404,658
Un-paid IPO refund accounts	**204,959**	204,959
	21,015,797	17,092,885

SCHEDULES TO THE FINANCIAL STATEMENTS

Amount in Rupees

	As at March 31, 2010	As at March 31, 2009
SCHEDULE 9: OTHER CURRENT ASSETS		
(Unsecured, considered good)		
Interest accrued on fixed deposits	**26,475**	50,894
Interest accrued on loans to subsidiaries	**891,490**	7,270,965
	917,965	7,321,859
SCHEDULE 10: LOANS AND ADVANCES		
(Refer note 5 on Schedule 18)		
(Unsecured, considered good)		
Advances and loans to subsidiaries	**11,775,939**	15,001,263
Advances recoverable in cash or in kind or for value to be received	**11,413,320**	8,769,075
Deposits	**9,296,938**	11,101,733
MAT credit entitlement	**–**	547,000
Income tax (Net of provision)	**–**	1,235,503
Fringe benefit tax (Net of provision)	**–**	1,185,005
	32,486,197	37,839,579
SCHEDULE 11: LIABILITIES		
(Refer note 19 on Schedule 18)		
Sundry creditors		
- Total outstanding dues of micro enterprises and small enterprises	**–**	–
- Total outstanding dues of creditors other than micro enterprises and small enterprises	**117,703,470**	40,897,132
	117,703,470	40,897,132
Subsidiary companies	**148,308,251**	110,563,209
Dues to directors	**2,290,414**	1,878,852
Advance from customers	**18,818,405**	2,058,376
Investor Education and Protection Fund shall be credited by the following amounts (as and when due):		
- Unclaimed dividends	**504,949**	404,658
- Application money due for refund	**204,959**	204,959
Other liabilities	**3,331,616**	4,314,384
	291,162,064	160,321,570
SCHEDULE 12: PROVISIONS		
(Refer note 10 on Schedule 18)		
Provision for gratuity	**2,303,788**	5,453,065
Provision for compensated absences	**2,221,945**	1,466,772
Provision for income tax (net of advance tax)	**2,299,603**	–
	6,825,336	6,919,837

SCHEDULES TO THE FINANCIAL STATEMENTS

Amount in Rupees

	For the Year ended March 31, 2010	For the Year ended March 31, 2009
SCHEDULE 13: REVENUE FROM SOFTWARE SERVICES AND PRODUCTS		
Revenue from services	**293,617,027**	335,189,860
Annual maintenance services	**18,533,743**	17,061,304
Sale of licenses	**11,892,410**	10,548,229
Income from sale of third party licenses (net)	**1,753,963**	2,573,655
	325,797,143	365,373,048
SCHEDULE 14: OTHER INCOME		
Interest on fixed deposits (Gross)	**424,393**	478,994
[Tax deducted at source Rs Nil (2009: Rs 108,485)]		
Interest on loan to subsidiaries (Gross)	**937,727**	2,047,681
[Tax deducted at source Rs 136,294 (2009: Rs 144,075)]		
Bad debts/advance recovered	**–**	187,144
Dividend income from non-trade investments - short term	**32,228**	441,268
Liabilities no longer required written back	**3,961,068**	381,174
Exchange difference (net)	**–**	21,870,623
Miscellaneous income	**371,823**	180,914
	5,727,239	25,587,798
SCHEDULE 15: PERSONNEL EXPENSES		
Salaries, wages and bonus	**181,571,089**	191,941,527
Contribution to provident fund	**9,035,023**	10,534,913
Gratuity and compensated absences	**755,173**	2,095,256
Employee stock compensation expenses	**1,350,139**	2,790,587
Staff welfare expenses	**3,916,416**	4,730,291
	196,627,840	212,092,574

SCHEDULES TO THE FINANCIAL STATEMENTS

Amount in Rupees

	For the Year ended March 31, 2010	For the Year ended March 31, 2009
SCHEDULE 16: OPERATING AND OTHER EXPENSES		
Rent	**17,211,982**	19,889,295
Rates and taxes	**1,382,309**	1,875,918
Office maintenance	**11,693,358**	10,483,613
Auditors' remuneration	**1,298,282**	2,593,417
Implementation expenses	**6,939,893**	30,192,067
Advertisement and recruitment	**377,032**	910,821
Business promotion	**4,230,039**	2,368,905
Communication	**3,708,487**	6,354,443
Postage and courier	**1,925,139**	1,092,922
Insurance	**3,724,712**	3,929,233
Electricity and water	**9,571,116**	10,457,855
Travelling and conveyance	**11,660,886**	14,939,254
Legal and professional fees	**5,744,528**	12,648,200
Exchange difference (net)	**5,120,233**	–
Provision for doubtful debts	**631,701**	1,112,239
Bad and doubtful debts written-off	**276,085**	–
Donation	**4,750**	274,672
	85,500,532	119,122,854

	For the Year ended March 31, 2010	For the Year ended March 31, 2009
SCHEDULE 17: FINANCIAL EXPENSES		
Interest on term loan from others	**15,001,641**	16,200,000
Interest on working capital loan from banks	**69,099**	–
Interest on others	**261,025**	–
Finance lease charges	**–**	88,704
Bank charges	**479,433**	651,716
	15,811,198	16,940,420

Schedule 18 - Notes to Accounts

1. **Background**

Four Soft Limited (the 'Company' or 'Four Soft') is one of the world's leading transportation and logistics software products company providing innovative and integrated enterprise solutions. Founded in 1999, Four Soft provides solutions to enterprises across the supply chain management market. Four Soft is head quartered in Hyderabad, India and has 8 development centers across the globe to cater to its large clientele. The Company's headquarter is registered as 100% export oriented unit under the Software Technology Park scheme of Government of India. Four Soft is a public limited company since April 2003 and has been registered with recognized stock exchanges of India.

2. **Summary of significant accounting policies**

(a) Basis of preparation

The financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting in accordance with Accounting Principles Generally Accepted in India ('Indian GAAP') and comply with mandatory Accounting Standards ('AS') prescribed by the Companies (Accounting Standards) Rules, 2006 (the 'Rules') and the relevant provisions of the Companies Act, 1956 ('the Act'). The accounting policies applied by the Company are consistent with those used in the previous year.

(b) Use of estimates

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

(c) 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. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

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.

(d) Depreciation

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

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

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

(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) 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.

(g) 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 capitalized.

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

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

(h) Investments

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

(i) Revenue recognition

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

Sale of goods and services

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

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

Interest

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

Dividends

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

(j) Foreign currency translation

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.

Conversion

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

Exchange differences

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

(k) Retirement and other employee benefits

Provident fund

A retirement benefit in the form of provident fund scheme is a defined contribution and the contribution is charged to the 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.

Gratuity

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

Compensated absences

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

(l) Employee stock option scheme

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

(m) Income taxes

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

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

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

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

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

(n) Earnings per 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.

(o) Provisions

A provision is recognized 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.

(p) Cash flow statement

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

(q) 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.

3. Related party transactions

Names of the related party	Country	Nature of relationship
Four Soft B.V.	Netherlands	Wholly owned subsidiary (WOS)
Four Soft UK Ltd.	United Kingdom	WOS of Four Soft BV
Four Soft NL BV	Netherlands	WOS of Four Soft BV
Four Soft Singapore Pte. Ltd.	Singapore	WOS
Four Soft Japan KK	Japan	WOS of Four Soft Singapore Pte. Ltd
Four Soft Australia Pty Ltd.	Australia	WOS of Four Soft Singapore Pte. Ltd
Four Soft Nordic A/S	Denmark	WOS
Four Soft (HK) Ltd.	Hong Kong	WOS of Four Soft Nordic A/S
Transaxiom USA Inc.	USA	WOS of Four Soft Nordic A/S
Four Soft Malaysia Sdn. Bhd.	Malaysia	WOS
Four Soft USA, Inc.	USA	WOS of Four Soft BV
Four Soft Employee Welfare Trust	India	Controlling interest
Palem Srikanth Reddy	India	Key management personnel (KMP)
Biju S. Nair	India	KMP
Raj Shekhar Roy (w.e.f 30 September 2008)	India	KMP
Sonata Information Technology Limited	India	Enterprises significantly influenced by KMP or their relatives.
P.C Reddy Trust	India	Enterprises significantly influenced by KMP or their relatives.
GKP Reddi	India	Relative of KMP
P Soujanya Reddy	India	Relative of KMP
P Mangamma	India	Relative of KMP
Dakshayani Reddy	India	Relative of KMP

The details of the related party transactions entered into by the Company during the year ended 31 March 2010 are as follows:

		Year ended March 31,	
		2010	**2009**
1.	**Subsidiaries**		
	Four Soft B.V.		
	(a) Loan granted	—	13,990,608
	(b) Interest on loan granted	—	1,112,118
	(c) Repayment of loan granted	—	(51,615,630)
	(d) Repayment of interest on loan granted	—	(3,892,275)
	Four Soft USA, Inc.		
	(a) Reimbursable expenses (net)	**531,154**	2,475,378
	(b) Sales and services	**86,101,521**	69,689,768
	(c) Implementation expenses	—	3,813,966
	Four Soft UK Ltd.		
	(a) Reimbursable expenses (net)	**(285,703)**	2,331,936
	(b) Sales and services	**44,328,118**	63,684,203
	(c) Implementation expenses	**1,321,591**	2,935,848
	Four Soft NL B.V.		
	(a) Reimbursable expenses (net)	**62,272**	(112,778)
	(b) Sales and services	**64,492,217**	73,777,196
	Four Soft Singapore Pte. Ltd.		
	(a) Reimbursable expenses (net)	—	787,865
	(b) Sales and services	**18,444,035**	31,662,021
	(c) Interest on loan granted	**937,727**	935,564
	(d) Payment of interest on loan granted	**6,975,636**	—
	Four Soft Japan KK		
	(a) Reimbursable expenses (net)	—	4,125,150
	(b) Implementation expenses	**5,618,302**	23,442,253
	Four Soft Nordic A/s		
	(a) Investment into equity	**122,855,946**	120,981,366
	(b) Reimbursable expenses (net)	**170,732**	2,734,314
	(c) Sales and services	**62,868,558**	66,610,677
2.	**Key management personnel**		
	Palem Srikanth Reddy		
	Remuneration (including commission)	**794,192**	960,622
	Interim dividend	**2,162,825**	—
	Biju S Nair		
	Remuneration	**2,278,234**	2,342,165
	Interim dividend	**6,541**	—
	Raj Shekhar Roy		
	Remuneration	**4,383,594**	2,584,614
	Interim dividend	**5,000**	—
3.	**Enterprises significantly influenced by key management personnel or their relatives:**		
	Sonata Information Technology Limited		
	Purchase of third party license	**1,049,180**	2,473,653
	P.C. Reddy Trust		
	Donation of assets	—	255,210
4.	**Relatives of KMP**		
	Interim dividend	**72,238**	—

		As at March 31, 2010	2009
5.	**Balance outstanding**		
	Sundry debtors		
	Four Soft NL B.V.	**768,754**	6,470,542
	Four Soft UK Ltd.	**10,555,866**	18,385,238
	Four Soft USA, Inc.	**21,377,516**	45,124,534
	Four Soft Singapore Pte. Ltd.	**23,158,311**	39,200,378
	Four Soft Nordic A/s	**2,461,120**	5,790,351
	Four Soft Japan KK	**15,777,376**	18,135,414
	Other current assets		
	Four Soft B.V.	**119,175**	132,500
	Four Soft Singapore Pte. Ltd.	**722,315**	7,138,465
	Loans and advances		
	Four Soft NL B.V.	**374,083**	429,970
	Four Soft UK Ltd.	—	1,942,595
	Four Soft USA, Inc.	—	575,830
	Four Soft Singapore Pte. Ltd.	**11,401,856**	12,052,868
	Four Soft Welfare Trust	**1,057,190**	1,255,520
	Current liabilities		
	Four Soft UK Ltd.	**65,251,727**	19,448,310
	Four Soft USA, Inc.	**47,013,451**	53,391,475
	Four Soft Singapore Pte. Ltd.	**449,807**	7,919,774
	Four Soft Japan KK	**29,971,839**	28,465,053
	Four Soft NL B.V.	**4,701,081**	798,155
	Four Soft Malaysia Sdn. Bhd.	**492,674**	506,266
	Four Soft Nordic A/s	**427,672**	34,176
	Palem Srikanth Reddy	**2,290,414**	1,878,852
	Biju S Nair	**139,513**	394,772
	Raj Shekhar Roy	**348,781**	785,097

The Company has outstanding guarantee given on behalf of Four Soft B.V. as described in Note 11(a).

The Company's secured loan is secured against standby letter of credit from bankers of the Four Soft Nordic A/s.

4. Sundry debtors

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

	As at March 31, 2010	2009
Four Soft NL B.V.	**768,754**	6,470,542
Four Soft UK Ltd.	**10,555,866**	18,385,238
Four Soft USA, Inc.	**21,377,516**	45,124,534
Four Soft Singapore Pte. Ltd.	**23,158,311**	39,200,378
Four Soft Nordic A/s	**2,461,120**	5,790,351
Four Soft Japan KK	**15,777,376**	18,135,414

5. **Loans & Advances :-**

Including in loans and advances are dues from Company under the same management

	As at March 31, 2009		Maximum amount outstanding at any time during the year ended 31 March	
	2010	**2009**	**2010**	**2009**
Four Soft B.V.	**—**	—	**—**	5,509,114
Four Soft Singapore Pte. Ltd.	**11,401,856**	12,052,868	**12,071,423**	12,079,531
Four Soft UK Limited	**—**	1,942,595	**1,942,609**	1,942,609
Four Soft NL B.V.	**374,083**	429,970	**429,991**	38,055,013
Four Soft USA, Inc.	**—**	575,830	**575,831**	575,831

6. **Leases**

Operating leases

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

Particulars	**As at 31 March**	
	2010	2009
Lease payments for the year	**17,211,982**	19,889,295
Minimum lease payments:		
Not later than one year	**—**	14,244,676
Later than one year but not later than five years	**—**	—
Later than five years	**—**	—
There are no restrictions imposed by lease arrangements. There are no subleases.		

7. **Research and development**

During the year ended 31 March 2010 the Company has incurred expenses amounting to Rs 80,586,288 (2009: Rs 59,608,490) towards research and development included under various heads of expenses.

8. **Deferred tax comprises of:**

Particulars	**For the year ended 31 March**	
	2010	2009
Deferred tax liability		
Difference in depreciation in block of assets	**5,443,690**	6,912,217
Total deferred tax liability	**5,443,690**	6,912,217
Deferred tax assets		
Provision for gratuity	**783,058**	1,853,487
Provision for compensated absences	**755,239**	498,556
Provision for doubtful debts	**214,715**	2,502,453
Total deferred tax assets	**1,753,012**	4,854,496
Net deferred tax liability	**3,690,678**	2,057,721

9. **Employee stock options (ESOP)**

(a) The Company has established Four Soft Limited Employees Welfare Trust (the 'Trust') to administer the ESOP Scheme and as at 31 March 2010 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 equity shares at an exercise price of Rs 5 each to the eligible employees, which are subject to progressive vesting (1 year after date of issue of options) over a period of three years from the date of the grant. As of 31 March 2010 the total shares held by the Trust is 348,325 (2009: 466,318). Mode of settlement of these stock options is equity.

(b) During the year ended 31 March 2010 the Company has amortized stock compensation expenses amounting to Rs 1,350,139 (2009: Rs 2,790,587).

(c) Changes in number of shares representing stock options outstanding as at the year ended on 31 March 2010 were as follows:

	For the year ended 31 March 2010		For the year ended 31 March 2009	
	Number of shares	**Weighted average exercise price**	Number of shares	Weighted average exercise price
Outstanding at the beginning of the year	**345,352**	**5**	551,040	5
Granted during the year	**1,947,987**	**20**	–	5
Forfeited during the year	**56,834**	**5**	115,150	5
Exercised during the year	**117,993**	**5**	90,538	5
Expired during the year	**–**	**5**	–	5
Outstanding at the end of the year	**2,118,512**	**18.79**	345,352	5
Exercisable at the end of the year	**91,993**	**5**	131,326	5

(d) In March 2005 the ICAI has issued a guidance note on 'Accounting for Employees Share Based Payments' applicable to employee share based plan, the grant date in respect of which falls on or after 1 April 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:

Particulars	**For the year ended 31 March**	
	2010	2009
Net profit (as reported)	**11,537,043**	19,662,239
Add: Employee stock compensation under intrinsic value method	**1,350,139**	2,790,587
Less: Employee stock compensation under fair value method	**2,930,234**	4,662,947
Proforma profit	**9,956,948**	1,7789,879

Particulars	**For the year ended 31 March**	
	2010	2009
Earnings per share		
Basic		
- As reported	**0.31**	0.51
- Proforma	**0.26**	0.46
Diluted		
- As reported	**0.31**	0.51
- Proforma	**0.26**	0.46

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

Particulars	For the year ended 31 March 2010	2009
Risk-free interest rate	**8.00%**	7.5%
Expected life	**1 to 4 years**	1 to 3 years
Expected volatility	**0.47 to 0.60**	0.69
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 16.73 (2009: Rs 16.81).Options outstanding at 31 March 2010 had an exercise price of Rs 5 to Rs 20, and a weighted average remaining contractual life of 13.95 months (2009: 11.94 months).

10. 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 summarize the components of net benefit expense recognized in the profit and loss account and the funded status and amounts recognized in the balance sheet for the gratuity:

	Particulars	For the year ended 31 March 2010	2009
A.	**Net gratuity expense recognized in the profit and loss account (under 'personnel expenses')**		
	Current service cost	**3,175,603**	3,153,629
	Interest cost on benefit obligation	**562,082**	873,781
	Expected return on plan assets	**(153,102)**	(303,034)
	Net actuarial gain recognized in the year	**(6,733,860)**	(2,604,710)
	Net benefit (income) / expense	**(3,149,277)**	1,119,666
B.	**Details of provision recognized in the balance sheet**		
	Defined benefit obligation	**4,387,876**	7,494,424
	Fair value of plan assets	**(2,084,088)**	(2,041,359)
	Net provision for gratuity	**2,303,788**	5,453,065
	Actual return on plan assets	**167,344**	218,327
C	**Changes in the present value of the defined benefit obligation are as follows:**		
	Opening defined benefit obligation	**7,494,424**	7,550,118
	Interest cost	**562,082**	873,781
	Current service cost	**3,175,603**	3,153,629
	Benefits paid	**(124,615)**	(1,393,687)
	Actuarial gains on obligation	**(6,719,618)**	(2,689,417)
	Closing defined benefit obligation	**4,387,876**	7,494,424

	Particulars	For the year ended 31 March 2010	2009
D	**Changes in the fair value of plan assets are as follows:**		
	Opening fair value of plan assets	**2,041,359**	3,216,719
	Expected return	**153,102**	303,034
	Benefits paid	**(124,615)**	(1,393,687)
	Actuarial gains / (losses) on plan assets	**14,242**	(84,707)
	Closing fair value of plan assets	**2,084,088**	2,041,359
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	**8.00% p.a.**	7.50% p.a.
	Expected rate of return on assets	**8.00% p.a.**	7.50% p.a.

Expected employer's contribution next year Rs 2,000,000 (2009: Rs 2,500,000). The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled. The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors.

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

	For the year ended 31 March 2007	2008	2009	**2010**
Defined benefit obligation	7,858,429	7,550,118	7,494,424	**4,387,876**
Planned assets	2,323,344	3,216,719	2,041,359	**2,084,088**
Surplus/(Deficit)	(5,535,085)	(4,333,399)	(5,453,065)	**(2,303,788)**
Experienced adjustment to plan liabilities	(6,143,132)	(3,754,454)	(2,074,730)	**(734,723)**
Experienced adjustment to plan assets	18,825	55,322	(84,707)	**14,242**

11. Contingent liabilities not provided for:

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

Particulars	As at March 31, 2010	2009
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

12. Unhedged foreign currency exposure

Sundry debtors	**78,410,842**	144,407,507
Loans and advances to subsidiaries	**10,947,286**	15,001,717
Other current assets	**1,720,142**	7,271,777
Due to subsidiaries	**144,374,097**	110,451,655
Due to vendors	–	11,369,470
Due to banks	**30,294,700**	–

13. Remuneration to auditors

Particulars	For the year ended March 31	
	2010	**2009**
As Auditors		
- Audit fees	**1,253,520**	2,435,020
- Reimbursement of out-of-pocket expenses	**44,762**	48,397
In others manner		
- Certification	**–**	110,000
	1,298,282	2,593,417

14. Supplementary statutory information

(a) Managerial remuneration

Particulars	For the year ended March 31	
	2010	**2009**
Salaries	**240,000**	240,000
Perquisites	**113,830**	242,570
Commission on net profit	**411,562**	449,252
Contribution to provident fund and other funds	**28,800**	28,800
	794,192	960,622

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.

(b) Computation of net profit in accordance with section 349 of the Act for calculation on commission payable to director:

Particulars	For the year ended March 31	
	2010	**2009**
Profit before tax as per profit and loss account	**18,876,125**	20,389,743
Add:		
Managing director's remuneration	**794,192**	960,622
Depreciation as per books of account	**14,708,687**	22,415,255
Provision for doubtful debts	**631,701**	1,112,239
	35,286,793	44,877,859
Less: Depreciation under Section 350 of the Act*	**14,708,687**	22,415,255
Net profit as per Section 349 of the Act	**20,302,018**	22,462,604
Commission to managing director at 2% of the net profits as approved by shareholders	**406,040**	449,252

* The Company depreciates fixed assets based on estimated useful lives that are lower than those implicit in Schedule XIV to the Act. Accordingly, the rates of depreciation used by the Company are higher than the minimum depreciation rates prescribed by the Schedule XIV to the Act.

(c) Earnings in foreign currency (on accrual basis)

Particulars	For the year ended March 31	
	2010	**2009**
License fees	**5,264,569**	–
Annual maintenance services	**15,841,739**	15,221,947
Revenue from services	**225,240,211**	257,771,825
Sale of third party licenses (gross)	**834,587**	4,698,745
	247,181,106	277,692,517

(d) Expenditure in foreign currency (on payment basis)

Particulars	For the year ended March 31	
	2010	**2009**
Travelling	**3,659,027**	13,691,848
Implementation expenses	**6,939,893**	42,297,579
Cost of third party licenses	**–**	2,482,783
Professional charges	**1,285,474**	6,297,983
	11,884,394	64,770,193

(e) Value of imports calculated on CIF basis

During the year ended 31 March 2010 the Company has imported capital goods amounting to Rs Nil (2009: Rs 286,572)

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

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 Act.

16. Investments

Current investments purchased and sold/redeemed during the year:

Particulars	For the year ended March 31	
	2010	2009
	Purchase	Sale
Nil (30,048) DSP Black Rock Liquid Plus fund	**Nil**	Nil
	(30,072,137)	(30,072,137)
Nil (705,374) DSP Black Rock FMP-IM Series 3	**Nil**	Nil
	(7,055,999)	(7,055,999)
Nil (2,026,642) Canara Robeco Liquid Plus Dividend Fund	**Nil**	Nil
	(25,144,750)	(25,144,750)
Nil (1,016,381) LIC Mutual Interval Fund	**Nil**	Nil
	(10,168,383)	(10,168,383)

Note: Previous year figures have been stated in brackets.

17. Earnings per share (EPS)

	Year ended March 31, **2010**	2009
Net profit as per profit and loss account	**11,537,037**	19,662,239
Weighted average number of equity shares in calculating basic EPS	**38,611,419**	38,493,426
Effect of dilutive equity shares	**114,817**	53,157
Weighted average number of equity shares in calculating diluted EPS	**38,726,236**	38,546,583

ICAI 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 1 April 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.

18. Segment information

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

19. Sundry creditors

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. There are no dues to micro, small and medium enterprises as on 31 March 2010.

20. Previous year comparatives

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

For and on behalf of the Board of Directors

Sd/-
Palem Srikanth Reddy
Chairman & Managing Director

Sd/-
P. Mangamma
Director

Sd/-
Kavitha Pakala
Company Secretary

Sd/-
Biju S. Nair
Chief Financial Officer

Place : Hyderabad
Date : 28 May 2010

Blance Sheet Abstaract and Company's genral business profile

Registration details
Registration No. : 33131
State Code : 01

Balance Sheet date	**March 31, 2010**
	(Rs.in thousand except per share data)
Balance Sheet date	**March 31, 2010**
Capital raised during the year	
Public Issue	–
Rights Issue	–
Bonus Issue	–
Sweat Equity shares to Directors	–
Shares allotted to Four Soft Ltd. Employee Welfare Trust	–
Position of Mobilisation and Deployment of Funds	
Total Liabilities	**1,049,100**
Total Assets	**1,049,100**
Sources of Funds	
Paid-up Capital	**194,140**
Reserves and Surplus	**820,974**
Secured Loans	**30,295**
Unsecured Loans	–
Application of Funds	
Net Fixed assets	**55,108**
Investments	**1,156,348**
Net current assets	**(162,356)**
Miscellaneous expenditure	–
Accumulated losses	–
Performance of Company	
Income from software products and related services	**325,797**
Other Income	**5,727**
Total Income	**331,524**
Total Expenditure	**312,648**
Profit / (Loss) before tax	**18,876**
Profit / (Loss) after tax	**11,537**
Earnings per share (basic) (Rs.)	**0.30**
Dividend per par value (Rs. 5/-) (%)	**0.30**
Generic name of principal products / services of the company	
Item Code No. (ITC Code)	**85 24 90 09**
Product Description	**Computer Software**

For and on behalf of the Board of Directors

Sd/-
Palem Srikanth Reddy
Chairman & Managing Director

Sd/-
P. Mangamma
Director

Sd/-
Kavitha Pakala
Company Secretary

Sd/-
Biju S. Nair
Chief Financial Officer

Place : Hyderabad
Date : 28 May 2010

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') and its subsidiaries (collectively referred as the 'Group'), as at 31 March 2010 and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto (collectively referred as the 'consolidated financial statements'). These consolidated 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 consolidated financial statements based on our audit.

2. 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 consolidated financial statements are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets of Rs 1,437,500,811 as at 31 March 2010, the total revenue of Rs 1,311,902,170 and net cash inflows amounting to Rs 85,948,408 for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us and our opinion is based solely on the report of other auditors.

4. *The consolidated financial statements as at and for the year ended 31 March 2010 include the unaudited financial statements of certain subsidiaries whose un-audited financial statements reflect aggregate total assets of Rs 87,183,381 as 31 March 2010 and aggregate total revenue of Rs 45,752,651 and net cash outflows amounting to Rs 744,210 for the year then ended. The consolidated financial statements do not include adjustments, if any, that may be required had the financial statements of the aforesaid subsidiaries been audited.*

5. We report that the consolidated financial statements have been prepared by management of the Company in accordance with the requirements of Accounting Standards (AS) 21, 'Consolidated Financial Statements' notified pursuant to the Companies (Accounting Standards) Rules, 2006.

6. The consolidated financial statements of the Company, as at and for the year ended 31 March 2009 was audited by M/s. S.R. Batliboi & Associates, Chartered Accountants vide their report dated 19 June 2009. The balances as at 31 March 2009 as per the audited financial statements, regrouped and/or reclassified wherever necessary, have been considered as opening balances for the purpose of these consolidated financial statements.

7. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components and to the best of our information and according to the explanations given to us, *subject to our observations in Para 4 above the effect of which on these accounts is presently not ascertainable,* we are of the opinion that the attached Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:

   i) in case of the Consolidated Balance Sheet, of the state of affairs of the Group as at 31 March 2010;

   ii) in case of the Consolidated Profit and Loss Account, of the profit for the year ended on that date; and

   iii) in case of the Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

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

Per Aashish Arjun Singh
Partner
Membership No: 210122

Bengaluru
28 May 2010

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2010

Amount in Rupees

	Schedules	As at March 31, 2010	As at March 31, 2009
I. SOURCES OF FUNDS			
1. Shareholders' funds			
(a) Capital	1	**194,140,095**	193,544,130
(b) Stock options outstanding	2	**3,594,516**	5,835,742
(c) Reserves and surplus	3	**1,276,547,973**	1,401,398,533
		1,474,282,584	1,600,778,405
2. Loan funds			
(a) Secured loans	4	**232,934,725**	296,530,073
(b) Unsecured loan	5	**138,290**	188,254
		233,073,015	296,718,327
Deferred tax liabilities (net)	18 [8(a)]	**3,690,678**	2,066,176
		1,711,046,277	1,899,562,908
II. Application of funds			
1. Fixed assets	6		
(a) Gross block		**1,908,293,154**	1,960,466,457
(b) Less: Depreciation		**257,827,169**	257,185,836
(c) Less: Impairment loss	18(12)	**36,396,093**	36,396,093
(e) Net block		**1,614,069,892**	1,666,884,528
2. Deferred tax asset (net)	18 [8(b)]	**7,739,330**	11,922,672
3. Current assets, loans and advances			
(a) Sundry debtors	7	**197,182,745**	567,699,853
(b) Cash and bank balances	8	**197,316,478**	108,189,368
(c) Other current assets	9	**26,475**	50,894
(d) Loans and advances	10	**73,167,803**	82,354,447
		467,693,501	758,294,562
Less: Current liabilities and provisions			
(a) Liabilities	11	**327,212,078**	353,946,186
(b) Provisions	12	**51,244,368**	183,592,668
		378,456,446	537,538,854
Net current assets		**89,237,055**	220,755,708
		1,711,046,277	1,899,562,908
Notes to accounts	18		

The Schedules referred to above form an integral part of the Consolidated Balance Sheet
This is the Consolidated Balance Sheet referred to in our report of even date

For Walker, Chandiok & Co
Chartered Accountants

Per Aashish Arjun Singh
Partner

Place : Bengaluru
Date : 28 May 2010

For and on behalf of the Board of Directors

Sd/-
Palem Srikanth Reddy
Chairman & Managing Director

Sd/-
P. Mangamma
Director

Sd/-
Kavitha Pakala
Company Secretary

Sd/-
Biju S. Nair
Chief Financial Officer

Place : Hyderabad
Date : 28 May 2010

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2010

Amount in Rupees

		Schedules	**For the Year ended March 31, 2010**	For the Year ended March 31, 2009
I.	**INCOME**			
	Revenue from software services and products	13	**1,329,599,866**	1,945,931,776
	Other income	14	**51,618,447**	148,450,860
			1,381,218,313	2,094,382,636
II.	**Expenditure**			
	Personnel expenses	15	**879,392,851**	947,447,467
	Operating and other expenses	16	**367,769,318**	433,168,623
	Depreciation and amortization	6	**23,861,848**	42,118,478
	Impairment loss	18(12)	**–**	36,396,094
	Finance charges	17	**24,707,328**	39,568,487
			1,295,731,345	1,498,699,149
	Profit before tax and prior period items		**85,486,968**	595,683,487
	Provision for tax			
	Current tax		**21,806,898**	154,522,919
	MAT credit entitlement		**–**	(547,000)
	Tax for earlier years		**(2,942,584)**	(9,755,945)
	Deferred tax		**4,834,048**	2,497,153
	Fringe benefit tax		**–**	1,720,000
	Total tax expense		**23,698,362**	148,437,127
	Net profit before prior period items		**61,788,606**	447,246,360
	Prior period items	18(16)	**(14,865,598)**	–
	Net profit		**76,654,204**	447,246,360
	Balance brought forward from previous year		**619,507,521**	172,261,161
	Profit available for appropriation		**696,161,725**	619,507,521
	Interim dividend @ Rs 0.25 (2009: Rs Nil) on equity shares of Rs 5 each		**9,742,274**	–
	Tax on dividend		**1,655,721**	–
	Surplus carried to balance sheet		**684,763,730**	619,507,521
	Earnings per share	18(15)		
	Basic		**1.99**	11.62
	Diluted		**1.98**	11.60
	Nominal value of shares		**5**	5
	Notes to accounts	18		

The Schedules referred to above form an integral part of the Consolidated Profit and Loss Account
This is the Consolidated Profit and Loss Account referred to in our report of even date

For Walker, Chandiok & Co
Chartered Accountants

Per Aashish Arjun Singh
Partner

Place : Bengaluru
Date : 28 May 2010

For and on behalf of the Board of Directors

Sd/-
Palem Srikanth Reddy
Chairman & Managing Director

Sd/-
P. Mangamma
Director

Sd/-
Kavitha Pakala
Company Secretary

Sd/-
Biju S. Nair
Chief Financial Officer

Place : Hyderabad
Date : 28 May 2010

Consolidated Cash Flow Statement for the year ended 31st March, 2010

Amount in Rupees

		2009-2010	2008-2009
A.	**Cash flow from operating activities**		
	Profit before tax and after prior period item	**100,352,566**	595,683,487
	Adjustments for:		
	Depreciation / amortization	**23,861,848**	42,118,478
	Impairment loss	**–**	36,396,094
	Employee stock compensation expenses	**1,350,139**	2,790,587
	Unrealized foreign exchange loss (net)	**1,379,158**	14,750,326
	Interest income on fixed deposits	**(1,913,678)**	(3,305,844)
	Bad and doubtful debts written-off	**276,085**	–
	Provision for doubtful debts	**2,661,111**	11,112,213
	Provision for doubtful advances	**262,596**	–
	Interest expense	**22,424,141**	36,509,580
	Donations in kind	**–**	255,210
	Loss on sale of fixed asset	**12,635**	112,499
	Operating profit before working capital changes	**150,666,601**	736,422,630
	Movements in working capital:		
	Decrease/(Increase) in sundry debtors	**379,213,389**	(219,605,751)
	Decrease in loans and advances	**7,050,560**	18,867,409
	Decrease in liabilities	**(138,469,525)**	(23,988,793)
	Cash generated from operations:	**398,461,025**	511,695,495
	Direct taxes paid (including fringe benefit tax), net of refunds	**(138,733,433)**	(45,494,952)
	Net cash generated from operating activities	**259,727,592**	466,200,543
B.	**Cash flows from investing activities**		
	Purchase of fixed assets	**(6,574,534)**	(10,610,700)
	Proceeds from sale of fixed assets	**–**	1,283,719
	Payments for net assets acquired of subsidiaries, net of cash	**(55,357,613)**	(120,981,366)
	Payment towards finance lease obligation	**(49,964)**	(962,342)
	Interest received	**1,938,097**	3,277,912
	Net cash used in investing activities	**(60,044,014)**	(127,992,777)

Consolidated Cash Flow Statement for the year ended 31st March, 2010

Amount in Rupees

		2009-2010	2008-2009
C.	**Cash flows from financing activities**		
	Proceeds from issuance of share capital	**6,000**	–
	Proceeds from long-term borrowings	**202,640,025**	–
	Proceeds from working capital loan	**30,294,700**	–
	Repayment of long term borrowings	**(296,530,073)**	(230,175,969)
	Dividend paid	**(9,742,274)**	–
	Tax on dividend paid	**(1,655,721)**	–
	Interest paid	**(20,943,360)**	(34,836,023)
	Net cash used in financing activities	**(95,930,703)**	(265,011,992)
D.	**Effect of exchange difference on cash and cash equivalents**	**(16,479,832)**	(44,363,192)
	Net increase in cash and cash equivalents (A+B+C+D)	**87,273,043**	28,832,582
	Cash and cash equivalent at the beginning of the year	**108,189,368**	79,447,856
	Cash and cash equivalent at the end of the year	**195,462,411**	108,280,438

Notes:

Cash and bank balances		
(as per Schedule 8 of the consolidated financial statements)	**197,316,478**	108,189,368
Less: Deposits with bank with original maturity of more than three months	**(299,861)**	(332,556)
Effect of unrealized exchange loss/(gain)	**(1,554,206)**	423,626
Cash and cash equivalents considered for consolidated cash flows	**195,462,411**	108,280,438

Notes to accounts (Refer Schedule 18)

The Schedules referred to above form an integral part of the Consolidated Cash Flow Statement
This is the Consolidated Cash Flow Statement referred to in our report of even date

For Walker, Chandiok & Co
Chartered Accountants

Per Aashish Arjun Singh
Partner

Place : Bengaluru
Date : 28 May 2010

For and on behalf of the Board of Directors

Sd/-
Palem Srikanth Reddy
Chairman & Managing Director

Sd/-
P. Mangamma
Director

Sd/-
Kavitha Pakala
Company Secretary

Sd/-
Biju S. Nair
Chief Financial Officer

Place : Hyderabad
Date : 28 May 2010

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Amount in Rupees

	As at March 31, 2010	As at March 31, 2009
SCHEDULE 1: CAPITAL		
Authorized		
56,077,600 (2009: 56,077,600) equity shares of Rs 5 each	**280,388,000**	280,388,000
696,120 (2009: 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 (2009: 38,959,744) equity shares of Rs 5 each fully paid-up	**194,798,720**	194,798,720
Less: Calls in arrears	**3,000**	9,000
	194,795,720	194,789,720
Less: Amount recoverable from ESOP trust [348,325 equity shares (2009: 466,318), including 217,200 (2009: 217,200) bonus shares allotted to the trust]	**655,625**	1,245,590
	194,140,095	193,544,130

Note

Of the above shares:

a. 4,563,970 (2009: 4,563,970) equity shares of Rs 5 each are allotted as fully paid-up bonus shares by capitalization of general reserve.

b. 10,452,102 (2009: 10,452,102) equity shares of Rs 5 each, were allotted as fully paid-up pursuant to a contract without payments being received in cash.

c. 821,875 shares (2009: 703,882 shares) of Rs 5 each, fully paid-up were issued to employees (through ESOP trust) pursuant to the employee stock option scheme.
   - Of the above 390,544 (2009: 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.
   - Of the above 20,000 (2009: 10,000) shares were issued at Rs 48.45 out of which Rs 43.45 per share were received in the form of employee service.
   - Of the above 326,338 (2009: 303,338) shares were issued at Rs 70.75 out of which Rs 65.75 per share were received in the form of employee service.
   - Of the above 84,993 (2009: Nil) shares were issued at Rs 24.65 out of which Rs 19.65 per share were received in the form of employee service.

Amount in Rupees

	As at March 31, 2010	As at March 31, 2009
SCHEDULE 2: STOCK OPTIONS OUTSTANDING		
(Refer note 9 on Schedule 18)		
Stock compensation outstanding at the beginning of the year	**8,170,466**	18,815,316
Add: Stock options granted during the year	**4,188,139**	–
	12,358,605	18,815,316
Less: Stock options cancelled/forfeited during the year	**1,273,431**	4,938,714
Less: Transferred to share premium account on exercise of stock options	**3,591,365**	5,706,136
	7,493,809	8,170,466
Less: Deferred employee stock compensation	**3,899,293**	2,334,724
	3,594,516	5,835,742
Note:		
Deferred employee stock compensation:		
Stock compensation outstanding at the beginning of the year	**2,334,724**	10,064,025
Add: Stock options granted during the year	**4,188,139**	–
Less: Stock options cancelled/forfeited during the year	**1,273,431**	4,938,714
Less: Stock compensation amortized during the year	**1,350,139**	2,790,587
Closing balance of deferred employee stock compensation	**3,899,293**	2,334,724

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Amount in Rupees

	As at March 31, 2010	As at March 31, 2009
SCHEDULE 3: RESERVES AND SURPLUS		
Share premium account		
Balance as per last account	**643,278,615**	637,572,479
Add: On exercise of stock options	**3,591,365**	5,706,136
	646,869,980	643,278,615
Capital reserve		
Balance as per last account	**14,280,000**	–
Add: Share warrants forfeited (Refer note below)	**–**	14,280,000
	14,280,000	14,280,000
General reserve		
Balance as per last account	**2,598,214**	2,598,214
Profit and loss account	**684,763,730**	619,507,521
Foreign currency translation reserve		
Balance as per last account	**121,734,183**	69,914,140
Add: Current year translation adjustment	**(193,698,134)**	51,820,043
	(71,963,951)	121,734,183
	1,276,547,973	1,401,398,533

Note:

As approved by the shareholders in the Extraordinary general meeting of the Company held on 19 January 2007, the Board of Directors of the Company at their meeting held on 2 February 2007, allotted 2,000,000 warrants to Citicorp Finance (India) Limited and 100,000 warrants to Indus Age 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 were convertible into equal number of equity shares of face value of Rs 5 each 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. The warrant holders did not subscribe to the warrants within the stipulated period and the Company has forfeited the amount so deposited.

SCHEDULE 4: SECURED LOAN		
(Refer note 6 on Schedule 18)		
Working capital		
From banks	**30,294,700**	–
Term loan		
From banks	**202,640,025**	161,530,073
From others	**–**	135,000,000
	232,934,725	296,530,073
SCHEDULE 5: UNSECURED LOAN		
From others		
Finance lease obligations	**138,290**	188,254
	138,290	188,254

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SCHEDULE 6: Fixed Assets

All amounts are in Indian Rupee unless otherwise stated

	Tangible asset						Intangible asset		Total	Total
	Buildings	Computers	Office equipment	Furniture and fittings	Lease hold improve-ments	Vehicles	Goodwill	Software	as at 31-Mar-10	as at 31-Mar-09
Gross block										
As at 1 April 2009	39,158,800	133,954,044	34,237,950	71,843,053	4,772,036	–	1,625,324,251	51,176,323	**1,960,466,457**	1,736,173,460
Additions during the year	–	2,776,068	91,769	502,217	–	851,433	140,729,819	606,599	**145,557,905**	132,020,169
Disposals / adjustments during the year	–	137,187	–	–	–	–	–	–	**137,187**	9,958,340
Exchange Difference	(972,425)	(5,101,196)	(652,890)	(5,417,163)	(145,538)	(86,837)	(183,850,194)	(1,367,778)	**(197,594,021)**	102,231,168
As at 31 March 2010	38,186,375	131,491,729	33,676,829	66,928,107	4,626,498	764,596	1,582,203,876	50,415,144	**1,908,293,154**	1,960,466,457
Depreciation / Amortization										
Upto 1 April 2009	15,836,163	111,812,695	17,644,214	63,739,489	3,577,649	–	10,629,334	33,946,292	**257,185,836**	216,358,682
For the year	1,306,065	9,589,836	2,381,366	3,310,874	273,550	199,633	–	6,800,524	**23,861,848**	42,118,479
Adjustments during the year	–	110,129	(295,285)	295,285	–	–	6,309,164*	–	**6,419,293**	8,191,108
Impariment	–	–	–	–	–	–	(4,320,170)	–	**(16,801,222)**	6,899,784
Exchange Difference	(972,422)	(4,330,871)	(570,497)	(5,485,634)	(43,528)	(20,360)	–	(1,057,740)	**257,827,169**	257,185,836
Upto 31 March 2010	16,169,806	116,961,531	19,750,368	61,269,444	3,807,671	179,273	36,396,093	39,689,076	**36,396,093**	36,396,093
Net block										
As at 31 March 2010	22,016,569	14,530,198	13,926,461	5,658,663	818,827	585,323	1,545,807,783	10,726,068	**1,614,069,892**	1,666,884,528
As at 31 March 2009	23,322,637	22,141,349	16,593,736	8,103,564	1,194,387	–	1,578,298,824	17,230,031	**1,666,884,528**	

* Refer Note 16 on Schedule 18

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Amount in Rupees

	As at March 31, 2010	As at March 31, 2009
SCHEDULE 7: SUNDRY DEBTORS		
Unsecured debts outstanding for a period exceeding six months		
Considered good	**62,291,272**	323,090,428
Considered doubtful	**14,356,759**	28,902,302
	76,648,031	351,992,730
Unsecured other debts		
Considered good	**134,891,473**	244,609,425
Considered doubtful	**–**	79,543
	211,539,504	596,681,698
Less : Provision for doubtful debts (Refer note below)	**14,356,759**	28,981,845
	197,182,745	567,699,853

Note: Bad and doubtful debts written-off during the year amounting to Rs 7,362,291 (2009: Rs Nil)

	As at March 31, 2010	As at March 31, 2009
SCHEDULE 8: CASH AND BANK BALANCES		
Cash balance on hand	**188,576**	343,551
Bank balances with Scheduled banks on:		
Current accounts	**19,991,399**	16,097,482
Deposit accounts	**299,861**	332,556
Un-paid dividend accounts	**504,949**	404,658
Un-paid IPO refund accounts	**204,959**	204,959
	21,001,168	17,039,655
Balance with other banks on:		
Current accounts	**175,575,752**	89,839,303
Deposit accounts	**550,982**	966,859
	176,126,734	90,806,162
	197,316,478	108,189,368
SCHEDULE 9: OTHER CURRENT ASSETS		
(Unsecured, considered good)		
Interest accrued on fixed deposits	**26,475**	50,894
	26,475	50,894
SCHEDULE 10: LOANS AND ADVANCES		
(Unsecured, considered good except stated otherwise)		
Advances recoverable in cash or in kind or for value to be received		
Unsecured, considered good	**47,871,612**	53,038,304
Unsecured, considered doubtful	**2,502,082**	2,383,130
Deposits	**17,295,717**	18,693,953
MAT credit entitlement	**–**	547,000
Advance income tax (net of provision)	**8,000,474**	8,890,185
Advance fringe benefit tax (net of provision)	**–**	1,185,005
	75,669,885	84,737,577
Less: Provision for doubtful advances	**2,502,082**	2,383,130
	73,167,803	82,354,447

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Amount in Rupees

	As at March 31, 2010	As at March 31, 2009
SCHEDULE 11: LIABILITIES		
Sundry creditors (Refer note 19 on Schedule 18)		
– Total outstanding dues of micro enterprises and small enterprises	**–**	–
– Total outstanding dues of creditors other than micro enterprises and small enterprises	**191,645,152**	144,962,120
	191,645,152	144,962,120
Dues to directors	**2,290,414**	1,878,852
Advance from customers	**119,135,573**	173,394,731
Investor Education and Protection Fund shall be credited by the following amounts (as and when due):		
- Unclaimed dividends	**504,949**	404,658
- Application money due for refund	**204,959**	204,959
Other liabilities	**13,431,031**	33,100,866
	327,212,078	353,946,186
SCHEDULE 12: PROVISIONS		
For employee benefits	**42,578,123**	52,982,588
For income tax (net of advance payments)	**8,666,245**	130,610,080
	51,244,368	183,592,668

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Amount in Rupees

	For the Year ended March 31, 2010	For the Year ended March 31, 2009
SCHEDULE 13: REVENUE FROM SOFTWARE SERVICES AND PRODUCTS		
Revenue from services	**800,601,274**	1,004,711,477
Annual maintenance services	**399,804,698**	563,987,562
Sale of licenses	**102,475,639**	350,487,904
Income from sale of third party licenses (net)	**26,718,255**	26,744,833
	1,329,599,866	1,945,931,776
SCHEDULE 14: OTHER INCOME		
Interest on fixed deposits (gross)	**1,913,678**	3,305,844
Exchange difference (net)	**–**	100,646,191
Bad debts and advances recovered	**2,463,099**	686,756
Liability no longer required written back	**11,450,426**	7,632,629
Commission	**33,365,706**	29,533,057
Miscellaneous income	**2,425,538**	6,646,383
	51,618,447	148,450,860

SCHEDULES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Amount in Rupees

	For the Year ended March 31, 2010	For the Year ended March 31, 2009
SCHEDULE 15: PERSONNEL EXPENSES		
Salaries, wages and bonus	**752,164,827**	815,493,303
Gratuity/Pension and compensated absences	**25,358,505**	20,167,104
Contribution to provident and other funds	**58,002,514**	51,975,080
Employee stock compensation expenses	**1,350,139**	2,790,587
Staff welfare expenses	**42,516,867**	57,021,393
	879,392,851	947,447,467
SCHEDULE 16: OPERATING AND OTHER EXPENSES		
Rent	**69,911,877**	58,090,686
Fee, rates and taxes	**9,429,616**	10,650,190
Office maintenance	**41,609,594**	46,591,334
Auditors' remuneration	**5,710,723**	11,831,005
Implementation expenses	**40,394,505**	51,733,269
Advertisement and recruitment	**10,072,549**	4,766,656
Business promotion	**22,369,392**	9,461,342
Communication	**18,959,293**	28,195,836
Postage and courier	**2,902,172**	2,970,577
Insurance	**7,336,799**	7,041,429
Electricity and water	**14,334,762**	17,914,847
Travelling and conveyance	**58,660,348**	70,773,331
Legal and professional fees	**29,705,317**	89,856,117
Exchange difference (net)	**27,076,187**	–
Bad and doubtful debts written-off	**276,085**	–
Provision for doubtful debts	**2,661,111**	11,112,213
Provision for doubtful advances	**262,596**	–
Donations	**12,859**	274,672
Loss on sale of fixed asset	**12,635**	112,499
Miscellaneous expenses	**6,070,898**	11,792,620
	367,769,318	433,168,623
SCHEDULE 17: FINANCE CHARGES		
Interest on loan from banks	**7,049,730**	20,194,981
Interest on others	**15,374,411**	16,200,000
Finance lease charges	**–**	114,599
Bank charges	**2,283,187**	3,058,907
	24,707,328	39,568,487

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SCHEDULE 18

1. Background

Four Soft Limited (the 'Company' or 'Four Soft') is one of the world's leading transportation and logistics software products company providing innovative and integrated enterprise solutions. Founded in 1999, Four Soft provides solutions to enterprises across the supply chain management market. Four Soft is head quartered in Hyderabad, India and has 8 development centers across the globe to cater to its large clientele. Four Soft is a public limited company since April 2003 and has been registered with recognized stock exchanges of India.

2. Summary of significant accounting policies

(a) Basis of consolidation

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

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

The financial statements of the consolidating entities are added on a line-by-line basis and inter-company balances and transactions including unrealized gain/ loss from such transactions are eliminated upon consolidation.

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

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

(b) Use of estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles in India requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. Examples of such estimates include provision for doubtful debts and loans and advances, impairment of assets, income taxes, future obligation under employee benefit plans and estimated useful lives of fixed assets. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

(c) 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. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use. 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.

(d) Depreciation

Depreciation is provided using the written down value method as per the useful lives of the assets estimated by management, or at the rates prescribed under Schedule XIV to the Companies Act, 1956 ('the Act') whichever is higher, except:

i. Four Soft USA, Inc., uses modified accelerated cost recovery system 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.

The rates of depreciation used by the Parent Company are as under:

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

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

(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) 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.

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.

(g) Leases

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

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

(h) 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 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

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

Dividends

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

(i) Foreign currency transactions

Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the 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 Group's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

(j) Foreign currency translation

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

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

(k) Retirement and other employee benefits

Defined benefit contribution plan

In respect of the Company, retirement benefits in the form of provident fund scheme are charged to 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.

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

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

Defined benefit obligation plan

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

Defined benefit obligation plan

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

(l) Employee stock option scheme

Measurement and disclosure of the employee share-based payment plans is done in accordance with Securities Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the guidance note on 'Accounting for Employee Share Based Payments', issued by the Institute of Chartered Accountants of India (ICAI). 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 is shown under stock options outstanding.

(m) Income taxes

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

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are 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 Group 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.

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

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

(n) Earnings per 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.

(o) Provisions

A provision is recognised when the Group 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.

(p) Cash flow statement

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

(q) 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.

(r) 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 'Summary of significant accounting policies' as above.

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

Depreciation in all consolidating subsidiaries except Four Soft USA, Inc., is provided on straight line method and in Four Soft USA, Inc., on modified accelerated cost recovery system as compared to written down value method followed in the books of the 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 31 March 2010. The proportion of net fixed assets and depreciation expense so accounted is Rs 12,853,296 (2009: Rs 18,949,067) and Rs 12,217,858 (2009: Rs 16,416,769) respectively included in the net fixed assets and depreciation of the Group.

4. 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 (KMP)
Biju S. Nair	India	KMP
Raj Shekhar Roy (w.e.f 30 September 2008)	India	KMP
Sonata Information Technology Limited	India	Enterprises significantly influenced by KMP or their relatives
P.C Reddy Trust	India	Enterprises significantly influenced by KMP or their relatives
GKP Reddi	India	Relative of KMP
P Soujanya Reddy	India	Relative of KMP
P Mangamma	India	Relative of KMP
Dakshayani Reddy	India	Relative of KMP

The details of the related party transactions entered into by the Group during the year ended 31 March 2010 are as follows:

		For the year ended 31, March	
		2010	**2009**
1.	KMP		
	Palem Srikanth Reddy		
	Remuneration (including commission)	**794,192**	960,622
	Interim dividend	**2,162,825**	–
	Biju S Nair		
	Remuneration	**2,278,234**	2,342,165
	Interim dividend	**6,541**	–
	Raj Shekhar Roy		
	Remuneration	**4,383,594**	2,584,614
	Interim dividend	**5,000**	–

		For the year ended 31, March	
		2010	**2009**
2.	**Enterprises significantly influenced by KMP or their relatives:**		
	Sonata Information Technology Limited		
	Purchase of third party license	**1,049,180**	2,473,653
	P.C. Reddy Trust		
	Donation of assets	**–**	255,210
3.	**Relatives of KMP**		
	Interim dividend	**72,238**	–

		As at 31, March	
		2010	**2009**
4.	**Debit/(Credit) balance outstanding**		
	Four Soft Employee Welfare Trust	**1,057,190**	1,255,520
	Palem Srikanth Reddy	**(2,290,414)**	(1,878,852)
	Biju S Nair	**(139,513)**	(394,772)
	Raj Shekhar Roy	**(348,781)**	(785,097)

5. Leases

Finance leases

Office equipments include certain assets obtained under finance lease arrangements. The lease term is for a period of five years. There is no escalation clause and no restrictions are imposed by the lease arrangements. There are no subleases.

	As at 31, March	
	2010	**2009**
Total minimum lease payments at the year end	**158,683**	214,159
Less: Amount representing finance charges	**20,393**	25,905
Present value of minimum lease payments	**138,290**	188,254
Minimum lease payments:		
Not later than one year		
[Present value Rs 53,114 as on 31 March 2010 (2009: Rs 53,796)]	**55,316**	42,069
Later than one year but not later than five years		
[Present value Rs 79,672 as on 31 March 2010 (2009: Rs 134,458)]	**82,974**	172,090

Operating leases

The Group has entered into operating lease agreements for its development centers for the period 1 to 20 years. There are no restrictions imposed by lease arrangements. The maximum obligations on non-cancelable operating leases payable as per the rentals stated in the respective agreements are as follows:

	As at 31, March	
	2010	**2009**
Lease payments for the year	**67,302,060**	74,364,543
Minimum lease payments:		
Not later than one year	**55,071,091**	74,797,372
Later than one year but not later than five years	**158,558,948**	166,972,196
Later than five years	**192,763,849**	191,380,065
The total of future minimum sub-lease payments expected to be received under non-cancellable sub-leases at the consolidated balance sheet date	**47,491,112**	70,756,741
Sub-lease payments received (or receivable) recognized in the statement of profit and loss for the year	**17,804,853**	20,759,942

6. Secured loan

(a) Working capital loan of the Company is secured by standby letter of credit from the bankers of Four Soft Nordic A/s

(b) Term loan of the subsidiary company is secured by:

(i) First ranking mortgage on all immovable assets of Four Soft B.V., Four Soft NL B.V., Four Soft UK Limited and Four Soft USA, Inc.

(ii) First ranking hypothecation on all movable assets of the Four Soft B.V., Four Soft NL, B.V., Four Soft UK Limited and Four Soft USA Inc.

(iii) Guarantee by the Company.

(iv) Pledge of shares held by Four Soft B.V. of Four Soft NL BV, Four Soft UK Limited and Four Soft USA Inc.

(v) Pledge in respect of the Company's investment in the share capital of Four Soft B.V.

7. Research and development

During the year ended 31 March 2010 the Group has incurred expenses amounting to Rs 80,586,288 (2009: Rs 59,608,490) towards research and development included under various heads of expenses.

8. Deferred tax comprises of:

(a) Deferred tax liability:

	As at 31, March	
	2010	**2009**
Deferred tax liability		
Difference in depreciation in block of assets	**5,443,690**	6,920,672
Total deferred tax liability	**5,443,690**	6,920,672
Deferred tax assets		
Provision for gratuity	**783,058**	1,853,487
Provision for compensated absences	**755,239**	498,556
Provision for doubtful debts	**214,715**	2,502,453
Total deferred tax assets	**1,753,012**	4,854,496
Net deferred tax liability	**3,690,678**	2,066,176

(b) Deferred tax assets:

	As at 31, March 2010	2009
Deferred tax asset		
Difference in depreciation in block of assets	**7,739,330**	11,922,672

9. Employee stock options (ESOP)

(a) The Company has established Four Soft Limited Employees Welfare Trust (the 'Trust') to administer the ESOP Scheme and as at 31 March 2010 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 equity shares at an exercise price of Rs 5 each to the eligible employees, which are subject to progressive vesting (1 year after date of issue of options) over a period of three years from the date of the grant. As of 31 March 2010 the total shares held by the Trust is 348,325 (2009: 466,318). Mode of settlement of these stock options is equity.

(b) During the year ended 31 March 2010 the Group has amortized stock compensation expenses amounting to Rs 1,350,139 (2009: Rs 2,790,587).

(c) Changes in number of shares representing stock options outstanding as at the year ended on 31 March 2010 were as follows:

	For the year ended 31 March 2010		2009	
	Number of shares	**Weighted average exercise price (Rs)**	Number of shares	Weighted average exercise price (Rs)
Outstanding at the beginning of the year	**345,352**	**5**	551,040	5
Granted during the year	**1,947,987**	**20**	–	5
Forfeited during the year	**56,834**	**5**	115,150	5
Exercised during the year	**117,993**	**5**	90,538	5
Expired during the year	**–**	**5**	–	5
Outstanding at the end of the year	**2,118,512**	**18.79**	345,352	5
Exercisable at the end of the year	**91,993**	**5**	131,326	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 1 April 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:

	For the year ended 31 March 2010	2009
Net profit (as reported)	**76,654,204**	447,246,360
Add: Employee stock compensation under intrinsic value method	**1,350,139**	2,790,587
Less: Employee stock compensation under fair value method	**2,930,234**	4,662,947
Proforma profit	**75,074,109**	445,374,000

	For the year ended 31 March 2010	2009
Earnings per share		
Basic		
- As reported	**1.99**	11.62
- Proforma	**1.94**	11.57
Diluted		
- As reported	**1.98**	11.60
- Proforma	**1.94**	11.55

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

	For the year ended 31 March 2010	2009
Risk-free interest rate	**8.00%**	7.5%
Expected life	**1 to 4 years**	1 to 3 years
Expected volatility	**0.47 to 0.60**	0.69
Expected dividend yield	**–**	–

The expected volatility was determined based on historical volatility data; historical volatility includes early years of the Group's life; the Group 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 16.73 (2009: Rs 16.81).Options outstanding at 31 March 2010 had an exercise price of Rs 5 to Rs 20, and a weighted average remaining contractual life of 13.95 months (2009: 11.94 months).

10. 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:

		For the year ended 31 March 2010	2009
A.	**Net gratuity expense recognised in the profit and loss account (under 'personnel expenses')**		
	Current service cost	**3,175,603**	3,153,629
	Interest cost on benefit obligation	**562,082**	873,781
	Expected return on plan assets	**(153,102)**	(303,034)
	Net actuarial gain recognized in the year	**(6,733,860)**	(2,604,710)
	Net benefit expense / (income)	**(3,149,277)**	1,119,666
B.	**Details of provision recognised in the balance sheet**		
	Defined benefit obligation	**4,387,876**	7,494,424
	Fair value of plan assets	**(2,084,088)**	(2,041,359)
	Net provision for gratuity	**2,303,788**	5,453,065
	Actual return on plan assets	**167,344**	218,327

		For the year ended 31 March 2010	2009
C.	**Changes in the present value of the defined benefit obligation are as follows:**		
	Opening defined benefit obligation	**7,494,424**	7,550,118
	Interest cost	**562,082**	873,781
	Current service cost	**3,175,603**	3,153,629
	Benefits paid	**(124,615)**	(1,393,687)
	Actuarial gains on benefit obligation	**(6,719,618)**	(2,689,417)
	Closing defined benefit obligation	**4,387,876**	7,494,424
D.	**Changes in the fair value of plan assets are as follows:**		
	Opening fair value of plan assets	**2,041,359**	3,216,719
	Expected return	**153,102**	303,034
	Benefits paid	**(124,615)**	(1,393,687)
	Actuarial gains / (losses) on plan assets	**14,242**	(84,707)
	Closing fair value of plan assets	**2,084,088**	2,041,359
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	**8.00% p.a.**	7.50% p.a.
	Expected rate of return on assets	**8.00% p.a.**	7.50% p.a.

Expected employer's contribution next year Rs 2,000,000 (2009: Rs 2,500,000). The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled. The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors.

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

	For the year ended 31 March			
	2007	2008	2009	**2010**
	Number of shares	**Weighted average exercise price**	**Number of shares**	**Weighted average exercise price**
Defined benefit obligation	7,858,429	7,550,118	7,494,424	**4,387,876**
Planned assets	2,323,344	3,216,719	2,041,359	**2,084,088**
Surplus/(Deficit)	(5,535,085)	(4,333,399)	(5,453,065)	**(2,303,788)**
Experience adjustments on plan liabilities	(6,143,132)	(3,754,454)	(2,074,730)	**(734,723)**
Experience adjustments on plan assets	18,825	55,322	(84,707)	**14,242**

11. Contingent liabilities not provided for:

	As at 31, March	
	2010	**2009**
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
In Four Soft Malaysia Sdn. Bhd., a client had instituted a legal suit against the consolidating entity for damages amounting to Malaysian Ringgit 526,600 arising from defective software sold. The Group denied the basis of the claims. Litigation proceedings have been withdrawn by the plaintiffs in January 2010 with each party agreeing to bear its own costs.	–	7,464,924
In Four Soft Malaysia Sdn. Bhd., an ex-employee instituted Industrial Court proceedings against the consolidating entity during the year, contending wrongful dismissal and seeking reinstatement of employment without loss of wages and perquisites from 9 May 2002 of approximately Malaysian Ringgit 539,000. Management, in consultation with legal counsel, are of the opinion that the consolidating entity has a fair chance of prevailing and accordingly, no provision has been made in the financial statements to cover such eventuality.	**7,435,289**	7,640,702
A USA based entity commenced legal proceedings against two employees of Four Soft USA, Inc., who were previously in employment with that entity. The employees have been alleged to have violated contractual provisions of their employment with that entity. The consolidating entity was also made a party to proceedings. The proceedings being at preliminary stage, the management and legal counsel(s) are unable to provide an estimate or range of potential loss if the outcome is unfavorable to the consolidating entity.	**–**	–
A lawsuit has been threatened by a company claiming entrance to, and use of, systems provided by Four Soft NL B.V. As the proceeding has not been initiated at this moment the legal and financial consequences are unascertainable.	**–**	–
A former employee is threatening to file a lawsuit against Four Soft NL B.V. claiming damages for work related issues. As the proceeding has not been initiated at this moment the legal and financial consequences are unascertainable.	**–**	–

12. Goodwill impairment

Impairment losses represent the write-down of intangible assets (Goodwill) for subsidiary Four Soft Singapore Pte. Ltd and is disclosed separately in the consolidated financial statements. The loss so provided is Rs Nil (2009: Rs 36,396,093) and the goodwill value after providing the impairment loss is Rs 23,250,410 (2009: Rs 26,812,862). The recoverable amount was determined at the cash generating unit level (Four Soft Singapore Pte. Ltd) and is based on the value in use determined based on discounted cash flows of the cash generating unit using the weighted average cost of capital of 8%.

13. 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) 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 31 December 2009. As of 31 March 2010, based on the said criteria for determining the consideration the Company has accrued DKK 52,704,013 (equivalent Rs 429,000,125) towards purchase consideration. The difference between the net assets acquired as on the date of acquisition and purchase consideration determined as on the balance sheet date is accounted as goodwill.

14. Unhedged foreign currency exposure

	For the year ended 31 March 2010	2009
Sundry debtors	**78,410,842**	215,083,969
Due to vendors	**–**	11,369,470
Due to banks	**30,294,700**	161,549,297

15. Earnings per share (EPS)

	For the year ended 31 March 2010	2009
Net profit as per profit and loss account	**76,654,204**	447,246,360
Weighted average number of equity shares in calculating basic EPS	**38,611,419**	38,493,426
Effect of dilutive equity shares	**114,817**	53,157
Weighted average number of equity shares in calculating diluted EPS	**38,726,236**	38,546,583

The ICAI 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 1 April 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.

16. Prior period items

	For the year ended 31 March 2010	2009
Exchange difference (net)	**8,556,434**	–
Depreciation	**6,309,164**	–
	14,865,598	–

17. Sundry creditors

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. There are no dues to micro, small and medium enterprises as on 31 March 2010.

18. Segment information

The Group has adopted Accounting Standard 17, 'Segment Reporting', as notified by the Rules which requires disclosure of financial and descriptive information about the Group's segments. The operations of the Group are managed from independent locations based on the customers, 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.

Unallocated items include income and expense items which are not allocated to any business segment.

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

19. Previous year comparatives

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

For and on behalf of the Board of Directors

Sd/-
Palem Srikanth Reddy
Chairman & Managing Director

Sd/-
P. Mangamma
Director

Sd/-
Kavitha Pakala
Company Secretary

Sd/-
Biju S. Nair
Chief Financial Officer

Place : Hyderabad
Date : 28 May 2010

Directors' report
of Four Soft B.V.

Your directors hereby present the directors' report and financial statement for the year ended 31st of March 2010.

The company's key financial indicators during the year were as follows:

	2009-10 **€ 000**	2008-09 € 000
Turnover	**12,784**	22,207
Operating Profit	**20**	7,044
Profit before tax	**(530)**	7,845
Profit after tax	**(483)**	5,942

The year under review was a difficult one due to the global economic downturn leading to lesser spend by customers and consequentially impacting our revenues and the bottom line. During the year we lost of some of the key customers in our Four Soft UK Ltd. and this resulted in the decline of the top line.

Several initiatives for a solid future have been taken; we kept on investing in our new eProducts and the marketing thereof. In this regard significant investment has been made into sales force during the year the results of which is likely to come in future periods.

We took steps towards streamlining our internal organization to deal with the economic situation and as a consequence during the year Four Soft Netherlands B.V. had to take the difficult decision to make some employees redundant.

The company does not make use of complex financial instruments, derivatives nor of related risk management activities. The company is mainly exposed to currency risks and tries to cover this risk by co-operating with group companies who are exposed to the same risks in the opposite direction.

During the year we negotiated a settlement with a former customer who claimed damages for breach of contract for €295K.

No external or internal funding was needed in this Financial Year, and our relationship with our bank remains in a credit based position.

The directors served during the year included Mr. Palem Srikanth Reddy and Mr. Rajshekhar Roy.

For and on behalf of Board of Directors

Rajshekhar Roy,
Director

PRINCIPALS OF FINANCIAL REPORTING

GENERAL - ACTIVITIES

The activities of Four Soft B.V., having its seat at the Amstelwijckweg 11 in Dordrecht, and her subsidiaries mainly consist of developing , selling and implementing IT solutions, mainly in the transport and logistics area .

Financial Year

The financial year started on April 1, 2009 and ended on March 31, 2010. The previous financial year started on April 2008 and ended on March 31, 2009.

Parent Company

Four Soft B.V. forms part of the group with Four Soft India Ltd. as parent company. The financial statements of Four Soft B.V. are being consolidated in the consolidated financial statements of Four Soft Ltd.

Consolidation principles

The Consolidated Annual Accounts reflect all the assets, liabilities and results of operations of the parent company and its majority-owned participations. The Consolidated Annual Accounts have been prepared in accordance with the method of integral consolidation. Intercompany transactions and balances have been eliminated.

Four Soft B.V. participates 100% in the following companies:

- Four Soft Netherlands B.V. at Dordrecht (the Netherlands)

- Four Soft UK Limited at Nottinghamshire (United Kingdom)

- Four Soft USA Inc. at Melville (United States of America)

General Accounting Policies

The annual accounts have been prepared in accordance with Title 9, Book 2 of Dutch Civil Code.

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 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.

Change in Accounting Policies

Because of a change in regulation with effect as from 1 January 2009, the financial assets and financial liabilities should be valued at amortised cost instead of face value, including comparative figures. Because amortised cost equals more or less the face value of financial assets and financial liabilities, the influence of this change in accounting principles on the shareholders' equity at 31 March, 2010 and on the result for 2009-10 is negligible.

Translation of foreign currency

Foreign group companies qualify as carrying on of business operations in a foreign country, with a functional currency different from that of the company. For the translation of the financial statements of these foreign entities the balance sheet items are translated at the exchange rate at balance sheet date and the profit and loss account items at the average exchange rate. The translation differences that arise are directly deducted from or added to group equity.

ACCOUNTING POLICIES - ASSETS AND LIABILITIES

Intangible fixed assets:

Intangible fixed assets consist of goodwill. Intangible fixed assets are stated at purchase price. Depreciation is calculated on a straight-line basis over the estimated payback period. Depreciation rate is 5%. The estimated payback period is longer than five years due to the nature of the goodwill.

Tangible fixed assets:

Tangible fixed assets are stated at acquisition cost less depreciation calculated on a straight-line basis over the estimated useful life. Acquisitions during the year are written off from the date of acquisition. Depreciation rate is 20 - 33%.

Financial fixed assets:

Participating interest where significant influence is exercised over the business and financial policy are valued according to the equity method on the basis of the net asset value. This net asset value is based on the same accounting principles as applied by Four Soft B.V. Participating interests with a negative net asset value are valued at nil. In the case that the company fully or partly guarantees for the debts of the respective participating interest, a provision is recognised.

Work in progress:

The work in progress represents the cost incurred on fixed-price contracts. Work in progress is valued at cost -primarily direct materials and labour- and a percentage of the profit, less provisions for expected losses if applicable. The percentage of the profit is calculated using the "percentage of completion" method. Instalments on work in progress are deducted from work in progress on an individual basis.

Receivables and accrued expenses:

The receivables are initially valued at its fair value, and subsequently valued at amortised cost, which is similar to the face value, after deduction of any provisions if necessary. . All of the receivables and prepaid expenses classified as current assets are due within one year. Receivables due after one year are classified under financial fixed assets.

Provisions:

A provision is recognised when the company has a present obligation as a result of a past event, when it is probable that an outflow of recources embodying economic benefits will be required to settle the obligation. Provisions are valued at nominal value. The provisions have a long-term character.

Liabilities:

Recorded interest bearing loans and liabilities are valued at amortised cost.

ACCOUNTING POLICES - PROFIT AND LOSS ACCOUNT

Net sales:

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

Cost of sales:

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

Depreciation:

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:

Corporate income tax is calculated at the applicable (local) rate on the result for the financial year, taking into account permanent differences between profit calculated according to the financial statements and profit calculated for taxation purposes, and with which deferred tax assets (if applicable) are only valued as far as their realisation is probable.

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements for the year ended 31 March 2010 of Four Soft B.V. Dordrecht, which comprise the consolidated and company balance sheet as at 31 March 2010, the consolidated profit and loss account for the year then ended and the notes.

Managements' responsibility

Management is responsible for the preparation and fair presentation of the financial statements and for the preparation of the management board report, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are 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

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

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, the financial statements give a true and fair view of the financial position of Four Soft B.V. as at 31 March 2010, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2: 393 sub 5 part for the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the financial statements as required by 2: 391 sub 4 of the Netherlands Civil Code.

Rotterdam, 19 July 2010

Grant Thornton Accountants en Adviseurs B.V.

CONSOLIDATED BALANCE SHEET AT MARCH 31, 2010

(after profit appropriation)

		As at March 31, 2010 €	As at March 31, 2009 €
ASSETS			
Fixed assets			
Intangible fixes assets	1	**746,502**	760,408
Tangible fixed assts	2	**151,252**	207,929
Total Fixed assets		**897,754**	968,337
Current assets			
Work in progress		**1,928**	11,606
Accounts receivables			
Trade debtors		**2,078,499**	6,160,895
Receivable from group companies		**1,493,250**	81,795
Taxes and social security premiums		**85,937**	137,860
Other receivables and prepaid expenses		**1,035,881**	695,224
		4,693,567	7,075,774
Liquid funds		**1,463,408**	692,034
Total current assets		**6,158,903**	7,779,414
Total assets		**7,056,657**	8,747,751
EQUITY AND LIABILITIES			
Equity	3	**(691,475)**	(354,646)
Long term liabilities			
Amounts due to financial institutions	4	**3,344,480**	2,363,268
Current liabilities			
Trade creditors		**589,159**	655,962
Amounts due to group companies		**1,474,585**	1,236,922
Taxes and social security premiums		**20,704**	1,832,500
Other liabilities and accrued expenses		**2,319,204**	3,013,745
		4,403,652	6,739,129
Total liabilities		**7,056,657**	8,747,751

CONSOLIDATED PROFIT AND LOSS ACCOUNT 2009/2010

		Year ended 2009-10 €	Year ended 2008-09 €
OPERATING INCOME			
Net Sales	5	**12,783,927**	22,206,661
Cost of sales		**(3,275,635)**	(3,531,728)
Gross Turnover		**9,508,292**	18,674,933
Operating expenses			
Staff expenses	6	**6,910,209**	8,053,207
Depreciation	7	**151,818**	226,425
Housing expenses		**772,711**	846,013
Cost of assets		**470,749**	541,139
Selling expenses		**216,524**	147,155
General expenses		**966,447**	1,816,880
Total operating expenses		**9,488,458**	11,630,819
Operating result		**19,834**	7,044,114
Interest benefits and similar returns		**545,771**	1,185,354
Interest charges and similar expenses		**(1,095,148)**	(384,259)
Financial income and charges		**(549,377)**	801,095
Profit (Loss) before taxes		**(529,543)**	7,845,209
Corporation tax		**46,699**	(1,903,092)
Profit (Loss) after taxes		**(482,844)**	5,942,117

CONSOLIDATED CASH FLOW STATEMENT 2009/2010

	As at March 31, 2010 €	As at March 31, 2009 €
Cash flow from operating activities		
Operating result	**19,834**	7,044,114
Adjustment for:		
Depreciation	**151,818**	225,667
Movement in working capital:		
Accounts receivable	**2,382,207**	(2,071,681)
Stock and work in progress	**9,678**	35,598
Current liabilities	**(2,335,477)**	(170,873)
	56,408	5,062,825
Interest charge	**(549,377)**	801,095
Corporation tax	**46,699**	(1,903,092)
Net cash flow from operating activities	**(274,618)**	3,960,828
Cash flow from investing activities:		
Acquisition of tangible fixed assets	(45,440)	(65,557)
Exchange difference - intangible fixed assets	**(31,528)**	133,569
Exchange difference - tangible fixed assets	**(4,296)**	(6,304)
Disinvestment of tangible fixed assets	**29**	16,469
Movement of liquid funds	**(81,225)**	78,177
Cash flow from financing activities		
Movement in statutory reserve	**146,015**	(407,424)
Movement in long term liabilities	**981,212**	(3,544,296)
Cash flow from financing activities	**1,127,227**	(3,951,720)
Movement in liquid funds	**771,374**	87,285
Opening balance of Cash	**692,034**	604,749
Closing balance of Cash	**1,463,408**	692,034
Movement of liquid funds	**771,374**	87,285

NOTES TO THE CONSLIDATED BALANCE SHEET AS AT MARCH 31,2010

	As at March 31, 2010 €	As at March 31, 2009 €
1. INTANGIBLE FIXED ASSETS		
Book value as at 1, April	**760,408**	942,438
Exchange difference	**31,528**	(133,569)
Depreciation	**(45,434)**	(48,461)
Book value as at 31 March	**746,502**	760,408
Purchase Value	**901,250**	942,438
Accumulated depreciation	**(154,747)**	(182,030)
Book value as at 31 March	**746,502**	760,408

	As at March 31, 2010 €	As at March 31, 2009 €
2. TANGIBLE FIXED ASSETS		
Computers, Lease Hold Improvements and Motor Vehicles:		
Book value as at 1, April	**207,929**	329,743
Investments	**45,440**	65,557
Depreciation	**(106,344)**	(177,206)
Purchase value of disinvestments	**(1,343)**	(50,311)
Accumulated depreciation disinvestments	**1,274**	33,842
Exchange difference	**4,296**	6,304
	151,252	207,929
Purchase Value	**2,095,872**	2,013,787
Accumulated depreciation	**(1,944,620)**	(1,805,857)
Book value as at 31 March, 2009	**151,252**	207,930

3. EQUITY

Reference is made to the note on shareholder's equity in the standalone balance sheet.

NOTES TO THE CONSLIDATED BALANCE SHEET AS AT MARCH 31,2010

	As at March 31, 2010 €	As at March 31, 2009 €
4. LONG-TERM LIABILITIES		
Amounts due to financial institutions		
Concerns a long-term loan. The interest is Libor plus 5%. The loan applies for a period of 5 years and must be redeemed on or by the latest at October 12, 2014.		
Loan from ICICI Bank	**–**	2,363,268
Loan from Punjab National Bank (International) Ltd.	**3,344,480**	–
	3,344,480	2,363,268

Contingent assets and liabilities

Guarantees

Guarantee have been given by the company in favour of third parties amounting to approx € 58,650.

Lease

For car lease contracts the contractual litigations are approx € 940,000 Of this amount € 200,000 is due within one year. An amount of € 125,000 is due after five years.

Rent agreements

Four Soft Netherlands B.V. has contacts regarding the rent of the building. The total contractual litigation concerning the rent amounts up to approx € 628,667, of this amount € 184,000 due within one year.

Four Soft Netherlands B.V. has contacts regarding the rent of hardware and software. The total contractual litigation concerning the rent amounts up to approx € 38,000, of this amount € 10,000 due within one year.

Litigation

A lawsuit has been threatened by a company claiming entrance to, and use of, systems provided by Four Soft. As the proceeding has not been initiated at this moment the legal and financial consequences are unascertainable.

A former employee is threatening to file a lawsuit against Four Soft claiming damages for work related issues. As the proceeding has not been initiated at this moment the legal and financial consequences are unascertainable.

A USA based entity commenced legal procedures against two employees of Four Soft USA Inc., who were previously in employment with that entity. The employees have been alleged to have violated contractual provisions of their employment with that entity. Four Soft USA Inc. was also made a party to proceedings. The proceedings being at preliminary stage, the management and legal counsel(s) are unable to provide an estimate or range of potential loss if the outcome is unfavourable to the Company.

NOTES TO CONSLIDATED PROFIT AND LOSS ACCOUNT 2009/10

(5) NET SALES

The net sales decreased with 42% compared to last year.

The decline in the company's sales is attributable to the sale of business relating to implementation and management of transportation software at Kuehne & Nagel, which was taken in-house by Kuehne & Nagel for a sum of € 4m in May 2008, with a further € 3m receivable on the first anniversary of the date of the transaction.

6. STAFF EXPENSES

	2009-2010 €	2008-2009 €
Wages and salaries	**5,520,489**	6,305,561
Social security charges	**723,130**	850,693
Pension premiums	**189,362**	292,604
Other staff expenses	**477,227**	604,349
	6,910,209	8,053,207

Average number of employees

In 2009/10 on an average, 117 persons were employed at the company

Subdivided in

Production	**92**	103
Management	**5**	2
Administration	**15**	23
Sales	**5**	5
	117	133

The directors' remuneration that was charged to Four Soft B.V. and her consolidated subsidiaries over the financial year 2009-10 amounted to € 604,000 (2008-09: € 597,000).

7. DEPRECIATION

Intangible fixed assets	**45,434**	48,461
Tangible fixed assets	**106,344**	177,206
Loss on tangible fixed assets	**40**	758
	151,818	226,425

COMPANY BALANCE SHEET AT MARCH 31,2010

(after profit appropriation)

		March 31, 2010 €	March 31, 2009 €
ASSETS			
Financial fixed assets			
Investment in subsidiaries	8	**4,960,799**	4,679,483
Receivables form group companies	9	**1,409,000**	1,409,000
		6,369,799	6,088,483
Current assets			
Accounts receivables			
Receivable from group companies		**1,656,596**	646,006
Taxes and social security premiums		**5,670**	1,692
Other receivables and prepaid expenses		**43,399**	–
		1,705,665	647,698
Liquid funds		**116,509**	14,649
Total current assets		**1,822,174**	662,347
Total assets		**8,191,973**	6,750,830
EQUITY & LIABILITIES			
Equity	10		
Share capital		**66,245**	66,245
Share premium		**9,545,733**	9,545,733
Statutory reserve		**(634,256)**	(780,271)
General reserve		**(9,669,197)**	(9,186,353)
		(691,475)	(354,646)
Provisions			
Other	11	**2,838,772**	1,965,926
Long term liabilities			
Amounts due to financial institutions		**3,344,480**	2,363,268
Current liabilities			
Trade creditors		**1,093**	–
Amounts due to group companies		**2,602,871**	2,200,665
Taxes and social security premiums		**4,632**	26
Other liabilities and accrued expenses		**91,603**	575,591
		2,700,199	2,776,282
Total liabilities		**8,191,973**	6,750,830

STANDALONE PROFIT AND LOSS ACCOUNT 2009-10

	March 31, 2010 €	March 31, 2009 €
Share in result of participations	**(737,544)**	4,917,975
Other income and expense after taxation	**254,700**	666,547
Profit (Loss) after taxes	**(482,844)**	5,584,522

Principals of Financial Reporting for the standalone financial statements

The company financial statements have been prepared in accordance with Title 9 Book 2 of the Netherlands Civil Code.

If there is no further explanation provided to the items in the balance sheet and the profit and loss account, please refer to the notes in the consolidated balance sheet and profit and loss account.

NOTES TO STANDALONE BALANCE SHEET

	March 31, 2010 €	March 31, 2009 €
8. Investments in subsidiaries		
Four Soft Netherlands B.V.	**–**	–
Four Soft UK Ltd.	**4,194,266**	3,909,964
Four Soft USA Inc.	**766,533**	769,519
	4,960,799	4,679,483

	Four Soft Netherelands B.V.	Four Soft UK Ltd.	Four Soft USA Inc.	Total
Balance as at 1 April 2009	-1,965,926	3,909,964	769,518	2,713,556
Share in result of group companies	-872,846	124,096	11,206	-737,544
Exchange difference	–	160,206	-14,191	146,015
Provision	2,838,772	–	–	2,838,772
Balance as at 31 March 2010	–	4,194,266	766,533	4,960,799

9. Receivables from group companies

Concerns a long-term loan granted to Four Soft Netherlands B.V. The interest is 5% and is payable at the end of each calendar year. The loan applies for a period of 5 years and must be redeemed on or by the latest at December 31, 2010.

10. Equity

	March 31, 2010 €	March 31, 2009 €
Share capital		
66,245 equity shares with a par value of € 1.00	**66,245**	66,245
The authorised share capital has a par value of € 90,000.00		
Share premium		
Balance at March 31	**9,545,733**	9,545,733
Statutory reserve exchange differences		
Balance as at April 1	**(780,271)**	(372,847)
Addition	**146,015**	(407,424)
Balance as at March 31	**(634,256)**	(780,271)
General reserve		
Balance at April 1	**(9,186,353)**	(14,770,875)
Adjustment during the year	**(482,844)**	5,584,522
Balance at March 31	**(9,669,197)**	(9,816,353)

The Company's parent company, Four Soft Ltd, has issued a comfort letter, which states that Four Soft Ltd. Is committed to provide the necessary financial support to Four Soft B.V. to enable them to pay their current outstanding debts as they become due after one year after the Directors of Four Soft B.V. sign the statutory financial statements for the year ending 31 March 2010.

11. Provisions

	March 31, 2010 €	March 31, 2009 €
Provision subsidiaries	**2,838,772**	1,965,926

Dordrecht, 7/19/2010

Four Soft B.V.

Palem Srikanth Reddy **Rajshekhar Roy**

OTHER INFORMATION

STATUTORY REGULATIONS CONCERNING PROFIT APPROPRIATION

In accordance to article 22.1 of the Articles of Association the profit, as shown in the profit and loss account, is at the disposal of the General Meeting.

LOSS RECOGNITION

In accordance to the legal status, the loss of € 482,844 at 2009-10 is deducted from the general reserve. This has been incorporated in the accounts.

FOUR SOFT NETHERLANDS B.V.

DORDRECHT

FOR THE YEAR ENDING MARCH 31, 2010

DIRECTORS' REPORT FY 2009-2010 OF FOUR SOFT NETHERLANDS B.V.

Your directors hereby present the directors' report and financial statement for the year ended 31st of March 2010.

The year under review was a difficult one due to the global economic downturn leading to lesser spend by customers and consequentially impacting our revenues and the bottom line.

Several initiatives for a solid future have been taken; we kept on investing in our new eProducts and the marketing thereof. In this regard significant investment has been made into sales force during the year the results of which is likely to come in future periods.

We took steps towards streamlining our internal organization to deal with the economic situation and as a consequence during the year Four Soft Netherlands B.V. had to take the difficult decision to make some employees redundant and the staff strength was decreased to 36 from 51 at the end of previous financial year.

The company does not make use of complex financial instruments, derivatives nor of related risk management activities. The company is mainly exposed to currency risks and tries to cover this risk by co-operating with group companies who are exposed to the same risks in the opposite direction.

During the year we negotiated a settlement with a former customer who claimed damages for breach of contract for € 295K.

No external or internal funding was needed in this Financial Year, and our relationship with our bank remains in a credit based position.

The directors served during the year included Mr. Palem Srikanth Reddy, Mr. Rajshekhar Roy, Mr. Biju S. Nair, Mr. Richard B.M. Gralike and Mr. Willem J. Anrooij.

We continue to remain focused on delivering quality solutions and improved services to our existing and potential customers in Europe and other regions. The company has plans to establish the company as a leader in European transport and logistics IT service provider. The coming financial year, the company will develop several activities to present their software solutions.

Kind regards,

Richard B.M. Gralike

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements for the year ended 31 March 2010 of Four Soft Netherlands B.V., Dordrecht, which comprise the balance sheet as at 31 March 2010, the profit and loss account for the year then ended and the notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements and for the preparation of the management board report, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes : designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are 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

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from 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 misstatements 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, the financial statements give a true and fair view of the financial position of Four Soft Netherlands B.V. as at 31 March 2010, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Rotterdam, 19 July 2010

Grant Thornton Accountants en Advisers B.V.

BALANCE SHEET AS AT 31 MARCH 2010

(after appropriation of result)

	Notes	31.03.2010 €	31.03.2009 €
Assets			
Fixed assets			
Intangible fixes assets	1	–	–
Tangible fixed assts	2	**77,495**	77,137
Total Fixed assets		**77,495**	77,137
Current assets			
Work in progress	3	**1,928**	11,606
Accounts receivables	4		
Trade debtors		**986,361**	1,462,934
Receivable from group companies		**54,132**	–
Taxes and social security premiums		**868**	92,571
Other receivables and prepaid expenses		**616,063**	346,108
		1,657,424	1,901,613
Liquid funds	5	**275,159**	265,016
Total current assets		**1,934,511**	2,178,235
Total assets		**2,012,006**	2,255,372
Equity & Liabilities			
Equity			
Share capital	6	**270,000**	270,000
Statutory reserve	7	**2,268**	2,268
General reserve	8	**(3,111,043)**	(2,238,197)
		(2,838,775)	(1,965,929)
Long term liabilities			
Amounts due to group companies	9	**1,409,000**	1,409,000
		1,409,000	1,409,000
Current liabilities			
Trade creditors		**264,898**	358,556
Amounts due to group companies	10	**1,863,651**	1,002,031
Taxes and social security premiums		**(24,978)**	180,906
Other liabilities and accrued expenses	11	**1,338,210**	1,270,808
		3,441,781	2,812,301
Total liabilities		**2,012,006**	2,255,372

PROFIT AND LOSS ACCOUNT 2009-10

	Notes	**Year ended 31.03.2010 €**	Period ended 31.03.2009 €
Operating Income			
Net Sales		**4,495,272**	5,862,219
Cost of sales		**(1,118,208)**	(1,346,354)
Gross Turnover		**3,377,064**	4,515,865
Operating expenses			
Staff expenses	12	**2,931,844**	3,276,374
Depreciation	13	**29,973**	430,262
Housing expenses	14	**190,087**	266,051
Cost of assets	15	**372,488**	431,879
Selling expenses	16	**377,309**	56,313
General expenses	17	**228,939**	255,837
Total operating expenses		**4,130,640**	4,716,716
Operating result		**(753,576)**	(200,851)
Interest charges and similar expenses	18	**(119,270)**	(149,255)
Profit (Loss) before taxes		**(872,846)**	(350,106)
Corporation tax		**–**	–
Profit (Loss) after taxes		**(872,846)**	(350,106)

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

	NOTE	**Year ended 31.03.2010 €**	Period ended 31.03.2009 €
Cash flow from operating activities			
Operating result		**(753,576)**	(200,851)
Adjustment for:			
Depreciation		**29,973**	430,262
Movement in working capital:			
Accounts receivable		**244,189**	214,792
Stock and work in progress		**9,678**	35,598
Current liabilities		**629,480**	(183,091)
		159,744	296,710
Interest charge		**(119,270)**	(149,255)
Net cash flow from operating activities		**40,474**	147,455
Acquisition of tangible fixed assets		**(30,331)**	(63,785)
Movement of liquid funds		**10,143**	83,670
Opening balance of Cash		**265,016**	181,346
Closing balance of Cash		**275,159**	265,016
Movement of liquid funds		**10,143**	83,670

PRINCIPALS OF FINANCIAL REPORTING

General - Activities

Four Soft Netherlands B.V., having its seat at the Amstelwijckweg 11 in Dordrecht, is developing , selling and implementing IT solutions, mainly in the transport and logistics area .

Financial Year

The financial year started on April 1, 2009 and ended on March 31, 20010. The previous financial year started on April 2008 and ended on March 31, 2009.

Parent Company

Four Soft Netherlands B.V. forms part of the group with Four Soft Ltd., Hyderabad, India as parent company. The company's financial statements are consolidated in the consolidated financial statements of both Four Soft Ltd. And Four Soft B.V.

General Accounting Policies

The annual accounts have been prepared in accordance with Title 9, Book 2 of Dutch Civil Code.

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 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.

Change in Accounting Policies

Because of a change in regulation with effect as from 1 January 2009, the financial assets and financial liabilities should be valued at amortised cost instead of face value, including comparative figures. Because amortised cost equals more or less the face value of financial assets and financial liabilities, the influence of this change in accounting principles on the shareholders' equity at 31 March, 2010 and on the result for 2009-10 is negligible.

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

Intangible fixed assets:

Intangible fixed assets are stated at purchase price or manufacturing cost. Depreciation is calculated on a straight-line basis over the estimated payback period. Depreciation rate is 33%.

Tangible fixed assets:

Tangible fixed assets are stated at acquisition cost less depreciation calculated on a straight-line basis over the estimated useful life. Acquisitions during the year are written off from the date of acquisition. Depreciation rate is 20 - 33%.

Work in progress:

The work in progress represents the cost incurred on fixed-price contracts. Work in progress is valued at cost -primarily direct materials and labour- and a percentage of the profit, less provisions for expected losses if applicable. The percentage of the profit is calculated using the "percentage of completion" method.

Instalments on work in progress are deducted from work in progress on an individual basis.

Receivables and accrued expenses:

The receivables are initially valued at its fair value, and subsequently valued at amortised cost, which is similar to the face value, after deduction of any provisions if necessary. . All of the receivables and prepaid expenses classified as current assets are due within one year. Receivables due after one year are classified under financial fixed assets.

Liabilities:

Recorded interest bearing loans and liabilities are valued at amortised cost. Amounts with a remaining pay back period of longer than one year are classified as long-term liabilities. None of the short-term liabilities are due after one year.

ACCOUNTING POLICES - PROFIT AND LOSS ACCOUNT

Net sales:

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

Cost of sales:

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

Depreciation:

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 (20.0% - 25.5%), taking into account permanent differences. A deferred tax asset has not been recognised. If the fiscal unity generates profits in the future the unrecognised deferred tax assets are potentially recoverable.

Notes to Balance Sheet

		31.03.2010 €	31.03.2009 €
1.	**INTANGIBLE FIXED ASSETS**		
			Goodwill
	Book value as at 1, April	–	357,595
	Depreciation	–	(357,595)
	Book value as at 31 March	–	–
	Purchase Price	**1,430,000**	1,430,000
	Accumulated depreciation	**(1,430,000)**	(1,430,000)
	Book value as at 31 March	–	–
2.	**TANGIBLE FIXED ASSETS**		
	Other fixes assets		
	Book value as at 1, April	**77,137**	86,019
	Investments	**30,331**	63,785
	Depreciation	**(29,973)**	(72,667)
		77,495	77,137
	Purchase Price	**652,697**	622,367
	Accumulated depreciation	**(575,202)**	(545,230)
	Book value as at 31 March	**77,495**	77,137
3.	**STOCK & WORK IN PROGRESS**		
	Production value as at 31 March	**30,026**	109,110
	Instalments on work in progress	**(28,098)**	(97,504)
		1,928	11,606
4.	**ACCOUNTS RECEIVABLES**		
	Trade Debtors		
	Trade Debtors	**994,361**	1,517,017
	Provision for bad debts	**(8,000)**	(54,083)
		986,361	1,462,934
	Receivable for group companies		
	Four Soft Ltd. Hyderabad, India	**54,132**	–
		54,132	–
	Other receivables and prepaid expenses		
	Turnover	**220,752**	150,868
	Prepaid Expenses	**179,153**	190,296
	Wages and salaries	**(1,414)**	4,944
	Other	**217,572**	–
		616,063	346,108
	All of the receivables and prepaid expenses are due within one year.		
5.	**LIQUID FUNDS**		
	Cash in hand	**417**	1,228
	Cash at bank	**274,742**	263,788
		275,159	265,016

Notes to Balance Sheet

		31.03.2010 €	31.03.2009 €
6.	**SHARE CAPITAL**		
	60,000 ordinary shares with par value of € 4.50	**270,000**	270,000
		270,000	270,000
	The authorised share capital has a par value of € 1,350,000.00		
7.	**STATUTORY RESERVE**		
	Balance as at March 31	**2,268**	2,268
		2,268	2,268
	As a result of decrease in the issued share capital that results from the redenomination of Netherlands Guilders into Euros the company will maintain a statutory reserve in accordance with section 2:178a, paragraph 3, of the Civil Code.		
8.	**GENERAL RESERVE**		
	Balance as at April 1	**(2,238,197)**	(1,888,091)
	Withdrawal 2008/09	**(872,846)**	(350,106)
	Balance as at March 31	**(3,111,043)**	(2,238,197)
	The Company's parent company, Four Soft B.V., has issued a comfort letter, which states that Four Soft B.V.. Is committed to provide the necessary financial support to Four Soft Netherlands B.V. to enable them to pay their current outstanding debts as they become due after one year after the Directors of Four Soft Netherlands B.V. sign the statutory financial statements for the year ending 31 March 2010.		
9.	**LONG TERM LIABILITIES**		
	Amounts due to group companies		
	Balance as at March 31	**1,409,000**	1,409,000
		1,409,000	1,409,000
	Concerns a long-term loan granted by Four Soft B.V. The interest is 5% and is payable at the end of each calendar year. The loan applies for a period of 5 years and must be redeemed on or by the latest at December 31, 2010.		
10.	**AMOUNTS DUE TO GROUP COMPANIES**		
	Four Soft Ltd.	–	89,283
	Four Soft B.V.	**1,656,596**	646,006
	Four Soft UK Ltd.	**55,395**	7,165
	Four Soft USA Inc.	**142,184**	130,426
	Four Soft Nordic A/s	**9,476**	7,601
	Four Soft Australia Pty. Ltd.	–	121,550
		1,863,651	1,002,031
11.	**OTHER LIABILITIES AND ACCRUED EXPENSE**		
	Advanced turnover	**767,787**	792,780
	Holiday pay	**190,493**	218,230
	Accrued expenses	**379,930**	259,798
		1,338,210	1,270,808

Notes to Balance Sheet

CONTINGENT A SSETS AND LIABILITIES

Guarantees

Guarantee have been given by the company in favor of third parties amounting to approx € 58,650.

Lease

For car lease contracts the contractual litigations are approx € 275,000 Of this amount € 135,000 due within one year. No amounts are due after five years.

Rent agreements

Four Soft Netherlands B.V. has contacts regarding the rent of the building. The total contractual litigation concerning the rent amounts up to approx € 628,667, of this amount € 184,000 due within one year.

Four Soft Netherlands B.V. has contacts regarding the rent of hardware and software. The total contractual litigation concerning the rent amounts up to approx € 38,000, of this amount € 10,000 due within one year.

Litigation

A lawsuit has been threatened by a company claiming entrance to, and use of, systems provided by Four Soft. As the proceeding has not been initiated at this moment the legal and financial consequences are unascertainable.

A former employee is threatening to file a lawsuit against Four Soft claiming damages for work related issues. As the proceeding has not been initiated at this moment the legal and financial consequences are unascertainable.

Notes to Profit and Loss Account

		Year ended 30.03.2010 €	Year ended 30.03.2009 €
12.	**STAFF EXPENSES**		
	Wages and salaries	**2,291,450**	2,464,960
	Social security charges	**323,582**	325,786
	Pension premiums	**121,437**	211,372
	Other staff expenses	**195,375**	274,256
		2,931,844	3,276,374
	Other staff expenses		
	Travel and accommodation	**87,873**	131,248
	Day expenses employees	**56,720**	61,667
	Recruitment	**20,000**	33,381
	Education costs	**13,616**	24,013
	Salary accounts	**8,069**	9,323
	Health and welfare services	**9,097**	8,340
	Other	—	6,284
		195,375	274,256

Average number of employees

In 2009/10, 36 persons were employed at the company

	Subdivided in:		
	Production	**33**	37
	Management	**1**	2
	Administration	**1**	4
	Sales	**1**	2
		36	45

The directors' remuneration that was charged to the Company over the financial year 2009-10 amounted to € 234,000 (2008-09: € 234,000)

13.	**DEPRECIATION**		
	Intangible fixed assets	–	357,595
	Tangible fixed assets	**29,973**	72,667
		29,973	430,262
14.	**HOUSING EXPENSES**		
	Rental office	**138,109**	226,246
	Water, light, heating	**30,454**	32,920
	Security expenses	**1,209**	2,112
	Others	**20,315**	4,773
		190,087	266,051

Notes to Profit and Loss Account

	Year ended 30.03.2010 €	Year ended 30.03.2009 €
15. COST OF ASSETS		
Maintenance and repair of inventory	**54,267**	71,465
Lease cars	**206,494**	232,411
Fuel	**40,737**	56,157
Car allowance	**16,798**	26,625
Lease hardware	**46,440**	39,966
Others	**7,752**	5,255
	372,488	431,879
16. SELLING EXPENSES		
Advertisements	**15,845**	12,219
Exhibition and symposia	**46,475**	36,025
Allocation to bad debts	**314,989**	8,069
	377,309	56,313
17. GENERAL EXPENSES		
Auditor's remuneration	**30,415**	54,244
Legal expenses	**73,164**	62,436
Telecommunication	**59,453**	90,438
Insurance	**8,481**	8,062
Office supplies	**8,493**	14,903
Postage	**6,365**	6,636
Automation costs	**1,328**	9,461
Printed matter	**13,735**	14,291
Other	**27,505**	(4,634)
	228,939	255,837
18. INTEREST CHARGES AND SIMILAR EXPENSES		
Bank interest charges	**4,981**	9,436
Others	**3,209**	7,386
Exchange difference	**40,630**	61,983
Loan Four Soft B.V.	**70,450**	70,450
	119,270	149,255

Dordrecht, 3/31/2010

Palem Srikanth Reddy **Rajshekhar Roy**

Biju S Nair **Richard B.M. Gralike**

Notes to Profit and Loss Account

FOUR SOFT NETHERLANDS B.V.

Dordrecht

Statutory regulations concerning profit appropriation

In accordance to article 18.2 of the Articles of Association the profit, as shown in the profit and loss account, is at the disposal of the General Meeting.

Loss recognition

In accordance to the legal status, the loss of €872,846 at 2009-10 is deducted from the general reserve. This has been incorporated in the accounts.

Branch establishment

During the year operations at the branch in France, Four Soft France has been discontinued and the branch has been ceased to exist.

DIRECTORS' REPORT

of Four Soft UK Limited

The directors present their report and financial statements for the year ended 31 March 2010.

Principal activities, review of the business and future developments

The company is a wholly owned subsidiary of Four Soft BV, with the ultimate parent being Four Soft Limited, the consolidated financial statements of which are publicly available.

The principal activities of the company during the year ended 31 March 2010 continued to be that of a provider of software products for transportation, logistics, freight forwarding and supply-chain management.

The company's key financial indicators during the year were as follows:

	2010	2009
	£000	£000
Turnover	**3,842**	10,546
Operating Profit	**107**	6,107
Profit after tax	**109**	4,426
Shareholder's funds	**3,742**	3,633

The year under review was a difficult one due to the global economic downturn leading to lesser spend by customers and consequentially impacting our revenues and the bottom line. During the year we lost of some of the key customers and this resulted in the decline of the top line. Previous year sales also included the sale of business relating to the implementation and management of transportation software at Kuehne & Nagel, which was taken in-house by Kuehne & Nagel.

Several initiatives for a solid future have been taken; we kept on investing in our new eProducts and the marketing thereof. In this regard significant investment has been made into sales force during the year the results of which is likely to come in future periods.

In other areas of the business, the directors anticipate that the current levels of activity will be maintained.

PRINCIPAL RISKS AND UNCERTAINTIES

Market and competitive environment

The company operates in a highly competitive market place particularly due to the continued consolidation across the global transport and logistics industry. The company manages competitive trading risk by providing an added value service to its customers, and by maintaining strong relationships with its customer base.

Technological obsolescence

The software products industry is highly characterised by rapid technological changes that could make the company's technology and service offerings obsolete, less competitive and difficult to sell. The company manages this risk by offering stable and reliable software, which is continually being adapted to meet the ever changing needs of customers in terms of features, functionality, scalability and robustness.

Foreign exchange risk

The company's transactions are predominantly in Sterling with a small degree of transactions in the Euro and US Dollar. The company's exposure to the movement in foreign exchange rates is therefore considered to be of low risk.

Liquidity and interest rate risk

The company is largely self-financing and makes little use of financial instruments other than operational bank accounts; accordingly its exposure to liquidity and interest rate risk is not considered to be material.

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. Amounts outstanding from individual customers are regularly monitored and appropriate actions taken where customers are in breach of payment terms.

Political and charitable donations

The company made no political or charitable donations during the year (2009: £nil).

Directors

The directors who served the company during the year were as follows:
Palem Srikanth Reddy
Rajshekhar Roy
Biju S Nair
Simon Shore (appointed 7/12/2009)
David G Pickburn (resigned 31/1/2010)

Auditors

Ernst & Young LLP resigned as auditors during the year and Grant Thornton UK LLP were appointed to fill the casual vacancy arising. Grant Thornton UK LLP have indicated their willingness to continue in office and a resolution concerning their re-appointment will be submitted to the Annual General Meeting.

By order of the board

Simon Shore
Director
Date: 22 June, 2010

FISCAL POSITION

Fiscal unity

Four Soft Netherlands B.V. forms a fiscal unity with Four Soft B.V.

Company tax is applied as if Four Soft Netherlands B.V. is an independent tax subject.

Calculation of the taxable amount of 2009-10

The taxable amount of 2009-10 is calculated as follows:

	2009-10 **€**
Income before taxes	**(872,846)**
Non-deductable expenses	**9.999**
Investment tax credit	
Taxable amount2009-10	**(862.847)**

A deferred tax asset has not been recognised for this tax loss

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

AUDITOR'S REPORT

Independent auditor's report to the members of Four Soft UK Limited

We have audited the financial statements of Four Soft UK Limited for the year ended 31 March 2010 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Tim Lincoln
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
LEEDS
22 June 2010

Balance Sheet as at 31 March 2010

	Schedules	As at March 31, 2010 £000	As at March 31, 2009 £000
FIXED ASSETS			
Intangible Assets	9	**666**	707
Tangible Assets	10	**53**	105
		719	812
CURRENT ASSETS			
Debtors	11	**2,908**	5,235
Cash at bank and in hand		**817**	166
		3,725	5,401
Creditors: amounts falling due within one year	12	**(688)**	(2,548)
Net current assets		**3,037**	2,853
Total assets less current liabilities		**3,755**	3,665
Creditors: amounts falling due after more than one year	13	**(14)**	(32)
Net Assets		**3,742**	3,633
Capital and reserves			
Equity Share Capital	14	**–**	–
Profit and loss account	15	**3,742**	3,633
Shareholders' funds		**3,742**	3,633

The accompanying accounting policies and notes form an integral part of these financial statements.

The financial statements were approved by the board on 27 May, 2010 and signed on its behalf by:

Simon Shore
Director
22 June, 2010

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

	Schedules	**For the year ended March 31, 2010 £000**	For the year ended March 31, 2009 £000
TURNOVER	2	**3,842**	10,546
Cost of Sales		**(2,440)**	(3,026)
Gross profit		**1,402**	7,520
Administrative Expenses		**(1,295)**	(1,413)
Operating profit	3	**107**	6,107
Interest receivable and similar income	7	**3**	16
Interest payable and similar charges	7	**(7)**	(5)
Profit on ordinary Activities before taxation		**103**	6,118
Tax on profit on ordinary activities	6	**6**	1,692
Profit for the financial year	16	**109**	4,426

The accompanying accounting policies and notes form an integral part of these financial statements.

All items dealt with in arriving at the operating profit above relate to continuing activities.

Statement of total recognised gains and losses

The company has no recognised gains or losses other than the profit for the year of £ 109k (2009: £4,426). All results relate to continuing operations.

Notes to the financial statements

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent undertaking publishes consolidated financial statements.

Turnover

Turnover, which is stated net of value added tax and trade discounts, represents amounts invoiced to third parties and is attributable to the company's principal activities.

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.

Revenue from the sale of user licenses for software applications is recognised in full on delivery where there are no significant post-delivery vendor obligations remaining. Where there are significant post-delivery vendor obligations, license income is recognised on a percentage completion basis.

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 price contracts is recognised on completion and delivery of services to the customer when the outcome of the contract cannot be assessed with reasonable certainty or on a proportionate completion method where no significant uncertainty exists regarding the amount of consideration that will be derived from rendering the services.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Leasing commitment

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Goodwill

Positive goodwill arising on acquisitions is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life up to a presumed maximum of 20 years. It is reviewed for impairment at the end of the first full year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Fixed assets

Fixed assets are stated at cost less accumulated depreciation. Such cost includes costs directly attributable to making the assets capable of operating as intended.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life, as follows:

Computer installations	-	straight line - 5 years
Fixtures and fittings	-	straight line - 3 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that will result in an obligation to pay more or a right to pay less or to receive more, tax have occurred.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Pension scheme arrangements

The company operates a defined contribution pension scheme, with the assets held in a separate, independently administered fund. The pension costs are charged to the profit and loss account as they are incurred.

The company provides no other post retirement benefits to employees.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Accordingly, an instrument is treated as equity if:

- there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on terms that maybe unfavourable; and
- the instrument is a non-derivative that contains no contractual obligations to deliver a variable number of shares or is a derivative that will be settled only by the company exchanging a fixed amount of cash or other assets for a fixed number of company's own equity instruments.

2. TURNOVER

Turnover represents the amounts derived from the provision of goods and services which fall within the company's ordinary activities, stated net of value added tax and trade discounts.

The analysis by geographical area of the company's turnover is shown below:

	2010 £'000	2009 £'000
United Kingdom	**818**	1,372
Overseas	**3,024**	9,174
	3,842	10,546

In the opinion of the directors, all of the company's operations comprise only one continuing class of business.

		2010 **£'000**	2009 £'000
3.	**OPERATING PROFIT**		
	Depreciation of owned tangible fixed assets	**59**	79
	Amortisation of goodwill	**41**	40
	Auditors' remuneration:		
	- audit services	**15**	39
	- taxation	–	–
	Operating leases - land and buildings	**201**	133
	Rentals receivable on operating leases	**(164)**	(164)
	Redundancy costs	**71**	75
4.	**DIRECTOR EMOLUMENTS**		
	Aggregate emoluments	**151**	135
	Value of company pension contributions to money purchase scheme	**7**	8
	Loss of office	**55**	–
		213	143
	Members of defined contribution pension schemes	**2**	1

Emoluments for certain directors have been borne by other group companies as they are also directors or officers of a number of the companies within the group. The directors' services to the company do not occupy a significant amount of their time. As such the directors do not consider that they have received any remuneration for their incidental services to the company.

The emoluments paid in respect of the highest paid director are as follows:

	Aggregate emoluments	**122**	135
	Value of company pension contributions to money purchase scheme	**6**	8
	Loss of office	**55**	-
		183	143
5.	**STAFF COSTS**		
	Wages and salaries	**2,191**	2,449
	Social security costs	**227**	283
	Other pension costs	**59**	67
		2,477	2,799

Outstanding amounts in respect of the defined contribution pension scheme payable at the balance sheet date were £nil (2009: £nil).

The average monthly number of employees during the year was as follows:

	2010 £'000	2009 £'000
Production	**41**	50
Distribution	**2**	1
Administration	**12**	17
	55	68

6. TAX

(a) Tax on profit on ordinary activities:

UK corporation tax	**34**	1,718
Adjustment in respect of prior years	**(42)**	(53)
Foreign tax	**–**	22
Total current tax charge (note 6(b))	**(8)**	1,687
Origination and reversal of timing differences	**2**	5
Total deferred tax charge (note 6(c))	**2**	5
Total tax charge	**(6)**	1,692

(b) Factors affecting current tax charge:

Profit on ordinary activities before tax	**103**	6,118
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009: 28%)	**29**	1,713
Effects of:		
Expenses not deductible for tax purposes	**6**	71
Accelerated capital allowances	**–**	(3)
Non qualifying depreciation	**2**	2
Short term timing differences	**(1)**	(1)
Adjustments to tax charge in respect of previous periods	**(43)**	(53)
Chargeable Gain vs accounting Profit	**(1)**	(42)
Current tax charge for the year (note 6(a))	**(8)**	1,687

(C) DEFERRED TAX:

The deferred tax asset comprises:

Accelerated capital allowances	**36**	36
Short term timing differences	**3**	4
Included in debtors (note 11)	**39**	40

	2010 £'000	2009 £'000
The movement on the deferred tax asset in the year is as follows:		
At 1 April	**40**	45
Deferred tax credited to the profit and loss account (note 6(a))	**(1)**	(5)
At 31 March	**39**	40
7. INTEREST RECEIVABLE & INTEREST PAYABLE		
Bank interest receivable	**3**	16
Bank interest payable	**(7)**	(5)
8. DIVIDENDS		
Equity dividends on ordinary shares paid in the year	**–**	2,073
9. GOODWILL		
Cost At 1 April	**804**	804
Accumulated Depreciation		
At 1 April	97	**57**
Charge for the year	**41**	40
At 31 March	**138**	97
Net Book Value	**666**	707
10. TANGIBLE FIXED ASSETS		
(a) Computer installations		
Cost		
At 1 April	**704**	727
Additions	**6**	16
Disposals	**(1)**	(39)
At 31 March	**709**	704
Accumulated Depreciation		
At 1 April	**666**	643
Additions	**31**	49
Disposals	**(1)**	(26)
At 31 March	**696**	666
Net Book Value	**13**	38

		2010 £'000	2009 £'000
(b)	**Fixtures & Fittings**		
	Cost		
	At 1 April	**293**	289
	Additions	**1**	7
	Disposals	**–**	(3)
	At 31 March	**294**	293
	Accumulated Depreciation		
	At 1 April	**226**	198
	Additions	**28**	30
	Disposals	**—**	(2)
	At 31 March	**254**	226
	Net Book Value	**40**	67
	Total Book Value	**53**	105

11. DEBTORS

	2010 £'000	2009 £'000
Trade debtors	**368**	3,868
Amounts owed by group undertakings	**2,278**	1,111
Other debtors	**51**	49
Prepayments and accrued income	**172**	167
Deferred tax asset	**39**	40
	2,908	5,235

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010 £'000	2009 £'000
Other Loans (note 13)	**18**	18
Trade creditors	**231**	232
Amounts owed to group undertakings	**–**	13
Corporation tax	**35**	1,509
Other taxes and social security	**56**	95
Other creditors	**12**	18
Accruals and deferred income	**336**	663
	688	2,548

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2010 £'000	2009 £'000
Other Loans	**14**	32
Loans repayable, included above, are analysed as follows:		
Amounts repayable:		
Within one year (note 12)	**18**	18
In two to five years	**14**	32
	32	50

	2010 £'000	2009 £'000
14. EQUITY SHARE CAPITAL		
Authorised:		
100 ordinary shares of £1 each	**100**	100
Allotted, called up and fully paid:		
2 ordinary shares of £1 each	**2**	2
15. PROFIT & LOSS ACCOUNT		
At 1 April	3,633	**1,280**
Retained Profit for the year	**109**	4,426
Equity Dividend Paid	–	(2,073)
At 31 March	**3,742**	3,633
16. RECONCILIATION OF MOVEMENT IN SHAREHOLDER' FUND		
Profit for the Financial Year	**109**	4,426
Equity Dividend Paid	–	(2,073)
Net addition to shareholders' funds	**109**	2,353
Opening shareholders' funds	**3,633**	1,280
Closing shareholders' funds	**3,742**	3,633

17. OPERATING LEASE COMMITMENTS

At 31 March 2010 the company had annual commitments under non-cancellable operating leases as follows:

	2010 £'000	2009 £'000
Land and buildings		
Expiring:		
Within one year	–	–
Between two and five years inclusive	**151**	143
In over five years	**108**	108
	259	251

18. CONTINGENCIES

The company has guaranteed a loan to its parent company. A fixed and floating charge over the company's assets is held by the bank in respect of this guarantee. At 31 March 2010 the parent company had borrowings of £ 2,985k (2009: £2,197k) and the maximum exposure at that date was £ 2,985k (2009: £2,197k) covered by these guarantees.

19. RELATED PARTY TRANSACTIONS

During the year, the company was involved in transactions with other companies connected to the ultimate parent undertaking. In accordance with FRS 8, the company is exempt from disclosing these transactions in detail as they are consolidated within the financial statements of the ultimate parent undertaking. Details of how these financial statements can be obtained are in note 20.

20. PARENT UNDERTAKING AND ULTIMATE CONTROLLING PARTY

The ultimate parent undertaking and controlling party is Four Soft Limited, a company incorporated in India. The immediate parent undertaking is Four Soft BV.

The largest and smallest group of undertakings for which consolidated financial statements have been prepared is that headed by Four Soft Limited, registered in India. Consolidated financial statements for the group are available from Newstead House, Lake View Drive, Annesley, Nottinghamshire, NG15 0DT.

FOUR SOFT USA, INC

(All amounts are in AU$)

Report of Independent Accountants

Board of Directors

Four Soft USA, Inc

We have audited the accompanying balance sheets of Four Soft USA, Inc ('Company') as of March 31, 2010 and March 31, 2009 and the related statements of income, stockholder's equity, and cash flows for the years then ended. 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.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the Auditing Standards Board of the American Institute of Certified Public Accountants. 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 also 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of the Company as of March 31, 2010 and March 31, 2009 and the results of its operations and its cash flows for the years then ended, in conformity with the accounting principles generally accepted in the United States of America.

Atlanta, Georgia

May 18, 2010

BALANCE SHEETS

(All amounts in United States Dollars, unless otherwise stated)

		As at March 31, 2010	As at March 31, 2009
ASSETS			
Current assets			
Cash & cash equivalents		**209,301**	308,269
Accounts receivables, net		**870,320**	782,054
Related party receivables		**770,688**	808,583
Other current assets		**156,814**	77,913
Total current assets	$	**2,007,123**	1,976,819
Property, equipment & software, net		**19,857**	25,315
Total assets	$	**2,026,980**	2,002,134
LIABILITIES AND STOCKHOLDER'S EQUITY			
Current liabilities			
Accounts payable		**86,517**	62,840
Other current liabilities		**187,221**	266,063
Related party payables		**471,649**	516,725
Unearned revenue		**249,591**	140,373
Total current liabilities	$	**994,978**	986,001
Stockholders' equity			
Common stock of $ 0.01 par			
200 shares authorized			
131 shares issued and outstanding		**1**	1
Additional paid in capital		**113,430**	113,430
Accumulated earnings		**918,571**	902,702
Total stockholder's equity	$	**1,032,002**	1,016,133
Total liabilities and stockholders' equity	$	**2,026,980**	2,002,134

(The accompanying notes are an integral part of these financial statements)

STATEMENTS OF INCOME

(All amounts in United States Dollars, unless otherwise stated)

		For the year ended March 31, 2010	For the year ended March 31, 2009
REVENUES			
Operating revenues		**4,411,136**	3,973,473
Total operating revenues	$	**4,411,136**	3,973,473
Cost and expenses			
Cost of revenues		**2,066,356**	1,675,241
Selling, general and administrative expenses		**2,373,771**	2,399,165
Depreciation and amortization		**13,515**	13,868
Total cost and expenses	$	**4,453,642**	4,088,274
Operating (loss)		**(42,506)**	(114,801)
Other income		**2,764**	3,662
Net (loss) before tax	$	**(39,742)**	(111,139)
Income tax benefit		**(55,611)**	(18,053)
Net (loss) after tax	$	**15,869**	(93,086)

(The accompanying notes are an integral part of these financial statements)

STATEMENT OF STOCKHOLDER'S EQUITY

For The Year April 01, 2009 to March 31, 2010 and April 01, 2008 to March 31, 2009
(All amounts in United States Dollars, unless otherwise stated)

	Common Stock						
	Authorized		Issued & Outstanding		Additional paid in capital	Accumu-lated earnings	Total stock-holder's equity
	Shares	Value	Shares	Value			
Balance as on April 1, 2008	**200**	**$ 2**	**131**	**$ 1**	**113,430**	**995,788**	**1,109,219**
Net (loss) for the year	–	–	–	–	–	(93,086)	(93,086)
Balance as at March 31, 2009	**200**	**$ 2**	**131**	**$ 1**	**113,430**	**902,702**	**1,016,133**
Balance as on April 1, 2009	200	2	131	1	113,430	902,702	1,016,133
Net (loss) for the year	–	–	–	–	–	15,869	15,869
Balance as at March 31, 2010	**200**	**2**	**131**	**1**	**113,430**	**918,571**	**1,032,002**

STATEMENTS OF CASH FLOWS

(All amounts in United States Dollars, unless otherwise stated)

		For the year ended March 31, 2010	For the year ended March 31, 2009
CASH FLOW FROM OPERATING ACTIVITIES:			
Net income/ (loss)		**15,869**	(93,086)
ADJUSTMENTS TO RECONCILE NET INCOME/ (LOSS) TO NET CASH GENERATED FROM OPERATING ACTIVITIES:			
Depreciation and amortization		**13,515**	13,868
Allowance for doubtful debt		**35,383**	51,687
Unrealized foreign exchange (gain)/ loss		**27,440**	(209,214)
Gain on sale of asset		–	(1,350)
Deferred tax expense		–	31,070
Current tax (refund)/expense		**(55,611)**	(49,123)
	$	**36,596**	(256,148)
CHANGES IN ASSETS AND LIABILITIES:			
Accounts receivable		**(123,649)**	420,050
Related party receivables		**10,455**	70,558
Other current assets		**(78,901)**	(18,159)
Related party payables		**(45,076)**	(289,811)
Unearned revenue		**109,218**	(21,812)
Accounts payable		**23,677**	48,809
Other current liabilities		**(23,231)**	170,906
Net cash generated from/(used in) operating activities	$	**(90,911)**	124,393
CASH FLOW FROM INVESTING ACTIVITIES:			
Purchase of property, equipment and software		**(8,057)**	(2,505)
Sale of property, equipment and software		–	1,350
Net cash (used in) investing activities	$	**(8,057)**	(1,155)
Net increase/ (decrease) in cash and cash equivalents		**(98,968)**	123,238
Cash and cash equivalents at the beginning of the year		**308,269**	185,031
Cash and cash equivalents at the end of the year	$	**209,301**	308,269
Supplemental cash flow information			
Income taxes paid		**20**	–

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements are as follows:

1. **Organization and nature of operations**

   Four Soft USA Inc. ("Four Soft USA" or "the Company") is a subsidiary of Four Soft BV a Dutch subsidiary of Four Soft Limited ("Four Soft India") (NSE: "FOURSOFT" BSE: 532521) an Enterprise Solutions Company that develops innovative software products, and provides IT consultancy services for the logistics and supply chain management marketplace.

   In September 2005 Four Soft India acquired DCS T&L division with four entities including one in USA, formerly called as HB Ulrich & Associates Inc. It was later renamed as Four Soft USA Inc. During the fiscal year April 2006 to March 2007 Four Soft LLC (non surviving company) was merged with Four Soft USA Inc. (surviving company). Four Soft LLC, was incorporated as 100% wholly owned subsidiary in 2001, to address implementation projects for US customers of Four Soft Ltd.

2. **Basis of presentation**

   The accompanying financial statements are prepared under the historical cost convention on accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America ('US GAAP') to reflect the financial position, result of operations, stockholders' equity and cash flows.

3. **Use of estimates**

   In preparing the Company's financial statements in conformity with accounting principles generally accepted in the United States of America, the Company's management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The management's estimates for allowance for uncollectible amounts, the useful life of tangible and intangible assets and realization of deferred tax assets represent some of the estimates.

4. **Cash and cash equivalents**

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

5. **Foreign currency transactions**

   Foreign currency transactions are recorded at the rate prevailing on the date of the transaction. Monetary assets and liabilities in foreign currency are translated into the functional currency at the exchange rates prevailing on the balance sheet date. The resulting exchange gains/ (losses) are included in the statement of income.

6. **Property, equipment and software**

   Property and equipment are stated at historical cost less accumulated depreciation. Depreciation is calculated as per the guidelines issued by Internal Revenue Service per Modified Accelerated Cost Recovery System (MACRS). The Company believes that the depreciation rates prescribed under the MACRS system reflect the useful lives of the assets being depreciated. Leasehold improvements are amortized over the lower of their estimated useful lives or the term of the lease.

   The company has determined the estimated useful lives of assets for depreciation purposes as follows:

   Office furniture, fixtures, and equipment
   7 - 10 years

   Leasehold improvements
   Over the life of the lease

   Software
   3 years

   Expenditures for maintenance and repairs are expensed as incurred. When assets are retired or otherwise disposed off, the cost of the asset and related accumulated depreciation are eliminated from the financial records. Any gain or loss on disposition is credited or charged to income.

   Property, equipment and software, including certain identifiable intangible assets, to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Such assets are considered to be impaired if the carrying amount of the assets is higher than the future undiscounted net cash flows expected to be generated from the assets. The impairment amount to be recognized is measured by the amount by which the carrying value of the assets exceeds its fair value.

7. **Accounts receivables**

   Accounts receivables that management has the intent and ability to hold for the foreseeable future, or until maturity

NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

or payoff, are reported in the balance sheets at outstanding amount less any charge-offs and the allowance for doubtful accounts. The Company charges-off uncollectible receivables when the likelihood of collection is remote. The Company performs ongoing credit evaluations of its customers and extends credit without requiring collateral.

8. **Allowance for doubtful accounts**

The Company follows the specific identification method for recognizing allowance for doubtful accounts. Management analyzes composition of the accounts receivable aging, historical bad debts, current economic trends and customer credit worthiness of each accounts receivable when evaluating the adequacy of the allowance for doubtful accounts. Allowance for doubtful accounts is included in marketing and selling expenses in the statement of income.

9. **Revenue recognition**

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

Sale of software licenses and software services

Revenue from the sale of user licenses for software application is recognized on delivery or subsequent milestone schedule as per the terms and contract with the customer. Revenue from time and material contracts is recognized as the related services are rendered. Revenue from annual maintenance services is recognized proportionately over the period in which services are rendered. Revenue from services on fixed-priced and fixed time frame contracts is recognized on completion and delivery of services to the customers when the outcome of the contract cannot be assessed with reasonable certainty or on proportionate completion method when no significant uncertainty exists regarding the amount of consideration that will be derived from rendering the services.

Costs incurred but not billed are classified as unbilled revenue while billings in excess of costs and earnings are classified as unearned revenue.

10. **Cost of revenues**

Cost of revenue includes software development, onshore and offsite service charges payable to Four Soft India, Denmark, UK and Netherlands. The payables to Four Soft India are as per the related party agreement between the parties. Agreement also provides for reimbursement of payroll costs incurred by Four Soft India on providing customer support and implementation services to Four Soft USA. The amount payable to other group companies is based on the inter company recharge policy followed by the group.

11. **Income taxes**

Income taxes are accounted for using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The deferred tax asset is reduced by a valuation allowance if it is more likely than not that some portion or all of the asset will not be realized.

12. **Operating leases - lessee accounting**

Lease rental expenses on operating leases are charged to expense over the lease term as they become payable. Certain operating lease agreements provide for scheduled rent increases over the lease term. Rental expense for these leases is recognized on a straight-line basis over the primary lease term.

13. **Employee benefit plan**

The Company has a 401(k) retirement plan ("the Plan"). Eligible employees may elect to have up to $15,500 of their compensation deferred under the terms of the Plan which is consistent with current law. Contributions by the Company are discretionary.

NOTE B - CASH AND CASH EQUIVALENTS

(All amounts in United States Dollars, unless otherwise stated)

CASH AND CASH EQUIVALENTS COMPRISE THE FOLLOWING:

		As at March 31, 2010	As at March 31, 2009
Cash on hand		**146**	168
Balances with banks and financial institutions		**209,155**	308,101
Total	$	**209,301**	308,269

Cash balances on checking accounts and payroll accounts with the bank are insured by the Federal Deposit Insurance Corporation up to an aggregate of $ 250,000.

NOTE C - ACCOUNTS RECEIVABLES, NET

The Company's accounts receivables primarily relate to software licenses and software services receivables and inter-group receivables on account of providing services to group companies.

ACCOUNTS RECEIVABLES COMPRISE THE FOLLOWING:

Receivables from outside parties		**905,703**	833,741
Less: Allowance for doubtful accounts		**(35,383)**	(51,687)
Total	$	**870,320**	782,054

The activity in the allowance for doubtful accounts is given below:

		For the year ended March 31, 2010	For the year ended March 31, 2009
Balance at beginning of the year		**51,687**	62,893
Accounts receivables written off during the year		**(61,036)**	(131,527)
Bad debt expense provided for the year		**44,732**	120,321
Balance at end of the year	$	**35,383**	51,687

NOTE D - OTHER CURRENT ASSETS

OTHER CURRENT ASSETS COMPRISE THE FOLLOWING:

		As at March 31, 2010	As at March 31, 2009
Prepaid expenses		**23,669**	12,941
Advance taxes		**48,028**	–
Deposit		**85,117**	60,037
Advances		**–**	4,935
Total	$	**156,814**	77,913

NOTE E - PROPERTY, EQUIPMENT AND SOFTWARE

(All amounts in United States Dollars, unless otherwise stated)

PROPERTY, EQUIPMENT, AND SOFTWARE CONSISTED OF THE FOLLOWING:

		As at March 31, 2010	As at March 31, 2009
Computers & office equipment		**87,333**	79,276
Furniture and fixtures		**310,969**	310,969
Leasehold improvements		**21,625**	21,625
Software		**10,577**	10,577
	$	**430,504**	422,447
Accumulated depreciation and amortization		**(410,647)**	(397,132)
Property, equipment and software, net	$	**19,857**	25,315

Depreciation expense for the year ended March 31, 2010 was $ 11,352 (Previous year: $ 11,705) and accumulated depreciation at the end of the year was $ 390,216 (Previous year: $ 378,864). Amortization expense for the year ended March 31, 2010 was $ 2,163 (Previous year: $ 2,163) and accumulated amortization at the end of the year was $ 20,430 (Previous year: $ 18,268).

NOTE F - OTHER CURRENT LIABILITIES

OTHER CURRENT LIABILITIES COMPRISE OF THE FOLLOWING:

		As at March 31, 2010	As at March 31, 2009
Provision for employee benefits		**58,958**	62,946
Provision for taxes		**794**	3,767
Accrued expenses		**127,469**	199,350
Total	$	**187,221**	266,063

NOTE G - INCOME TAXES

THE PROVISION FOR INCOME TAX EXPENSE IS AS FOLLOWS:

		For the year ended March 31, 2010	For the year ended March 31, 2009
State			
Current		**1,120**	3,767
Deferred		**–**	5,615
Total	$	**1,120**	9,382
Federal			
Current		**–**	—
Deferred		**–**	25,455
Total	$	**–**	25,455
Total taxes			
Current		**1,120**	3,767
Deferred		**–**	31,070
	$	**1,120**	34,837
Less: Excess provision written back/ refund due		**(56,731)**	(52,890)
Total	$	**(55,611)**	(18,053)

THE FOLLOWING IS THE SUMMARY OF ITEMS GIVING RISE TO DEFERRED TAX ASSETS:
(All amounts in United States Dollars, unless otherwise stated)

		As at March 31, 2010	As at March 31, 2009
Non-current deferred tax asset			
Net operating losses		**114,216**	112,858
Less: Valuation allowance		**(114,216)**	(112,858)
Non-current deferred tax asset, net	$	**–**	–
Current deferred tax asset			
Advance for expenses		**1,944**	–
Accrued expenses		**21,983**	6,089
Accounts receivable		**12,506**	18,268
Less: Valuation allowance		**(36,433)**	(24,357)
Current deferred tax asset, net	$	**–**	–
Deferred tax assets		**–**	–

The Company has federal net operating losses as at March 31, 2010 of approximately $ 332,056 (previous year $ 328,095) expiring in 2029. The Company has evaluated the realizability of deferred tax assets and has not considered it to be realizable. The Company has recorded a valuation allowance of $ 150,649 as at March 31, 2010 (previous year $ 137,215) to reduce the deferred tax assets to their net realizable value.

NOTE H - ACCOUNTING FOR UNCERTAIN TAX POSITIONS

Effective April 1, 2009 the Company adopted the accounting standard regarding "Accounting for Uncertain Tax Positions". This standard provides detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in the enterprise's financial statements. It requires an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. The adoption of this standard had no material effect on the Company's financial position, results of operations, or cash flow.

NOTE I - EMPLOYEE BENEFIT PLANS

The Company has a 401(k) retirement plan ("the Plan"). Eligible employees may elect to have up to $15,500 of their compensation deferred under the terms of the Plan which is consistent with current law. Contributions by the Company are discretionary. The total contribution to this scheme during the year ended March 31, 2009 was $ 22,096 (Previous year: $ 29,081).

NOTE J - RELATED PARTY TRANSACTIONS

(All amounts in United States Dollars, unless otherwise stated)

FOLLOWING IS THE LIST OF RELATED PARTIES:

Four Soft Limited	**Ultimate parent Company**
Foursoft BV	**Immediate parent Company**
Four Soft Nordic A/S	**Affiliate Company**
Four Soft UK Ltd.	**Affiliate Company**
Four Soft Singapore Pte. Ltd.	**Affiliate Company**

Transactions with related parties comprise the following:

Particulars	Four Soft Ltd (Four Soft India)	Four Soft Nordic A/S	Four Soft NL BV	Four Soft UK Ltd.	Four Soft BV	Four Soft Singapore Pte. Ltd.	Total
For the year ended March 31, 2010 Cost of revenues	1,812,869						1,812,869
Expenses billed by Four Soft USA Inc.	9,520	19,037	19,037	19,037	4,760	4,760	76,151
Expenses billed on Four Soft USA Inc.	23,825	–	–	–	–	–	23,825
As at March 31, 2010 Balance in accounts receivable	569,903	–	191,265	–	4,760	4,760	770,688
Balance in accounts payable	–	(39,321)	–	(432,328)	–	–	(471,649)

Particulars	Four Soft Ltd (Four Soft India)	Four Soft Nordic A/S	Four Soft NL BV	Four Soft UK Ltd.	Four Soft BV	Four Soft Singapore Pte. Ltd.	Total
For the year ended March 31, 2009							
Sales	88,185	–	–	5,001	–	–	93,186
Cost of revenues	1,488,780	24,366	9,986	(180,418)*	-	(3,534)*	1,339,180
Expense billed on Four Soft USA Inc.	54,851	–	–	–	–	–	54,851
As at March 31, 2009							
Balance in accounts receivable	148,642		172,228		487,713	–	808,583
Balance in accounts payable		(58,358)		(423,389)	–	(34,978)	(516,725)

*Negative amounts in cost of revenue from Four Soft UK Ltd. and Four Soft Singapore Pte. Ltd. reflects reduction of outstanding balances due to movement of foreign exchange rates.

NOTE K - LEASE OBLIGATIONS

(All amounts in United States Dollars, unless otherwise stated)

The future minimum lease payments that have remaining terms exceeding one year under non-cancellable operating lease for facility at New York are as follows:

	As at March 31, 2010	As at March 31, 2009
Year ending March 31,		
2010	**133,856**	56,687
2011	**95,528**	–
2012	**99,142**	–
2013	**102,882**	–
2014	**106,753**	–
Total	**538,160**	56,687

The Company's rental expense under operating leases was approximately $ 310,234 for the year ended March 31, 2010 (Previous year - $ 307,846).

NOTE L - LITIGATION

A USA based entity commenced legal proceedings against two employees of the Company, who were previously in employment with that entity. The employees have been alleged to have violated contractual provisions of their employment with that entity. The Company was also made a party to proceedings. The proceedings being at preliminary stage, the management and legal counsel(s) are unable to provide an estimate or range of potential loss if the outcome is unfavorable to the Company.

NOTE M - STOCKHOLDERS' EQUITY

The Company's authorized common stock comprised of 200 common stock of $ 0.01 par, of which 131 shares were issued and outstanding as on the balance sheet date

FOUR SOFT SINGAPORE PTE LTD

(Incorporated in Singapore) Reg.No 199403725H

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 2010.

1 DIRECTORS

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

PALEM SRIKANTH REDDY

RAJSHEKHAR ROY

BIJU S.NAIR

RAKESH KUMAR MUNIGALA

LEE YEW CHEUNG

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	8,651,297	8,651,297

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 2010.

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,

SINGAPORE
DATE: 12th May 2010

PALEM SRIKANTH REDDY **RAKESH KUMAR MUNIGALA**

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, statement of Comprehensive Income and statement of changes in equity and statement of Cash Flows 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 2010** 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 Board:

PALEM SRIKANTH REDDY **RAKESH KUMAR MUNIGALA**

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FOUR SOFT SINGAPORE PTE LTD

(Incorporated in the republic of Singapore)

We have audited the financial statements of **FOUR SOFT SINGAPORE PTE LTD.** set out on pages **7 - 23,** which comprise the Balance Sheet as at **31 March 2010,** the Statement of Comprehensive Income, Statement of changes in equity and Statement of Cash Flows 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 the 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 2010** 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
PUBLIC ACCOUNTANTS AND
CERTIFIED PUBLIC ACCOUNTANTS

SINGAPORE
Date : 12 May 2010

BALANCE SHEET AS AT 31 MARCH 2010

	Notes	**2010 S$**	2009 S$
Non-current assets			
Property, plant and equipment	6	**4,429**	7,553
Subsidiaries	7	**1,787,046**	1,667,196
Total non-current assets		**1,791,475**	1,674,749
Current assets			
Cash and cash equivalents	8	**101,421**	54,970
Trade receivables	9	**203,480**	608,200
Other receivables	10	**58,808**	53,818
Amounts due from related companies (trade)	11	**137,783**	352,375
Amounts due from related companies (non-trade)	12	**6,381**	59,574
Amounts due from holding company (trade)	11	**13,812**	13,812
Amounts due from holding company (non-trade)	12	**732**	219,204
Total current assets		**522,417**	1,361,953
TOTAL ASSETS		**2,313,892**	3,036,702
EQUITY AND LIABILITIES			
Non-Current Liability			
Interst bearing Loans & Borrowings	13	**2,577**	3,950
Current Liabilities			
Trade payables		**8,022**	25,094
Other payables and accruals	14	**380,260**	425,106
Interest bearing Loans& Borrowings	13	**1,718**	1,580
Amount due to holding company (trade)	15	**688,777**	1,109,237
Amount due to holding company (non-trade)	16	**408,225**	606,368
Amounts due to related companies (trade)	15	**244,152**	250,067
Amounts due to related companies (non-trade)	16	**1,684,514**	1,695,747
Total current liabilities		**3,415,668**	4,113,199
Share capital and reserves			
Share capital	17	**1,130,200**	1,130,200
Accumulated (losses)		**(2,234,553)**	(2,210,647)
		(1,104,353)	(1,080,447)
TOTAL EQUITY AND LIABILITIES		**2,313,892**	3,036,702

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

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2010

	Notes	**31.03.2010 S$**	31.03.2009 S$
REVENUE			
Sale of goods		**926,530**	1,562,402
Less: costs of sales		**593,354**	1,184,075
Gross profit		**333,176**	378,327
Add: Other operating income	3	**282,936**	355,365
		616,112	733,692
Less: Operating expenses			
Administration & Other operating expenses		**214,938**	356,423
Sales and Distribution expenses		**51,531**	90,950
TOTAL EXPENSES		**266,469**	447,373
Profit before finance cost		**349,643**	286,319
Less : Finance cost	5	**325,00**3	76,548
Profit after finance cost		**24,640**	209,771
Profit before tax		**24,640**	209,771
Less : Current Tax expense			
Foreign tax paid	18	**48,546**	–
Net (Loss) after tax		**(23,906)**	209,771
Add: Other Comprhensive Income		**–**	–
Total Comprehensive Income		**(23,906)**	209,771

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31.03.10

	Issued Capital S$	(Accumulated losses) S$	TOTAL S$
Balance as at 31 March 2008	1,130,200	(2,420,418)	(1,290,218)
Issuance of ordinary shares	–	–	–
Profit for the year	–	209,771	209,771
Balance as at 31 March 2009	1,130,200	(2,210,647)	(1,080,447)
Issuance of ordinary shares	–	–	–
Profit for the year	–	(23,906)	(23,906)
Balance as at 31 March 2010	1,130,200	(2,234,553)	(1,104,353)

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31.03.10

	Notes	31.03.2010 S$	31.03.2009 S$
Cash flows from operating activities			
Profit /(Loss) for the year before tax		**24,640**	209,771
Adjustment for:			
Depreciation on fixed assets		**3,125**	6,786
Interest paid		**71,280**	72,795
Provision for doubtful debts		**–**	27,141
bad Debts written off		**1,400**	–
Loss / (Gain) on exchange		**292,148**	(142,752)
Operating profit / (loss) before reinvestment of capital		**392,593**	173,741
(Increase)/Decrease in trade receivables		**403,320**	(260,164)
(Increase)/Decrease in other receivables		**(4,990)**	1,619
Increase/(Decrease) in trade payables		**(17,072)**	4,446
Increase/(Decrease) in other payables		**(44,846)**	(276,425)
Increase/ (Decrease) in finance lease creditor		**(1,235)**	(1,238)
(Increase)/Decrease in related party(receivables)		**267,785**	(130,965)
Increase/(Decrease) in related party(payables)		**(17,148)**	952,698
(Increase)/Decrease in due from holding Co.		**218,472**	173,922
Increase/(Decrease) in due to holding Co.		**(689,883)**	300,869
Cash generated from / (used in) operations		**506,996**	938,503
Foreign tax paid		**(48,547)**	–
Net cash flows from operating activities		**458,449**	938,503
Cash flows from investing activities:			
Investments in subsidiary		**–**	(1,124,804)
Net cash flows from/ (used in) investing activities		**–**	(1,124,804)
Cash flows from financing activities			
(Loss) / Gain on exchange		**(292,148)**	142,752
Loan to a subsidiary		**(119,850)**	9,287
Net Cash flows from financing activities		**(411,998)**	152,039
Net Increase/(decrease) in cash & cash equivalents		**46,451**	(34,262)
Cash & cash equivalents at the beginning of the year		**54,970**	89,232
Cash & Cash equivalents at end of the year	8	**101,421**	54,970

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

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

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

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

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 is **FOUR SOFT LIMITED**, incorporated in India.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). 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 judgement in the process of applying the Company's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The company has assessed that there are no estimates or judgements used that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

New Accounting Standards and FRS Interpretations

Certain new accounting standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1 January 2009. The Company's assessment of the impact of adopting those standards, amendments and interpretations that are relevant to the Company is set out below

Reference	Description	Effective for annual periods beginning on or after
FRS 1	Presentation of Financial Statements- Revised presentation	1 January 2009
FRS 107	Amendments to FRS 107 Financial Instruments: Disclosures-Improving Disclosures about Financial Instruments	1 January 2009

2.2 Revenue recognition

Revenue from rendering of services is recognised when the service is rendered or percentage completion method depending on the contractual agreement.

Royalty income is recognized on cash basis.

2.3 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.

2.4 Impairment of non financial assets

Plant and equipment

The carrying amounts of the assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) of the asset is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs .

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The impairment loss is recognised in the income statement unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

An impairment loss for an asset other than goodwill is reversed if and only of, there has been a change in the estimate used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in the income statement, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised in the income statement, a reversal of that impairment is also recognised in the income statement.

2.5 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 .

2.6 Financial Assets

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.

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.

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.

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".

2.7 Financial liablities

Financial liabilities include trade and other payables . Financial liabilities are recognised on the balance sheet when, and only when, the company becomes a party to the contractual provisions of the financial instrument.. Financial liabilities are initially recognised at fair value of the consideration received less directly attributable transaction costs and subsequently measured at amortized cost using the effective interest rate method.

Gains and losses are recognised in the income statement when the liabilities are de-recognised as well as through the amortization process. The liabilities are de-recognised when the obligation under the liability is discharged or cancelled or expired.

2.8 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.

2.9 Cash and Cash equivalents

Cash and cash equivalents are stated at cost in the Balance Sheet. Cash and cash equivalents comprise of cash on hand and at Bank.

2.10 Currency translation

Functional currency

The financial statements are prepared in Singapore dollars , which is the functional 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 period 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.

2.11. Income taxes

Current income tax is recognised at the amounts expected to be paid to (or recovered from) the tax authorities.

Deferred tax liabilities are recognised for all taxable temporary differences unless the deferred tax liability arises from the initial recognition of an asset or liability and affects neither the accounting profit nor taxable profit or loss.

The statutory tax rates enacted at the balance sheet date are used to determine current and deferred income tax.

2.12 Employee benefits

(i) Defined contribution plans

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

(ii) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employee. A provision is made for the estimated liability for annual leave as a result of services rendered up to the balance sheet date.

2.13 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.

2.14 Share capital

Incremental external costs directly attributable to the issue of new shares, other than on a business combination, are shown in equity as a deduction, net of tax, from the proceeds. Share issue costs incurred directly in connection with a business combination are included in the cost of acquisition.

2.15 Going concern

The accumulated losses of the company is S$ 2,234,553/-.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.

2.16 Operating Lease payments

Payments made under operating leases are recognized in profit or loss on a straight - line basis over the period of the lease.

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010

		31.03.2010 S$	31.03.2009 S$
3.	**OTHER OPERATING INCOME**		
	Bank Interest	–	54
	Gain on exchange	–	142,752
	Government grant- Jobs credit	3,252	–
	Office facilities	44,254	–
	Royalty received	235,430	207,720
	Others	–	4,839
		282,936	355,365
4.	**PROFIT BEFORE TAX**		
	The above is arrived after charging:		
	Depreciation	3,125	6,786
	Provision for doubtful debts:		
	Trade	1,400	27,141
	Exchange Loss	292,148	–
	And crediting		
	Bank interest	–	54
	Gain on exchange	–	142,752
	Royalty received	235,430	207,720
	Others	47,506	4,839
5.	**FINANCE COST**		
	Interest paid to holding company	28,220	28,220
	Interest paid to a related party	42,937	43,771
	Bank charges	3,822	3,753
	Other interest	123	804
		75,102	76,548

6. PROPERTY, PLANT AND EQUIPMENT

2010	Computers S$	Office Equipment S$	Computer Software S$	Total S$
At Cost				
Beginning of year	100,264	16,020	34,359	150,643
Additions	–	–	–	–
At end of year	**100,264**	**16,020**	**34,359**	**150,643**
Accumulated Depreciation				
At beginning of year	98,941	9,790	34,358	143,089
Charge for the year	1,323	1,802	—	3,125
At end of the year	**100,263**	**11,592**	**34,358**	**146,214**
Net book value				
At 31.03.10	**1**	**4,427**	**1**	**4,429**

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010

6. PROPERTY, PLANT AND EQUIPMENT

	2009			
	Computers S$	Office Equipment S$	Computer Software S$	Total S$
At Cost				
Beginning of year	100,264	16,020	34,359	150,643
Additions	–	–	–	–
At end of year	**100,264**	**16,020**	**34,359**	**150,643**
Accumulated Depreciation				
At beginning of year	96,046	7,197	33,061	136,303
Charge for the year	2,895	2,593	1,298	6,786
	98,941	**9,790**	**34,359**	**143,090**
Net book value				
At 31.03.09	**1,323**	**6,229**	**1**	**7,553**

	31.03.2010 S$	31.03.2009 S$
7. INVESTMENT IN SUBSIDIARY		
Investments in unquoted equity shares, at cost	**1,166,436**	1,166,436
Advances *	**620,610**	500,760

* 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.

Investment in Subsidiaries and advances are denominated in the following currencies

	31.03.2010 S$	31.03.2009 S$
Japanese Yen	**662,242**	542,392
Australian Dollar	**1,124,804**	1,124,804

Details of investments in subsidiaries are as follows:

Subsidiary company	Principal activities	Country of incorporation	Equity Holding	Cost of Investment S$
Four Soft Australia Pty. Ltd	Development and sale of software	Australia	100%	1,124,804
Four Soft -Japan	Development and sales of hardware and software	Japan	100%	41,632

Subsidiaries are not required to get their accounts audited in their country of origin.

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010

	31.03.2010 S$	31.03.2009 S$
8. CASH & CASH EQUIVALENTS		
Cash on hand	**26**	23
Cash at banks	**101,395**	54,947
	101,421	54,970

Cash and cash equivalents denominated in the following currencies

	31.03.2010 S$	31.03.2009 S$
United States Dollar	**1,550**	3,079
Singapore Dollar	**99,871**	51,891

9. TRADE RECEIVABLES

	31.03.2010 S$	31.03.2009 S$
Trade debtors(net of provision)	**203,480**	608,200
	203,480	608,200
Movements of provision		
Balance at the beginning of the year	**313,623**	319,603
Provision for the year	**1,400**	27,141
(Written off)	**(1,400)**	(33,121)
Balance at the end of the year	**313,623**	313,623

Trade and other receivables are denominated in the following currencies

	31.03.2010 S$	31.03.2009 S$
United States Dollar	**92,698**	98,175
Singapore Dollar	**110,782**	510,025
	203,480	608,200

Trade receivables are non-interest bearing and are generally on 30 to 90 days' term. They are recognized at their original invoice amounts which represent their fair values on initial recognition.

Receivables that are past due but not impaired

The Company has trade receivables amounting to **S$ 110,218/- (2008 : S$ 115,489/-)** that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:-

Trade receivables past due:

	31.03.2010 S$	31.03.2009 S$
0 - 60 days	**68,945**	356,459
60 - 90 days	**7,624**	93,854
90 - 365 days	**1,070**	1,156
More than 365 days	**32,579**	–

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010

	31.03.2010 S$	31.03.2009 S$
10. OTHER RECEIVABLES		
Other debtors	**35,484**	35,484
Deposit	**21,602**	15,772
Prepayments	**1,722**	2,562
	58,808	53,818

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

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

These are denominated in the following currencies

	31.03.2010 S$	31.03.2009 S$
Australian dollar	–	207,720
Singapore Dollar	**151,595**	158,466

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

	31.03.2010 S$	31.03.2009 S$
Interest Bearing Loan		
Obligations under finance lease - Unsecured	**4,295**	5,531
	4,295	5,531
Due within 12 months	**1,718**	1,580
Due beyond 12 months	**2,577**	3,950
	4,295	5,531

14. OTHER PAYABLES

	31.03.2010 S$	31.03.2009 S$
Other creditors	**79,941**	80,025
Unearned revenue	**288,306**	332,672
Accrued liabilities	**12,013**	12,409
	380,260	425,106

15. DUE TO HOLDING COMPANY/RELATED PARTIES- TRADE

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

These are denominated in the following currencies

	31.03.2010 S$	31.03.2009 S$
GBP	**244,152**	250,067
United States Dollar	**688,777**	1,109,237

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 7.6% per annum respectively, are unsecured and have no fixed terms of repayment.

These are denominated in the following currencies

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010

	31.03.2010 S$	31.03.2009 S$
Australian Dollar	**1,674,717**	1,695,747
GBP	**3,137**	—
Singapore Dollar	**363,987**	549,730
United States Dollar	**50,898**	1,109,237

17. SHARE CAPITAL

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

CAPITAL MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development by issuing or redeeming equity and debts instruments when necessary.

The board of directors monitors its capital based on net debt and total capital. Net debt calculated as borrowings plus trade and other payables less cash and bank deposits. Total capital is calculated as equity plus net debt.

The company is not subject to any externally imposed capital requirements.

	31.03.2010 S$	31.03.2009 S$
Net debt	3,316,824	4,062,179
Total equity	–	—
Total capital	**3,316,824**	4,062,179

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 available for future setoff would be S$1,097,032/. 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

	31.03.2010 S$	31.03.2009 S$
Net Profit / (Loss) as per accounts	**24,640**	209,771
Tax at 17% (2009:18%)	**4,189**	37,759
Expenses not deductible/ (non-taxable)	**68,526**	(17,612)
Others	**(72,714)**	(14,630)
Foreign tax paid	**48,546**	–
Unrecognized deferred tax asset	**–**	(5517)
	48,546	–

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010

	31.03.2010 S$	31.03.2009 S$
19. STAFF COSTS		
Staff - Gross Salary	**48,800**	248,898
Staff - Employer contribution to CPF	**6,523**	21,415
Employee Medical Reimbursement	**235**	1,936
Employee welfare expenses	**276**	2,640
Relocation cost	**–**	4,264
Staff Training and Recruitment	**2,108**	–
	57,942	279,153

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, Great British Pound and Japanese Yen.

Sensitivity analysis for foreign currency risk

			31.03.2010 S$	31.03.2009 S$
			Profit/(loss) net of tax	**Profit/(loss) net of tax**
GBP	- strengthened	5%(2009:5%)	**(10,262)**	(10,262)
	- weakened	5%(2009: 5%)	**10,262**	10,262
JPY	- strengthened	5%(2009:5%)	**25,755**	20,531
	- weakened	5%(2009:5%)	**(25,755)**	(20,531)
AUD	- strengthened	5%(2009:5%)	**(62,126)**	(15,026)
	- weakened	5%(2009:5%)	**62,126**	15,026
USD	-strengthened	5%(2009:5%)	**(26,803)**	(43,015)
	-weakened	5%(2009 :5%)	**26,803**	43,015

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 variable 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.

NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2010

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.

The table below analyses the maturity profile of the Company's financial liabilities .

At 31 March 2010

	Less than 1 year	Between 1 and 2 years
Trade and Other payables	**318,264**	70,018
Interest bearing loans	**2,577**	1,718
Due to holding company/ related parties	**3,025,668**	-

At 31 March 2009

	Less than 1 year	Between 1 and 2 years
Trade and Other payables	**380,182**	70,018
Interest bearing loans	**3,950**	1,580
Due to holding company/ related parties	**3,661,419**	-

(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.

		31.03.2010 S$	31.03.2009 S$
Purchases	- Holding company	**593,354**	1,184,075
Interest Expense	- Holding company	**28,220**	28,220
Interest expense	- Related Party	**42,937**	43,771
Payroll Cost	- Related Party	**6,688**	–
Other Income	- Related Party	**44,254**	–
Royalty Income	- Related Party	**235,430**	207,720
Travel Expenses	- Holding Company	**–**	41,227

FOUR SOFT JAPAN KK

DIRECTORS' REPORT

The Directors submit the Annual Report of the Company together with the statement of accounts for the year ended March 31, 2010.

General Information

Four Soft Japan KK is a private limited company domiciled and incorporated in Japan. The address of its Registered Office and Principal place of business is Level32, Shinjuku Nomura Building, 1-26-2 Nishi-Shinjuku, Shinjuku-ku Tokyo Japan 163-0532.

The company is a wholly owned subsidiary of Four Soft Singapore Pte Ltd, a company incorporated in Singapore.

The principal activity during the period is provision of IT consultancy services for the logistics and supply chain management market place.

Result

The total revenues during the year were ¥ 10.83 million (2009: ¥ 44.28 million). Cost rationalization initiatives taken during the year saw the total expenses come down to ¥ 10.31 million (2008: ¥ 41.08 million). Your company made a post tax profit of ¥ 0.45 million (2008: ¥ 3.20 million). The profit for the year is proposed to be retained in the Profit and Loss Account.

Directors

Following directors held office during the year and up to the date of this report:

Palem Srikanth Reddy

Rajshekhar Roy

Biju S Nair

Rakesh Kumar Munigala

Hideki Mochizuki

The Management of the Company will continue to receive full support from parent Company Four Soft Pte Ltd & Four Soft Ltd in terms of Technology, delivery capabilities and implementation support services.

Dividends

The directors do not recommend any dividends be declared for the period ended 31st March 2010.

Other matters

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

Your directors thank the company's clients and vendors, for their continued support during the year. Your directors place on record their appreciation of the contribution made by employees at all levels.

For and on behalf of the Board of Directors of Four Soft Japan KK, Japan

Rajshekhar Roy
Director

Biju S. Nair
Director

Place : Hyderabad
Date : 10th May, 2010

BALANCE SHEET AS AT MARCH 31, 2010

	Schedules	**As at March 31, 2010 JPY**	As at March 31, 2009 JPY
SOURCES OF FUNDS			
Shareholders' Funds			
Capital	1	**3,000,000**	3,000,000
Reserves and surplus	2	**(15,070,479)**	(15,516,003)
Total		**(12,070,479)**	(12,516,003)
APPLICATION OF FUNDS			
Fixed Assets	3		
Gross block		**170,500**	170,500
Less : Accumulated depreciation		**170,500**	132,608
Net block		**–**	37,892
Current Assets, Loans and Advances			
Sundry debtors	4	**56,092,053**	47,605,680
Cash and bank balances	5	**274,555**	1,750,773
Loans and advances	6	**314,244**	796,798
		56,680,852	50,153,251
Less: Current Liabilities and Provisions			
Liabilities	7	**68,681,331**	62,637,146
Provisions	8	**70,000**	70,000
		68,751,331	62,707,146
Net Current Assets		**(12,070,479)**	(12,553,895)
Total		**(12,070,479)**	(12,516,003)
Notes to Accounts	13		

For and on behalf of the Board of Directors of Four Soft Japan KK, Japan

Rajshekhar Roy
Director

Biju S. Nair
Director

Place : Hyderabad
Date : 10th May, 2010

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

	Schedules	**For the Year ended March 31, 2010 JPY**	For the Year ended March 31, 2009 JPY
INCOME			
Revenue from software services and products	9	**10,825,041**	44,052,011
Other income	10	**377**	229,618
Total		**10,825,418**	44,281,629
EXPENDITURE			
Personnel expenses	11	**5,936,873**	27,479,934
Operating and other expenses	12	**4,335,129**	13,545,193
Depreciation and amortisation	3	**37,892**	56,832
Total		**10,309,894**	41,081,959
Profit before tax		**515,524**	3,199,670
Provision for current tax		**70,000**	69,410
		70,000	69,410
Net profit		**445,524**	3,130,260
Balance brought forward from previous year		**(15,516,003)**	(18,646,263)
Surplus carried to Balance Sheet		**(15,070,479)**	(15,516,003)
Notes to Accounts	13		

For and on behalf of the Board of Directors of Four Soft Japan KK, Japan

Rajshekhar Roy
Director

Biju S. Nair
Director

Place : Hyderabad
Date : 10th May, 2010

SCHEDULES TO THE ACCOUNTS

	As at March 31, 2010 JPY	As at March 31, 2009 JPY
Schedule 1: Capital		
Opning Balance of Share Capital	**3,000,000**	3,000,000
3,000,000 shares of JP¥ 1 each fully paid-up		
Total	**3,000,000**	3,000,000
Schedule 2: Reserves and surplus		
Profit and Loss Account	**(15,070,479)**	(15,516,003)
Total	**(15,070,479)**	(15,516,003)

Schedule 3 : Fixed Assets

Particulars	Gross Block			Depreciation/Amortisation			Net Block	
	At April 1, 2009	Additions	**At March 31, 2010**	At April 1, 2009	For the year March 31, 2010	**At March 31, 2010**	**At March 31, 2010**	At March 31, 2009
Office equipment	170,500	–	**170,500**	132,608	37,892	**170,500**	**–**	37,892
Total	170,500	–	**170,500**	132,608	37,892	**170,500**	**–**	37,892
Previou Year	170,500	–	**170,500**	75,776	56,832	**132,608**	**37,892**	

SCHEDULES TO THE ACCOUNTS

	As at March 31, 2010 JPY	As at March 31, 2009 JPY
Schedule 4: Sundry debtors		
Trade receivables	**56,092,053**	47,605,680
Total	**56,092,053**	47,605,680
Schedule 5: Cash and bank balances		
Balances with banks on:		
Current accounts	**274,555**	1,750,773
Total	**274,555**	1,750,773
Schedule 6: Loans and advances		
Unsecured, considered good		
Advances recoverable in cash or in kind or for value to be received	**214,244**	446,798
Deposits	**100,000**	350,000
Total	**314,244**	796,798
Schedule 7: Liabilities		
Sundry creditors	–	1,375,423
Hodling company	**68,673,261**	60,989,444
Other liabilities	**8,070**	272,279
Total	**68,681,331**	62,637,146
Schedule 8: Provisions		
For income tax (net of advance payments)	**70,000**	70,000
Total	**70,000**	70,000

SCHEDULES TO THE ACCOUNTS

	For the Year ended March 31, 2010 JPY	For the Year ended March 31, 2009 JPY
Schedule 9: Revenue from software services and products		
Customisation and Implementation services	**10,825,041**	17,158,259
Annual maintenance services	**–**	23,598,662
Sale of licenses	**–**	3,295,090
Total	**10,825,041**	44,052,011
Schedule 10: Other income		
Interest income	**377**	5,368
Liability no longer required written back	**–**	224,250
Total	**377**	229,618
Schedule 11: Personnel expenses		
Salaries, wages and bonus	**5,603,173**	24,999,996
Retirement benefits	**307,871**	2,471,817
Staff welfare expenses	**25,829**	8,121
Total	**5,936,873**	27,479,934
Schedule 12: Operating and other expenses		
Rent	**1,118,027**	4,828,329
Fee, rates and taxes	**84,100**	1,000
Office maintenance	**53,951**	482,177
Implementation expenses	**111,200**	484,050
Business promotion	**368,351**	2,341,142
Communication costs	**326,219**	1,563,217
Postage and courier	**5,027**	4,208
Insurance		7,140
Travelling and conveyance	**277,620**	5,034,587
Exchange difference (net)	**1,022,484**	(2,917,872)
Legal and professional fees	**931,400**	1,576,050
Bank charges	**36,750**	141,165
Total	**4,335,129**	13,545,193

SCHEDULES TO THE ACCOUNTS

Schedule 13: Notes to Accounts

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The accompanying financial statements are prepared under the historical cost convention on the accrual basis of accounting in accordance with generally accepted accounting principles to reflect the financial position & results of operation. These financial statements have been prepared on a going concern basis, which assumes the realization of assets and satisfaction of liabilities in the normal course of business.

Fixed Assets

Fixed assets are stated at cost less accumulated depreciation and impairment loss if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Depreciation

Depreciation is provided using the Straight Lime Method as per the useful lives of the assets estimated by the management.

Revenue recognition

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

Sale of software licenses and software services

Revenue from the sale of user licenses for software application is recognized on delivery or subsequent milestone schedule as per the terms and contract with the customers. Revenue from time and material contracts is recognized as the related services are rendered. Revenue from annual maintenance services is recognized proportionately over the period in which services are rendered. Revenue from services on fixed-priced and fixed time frame contracts is recognized on completion and delivery of services to the customers when the outcome of the contract cannot be assessed with reasonable certainty or on proportionate completion method when no significant uncertainty exists regarding the amount of consideration that will be derived from rendering the services.

Foreign currency translation

Foreign currency transactions are recorded at the rate prevailing on the date of the transaction. 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.

Retirement Benefits

Retirement benefits 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.

Income Taxes

Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the prevailing taxation law.

Provisions

Provisions are recognized 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 values 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.

Previous year comparatives

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

FOUR SOFT MALAYSIA SDN. BHD.

(Incorporated in Malaysia) 502653-M

DIRECTORS' REPORT

The directors have pleasure in presenting their Tenth Annual Report on the affairs of the company together with the audited financial statements for the financial year ended 31 March 2010.

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
Profit before tax	**33,376**
Tax expense	**–**
Profit after tax	**33,376**
Accumulated losses at beginning of year	**(10,168,322)**
Accumulated losses at end of year	**(10,134,946)**

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.

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 there were no known bad debts and no writeoff or provision for bad and doubtful debts are required.

At the date of this report, the directors are not aware of any circumstances which would require the writing off of bad debts or the making of provision for doubtful debts in the financial statements of the company.

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.

DIRECTORS' REPORT

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 2010 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 :

Palem Srikanth Reddy

Rajshekhar Roy

Rakesh Kumar Munigala

Ba-azlan bin Che' Wan Ibrahim

Lee Siak Liang

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 Rs5 each			
	As at 4/1/2009	**Bought**	**Sold**	**As at 3/31/2010**
Four Soft Limited				
Palem Srikanth Reddy	8,651,297	—	—	**8,651,297**

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 Regulation 63 of the company's Articles of Association, Rakesh Kumar Munigala and Rajshekhar Roy 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' REPORT

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 for the preparation and fair presentation of financial statements and all information and representations contained therein for each financial year under review and which comply with the regulatory reporting requirements and best practices in Malaysia. This responsibility includes : devising and maintaining an adequate internal accounting control and reporting system to ensure the overall accuracy, completeness and propriety of transactions free from material misstatements whether due to fraud or other irregularities to permit the preparation of true and fair financial statements ; provide reasonable assurance that assets and liabilities are safeguarded against unauthorised use or disposition and that transactions are properly authorised, executed and recorded ; selecting and applying appropriate accounting policies ; and making accounting estimates that are reasonable in the circumstances.

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

Lee Siak Liang **Ba-azlan bin Che' Wan Ibrahim**

Johor Bahru
5 May 2010

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 16 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 2010 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

Lee Siak Liang **Ba-azlan bin Che' Wan Ibrahim**

Johor Bahru
5 May 2010

DIRECTORS' REPORT

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 2010, as set out on pages 7 to 16 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 5 May 2010)

Lee Siak Liang

Before me :
Commissioner of Oath

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FOUR SOFT MALAYSIA SDN. BHD. FOR THE FINANCIAL YEAR ENDED 31 MARCH 2010

We have audited the financial statements of Four Soft Malaysia Sdn. Bhd. (502653-M) (the "Company") as set out on pages 7 to 16 for the financial year ended 31 March 2010. This report is made solely to the members of the Company in accordance with the Malaysia 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.

Auditor's Responsibility

As described more fully on page 4, the company's directors are responsible for the preparation and fair presentation of the financial statements in accordance with the provisions of the Act and Malaysia Financial Reporting Standards. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved auditing standards in Malaysia. Those standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or other irregularities. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management as well as evaluating the overall presentation of the financial statements. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion :

(a) the financial statements of the Company are properly drawn up in accordance with the provisions of the Act and Malaysia Financial Reporting Standards so as to give a true and fair view of the results, changes in equity and cash flows of the company for the financial year ended 31 March 2010 and of the state of affairs of the company as at the end of that date ; and

(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 2010, the company has accumulated losses of RM10,134,946 and a negative equity of RM134,946. Continuation of the company as a going concern is dependent upon the satisfactory outcome from litigation proceedings as disclosed in Note 5 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.

TLH Associates
No. AF 1009
Chartered Accountants (M)

Teoh Lye Huat
No. 1616/07/11(J/PH)
Sole Practitioner

Johor Bahru
5 May 2010

INCOME STATEMENT 31 MARCH 2010

	Note	2010 RM	2009 RM
Revenue			
Services rendered	2(c)	**113,848**	329,372
Costs and expenses			
Staff costs		**74,460**	205,074
Other operating expenses		**6,012**	55,500
Total costs and expenses		**80,472**	260,574
Profit before tax		**33,376**	68,798
Tax expense	3	–	2,233
Profit after tax		**33,376**	71,031
Profit before tax is arrived at after charging/(crediting) :			
Auditor's remuneration		**2,000**	2,000
Bad and doubtful debts		–	6,702
Defined contribution post-employment benefits plan costs		**7,870**	21,792
Foreign currency alignment adjustments		**(6,732)**	13,305
Other income		–	(3,485)

The notes from an integral part of the financial statements

BALANCE SHEET 31 MARCH 2010

	Note	**31.03.2010 RM**	31.03.2009 RM
Current Assets			
Trade debtor		**9,000**	3,000
Sundry deposit		**1,200**	1,200
Cash at bank		**11,895**	12,262
		22,095	16,462
Current Liabilities			
Other creditors and accruals		**6,657**	9,505
Amount owing to related companies	4	**150,384**	171,502
Deferred income		–	3,777
		157,041	184,784
NET LIABILITIES		**(134,946)**	(168,322)
Financed by :			
Share capital		**10,000,000**	10,000,000
Accumulated losses		**(10,134,946)**	(10,168,322)
NEGATIVE EQUITY		**(134,946)**	(168,322)

Movements in the share capital are disclosed in the statement of changes in equity on page 193.

The notes from an integral part of the financial statements

STATEMENT OF CHANGES IN EQUITY 31 MARCH 2010

	31.03.2010 RM	31.03.2009 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, as previously reported	**(10,168,322)**	(10,209,939)
Errors and omissions	**–**	(29,414)
At beginning of year, as restated	**(10,168,322)**	(10,239,353)
Profit for the year	**33,376**	71,031
At end of year	**(10,134,946)**	(10,168,322)
Negative equity	**(134,946)**	(168,322)
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.

The notes from an integral part of the financial statements

STATEMENT OF CASH FLOWS 31 MARCH 2010

	31.03.2010 RM	31.03.2009 RM
Cash flows from operating activities		
Profit before tax	**33,376**	68,798
Operating profit before working capital changes	**33,376**	68,798
Debtors	**(6,000)**	92,613
Creditors (including related companies)	**(27,743)**	(207,624)
Net cash used in operating activities	**(367)**	(46,213)
Cash flows from investing activities		
Net cash used in m investing activities	**–**	–
Cash flows from financing activities		
Net cash used in financing activities	**–**	–
Net decrease in cash	**(367)**	(46,213)
Cash at beginning of year	**12,262**	58,475
Cash at end of year	**11,895**	12,262

The notes from an integral part of the financial statements

NOTES TO FINANCIAL STATEMENTS 31 MARCH 2010

1. CORPORATE INFORMATION

The financial statements of the company for the financial year ended 31 March 2010 have been authorised for issue in accordance with a resolution of the directors on 5 May 2010.

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 no employee (2009: 1).

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 2010, the company has accumulated losses of RM10,134,946 and a negative equity of RM134,946. The efficacy of the going concern basis is dependent upon the satisfactory outcome from litigation proceedings as disclosed in Note 5 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, prospective and contingent liabilities and recoverability 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) Impairment of Assets

At the balance sheet date, an assessment is made to determine whether any assets or group of assets may be impaired. Where objective evidence is available to support the basis, an impairment loss is immediately recognised in the income statement for the difference between the carrying amount and the recoverable amount, the value in use of the asset or its cash-generating unit. A reversal of an impairment loss is recorded only when the conditions giving rise to the loss are no longer present or have been substantially mitigated.

Where fair value measurements are adopted, an impairment loss is charged against previously recognised revaluation reserves in shareholders' equity. To the extent that an impairment loss cannot be covered by previous accretions to revaluation reserves, it is charged immediately as an expense against the income statement.

(c) 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 are excluded from the income statement and credited to deferred income.

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

(d) 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 :

	2010	2009
Singapore Dollar	**2.3385**	2.3969

(e) 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.

(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 as 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

	2010 **RM**	2009 RM
Current tax charge	**–**	–
Deferred tax charge on temporary differences	**–**	–
Tax charge based on the results for the year	**–**	–
Overprovision of income tax in prior years	**–**	2,233
Tax expense for the year	**–**	2,233
	%	%
Effective tax rate of tax charge to results for the year	**–**	–
Reconciliation of effective tax rate		
Statutory tax rate	**25**	25
Tax effect of permanent differences :		
Exempt income and tax incentives	**–**	–
Non-deductible expenses	**(3)**	3
Other tax effects :		
Unrelieved tax allowances not recognised in financial	**–**	–
statements for which credit was taken in the year	**(22)**	(28)
Unrelieved tax losses and allowances not recognised in the financial statements	**–**	–
	–	–

Tax savings resulting from the utilisation of tax losses brought forward from previous years for which credit was taken during the year amounted to RM7,000 (2009 : RM20,000).

Subject to the agreement with the Inland Revenue Board, unrelieved tax losses and allowances of RM3,358,000 (2009 : RM3,387,000) are available for offset against future taxable earnings provided that conditions regulating substantial ownership changes have been complied. Deferred tax assets amounting to RM840,000 (2009 : RM847,000) are not recognised in the financial statements as there are no indications that sufficient taxable earnings shall be available against which the timing differences can be utilised.

4. AMOUNT OWING TO RELATED COMPANIES

	2010 **RM**	**2009** **RM**
Amount owing to a fellow subsidiary	**186,099**	207,217
Amount owing by holding company	**(35,715)**	(35,715)
	150,384	171,502

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 :

	2010 RM	2009 RM
Services rendered to fellow subsidiary	**92,071**	254,627

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 management and marketing resources of related companies at no charge.

5. CONTINGENT LIABILITIES

An ex-employee instituted Industrial Court proceedings in 2007 against the company contending wrongful dismissal and seeking reinstatement of employment without loss of wages and perquisites or damages in lieu or reinstatement from 9 May 2002 of approximately RM617,000 (2009 : 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 an 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 commencing in 2006 have been withdrawn by the plaintiffs in January 2010 with each party agreeing to bear its own costs.

6. 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 advances and 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 managed by the Central Bank of Malaysia as a natural hedge against currency rate volatility during the settlement process in the ordinary course of business.

(c) Credit Risks

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 company does not have any significant concentration of credit risks or major exposure to a single client. The maximum exposure to credit risks is represented by the carrying values 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.

It is not practical to estimate the fair value of amounts owing to related companies as the variability in the determination of repayment makes it uncertain in terms of eventual outcome.

Four Soft Nordic A/S

Bizonvej 12, 8464 Galten CVR No. 12 31 61 00

STATEMENT BY THE SUPERVISORY AND EXECUTIVE BOARDS ON THE ANNUAL REPORT

Today the supervisory and the executive boards discussed and approved the annual report of Four Soft Nordic A/S for the financial year 1 April 2009 - 31March 2010.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 March 2010 and of the results of the company's operations for the inancial year 1 April 2009 - 31 March 2010

In our opinion, the management's review includes a fair review of the matters dealt with in the management's review.

We recommend the adoption of the annual report at the annual general meeting.

Skovby, 23 April 2010

Executive Board:

....	....	....
Johnny Hanberg Thøgersen	*Per Villefrance*	*Kim Friedrichsen*
....	....	....
Sharad Mishra		
....	....	....
supervisory board:		
....	....	....
Jørgen Winther Nielsen	*Srikanth Reddy Palem*	*Rajshekhar Roy*
....	....	....
Biju S. Nair	*Per Villefrance*	*Ulrik Henriksen Damm*
....		
Soren Borresen		

INDEPENDENT AUDITORS' REPORT

To the shareholders of Four Soft Nordic A/S

We have audited the financial statements of Four Soft Nordic A/S for the financial year 1 April 2009 - 31 March 2010, which comprise a summary of significant accounting policies, income statement, balance sheet and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

The supervisory and executive boards' responsibility for the financial statements

The supervisory and executive boards are responsible for the preparation and presentation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act. This responsibility includes: Designing, implementing and maintaining internal control relevant to the preparation and presentation of financial statements that give a true and fair view, 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 the financial statements 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 about whether the financial statements are free from 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 auditors' judgement, 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 presentation of the financial statements that give a true and fair view 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 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 opinion.

The audit did not result in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 March 2010 or of its results of operations for the financial year 1 April 2009 - 31 March 2010 in accordance with the Danish Financial Statements Act.

Emphasis-of-matter paragraph concerning other matters

The Company has put up a security for the parent company's bank engagement of DKK 3,722,450. As the parent company does not comply with the terms in section 211 of the Danish Companies Act the security violates with the Danish Companies Act and therefore the Company's management may incur liability the Company is not able to meet its liabilities.

Statement on the management's review

The supervisory and executive boards are responsible for the preparation of a management's review that includes a fair review in accordance with the Danish Financial Statements Act.

The audit has not included the management's review. Pursuant to the Danish Financial Statements Act, we have, however, read the management's review. We have not performed any further audit procedures in addition to the audit of the financial statements.

On this basis, it is our opinion that the information in the management's review is consistent with the financial statements.

Hans A. Nielsen
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 global transport and logistic industry.

Business review

The company's income statement for the year ended 31 March 2010 shows a net profit of DKK 6,407,539, and the balance sheet at 31 March 2010 shows equity of DKK 27,013,669.

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 prepared in accordance with the provisions of the Danish Financial Statements Act as regards reporting“class B enterprises.

The accounting policies are 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. Realised and unrealised exchange gains and losses are recognised 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 recognised 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 recognised 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 lifeof the assets:

	Useful life
Software	4 years
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

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, realised 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

Intangible assets

Intangible assets comprise software.

Intangible assets are measured at cost less accumulated amortisation and write-downs.

An impairment test is made for acquired intangible assets 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.

Equipment

Equipment comprise other fixtures, fittings, tools and equipment. Equipment are 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 are measured, using the equity method, at the parent's proportionate share of such enterprises' equity.

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.

Write-downs 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 write-downs 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 nonamortisable goodwill.

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.

Income statements For the year ended 31 March 2010

	Notes	2009/10 DKK	2008/09 DKK'000
Gross margin		**29,518,561**	28,916
Staff costs	1	**22,822,335**	20,200
Amortisation/depreciation and write-downs of intangible			
assets and property, plant and equipment	2	**164,057**	116
Profit before net financials		**6,532,169**	8,600
Income from investments in group enterprises	7	**93,295**	3,372
Other financial income	3	**1,907,706**	449
Other financial expenses		**41,213**	1,228
Profit before tax		**8,491,957**	11,193
Tax for the year	4	**2,084,418**	1,961
Net profit for the year		**6,407,539**	9,232
Appropriation of profit		**–**	–
Profit to be appropriated:		**–**	–
Retained earnings		**17,820,211**	5,178
Net profit for the year		**6,407,539**	9,232
Available for appropriation		**24,227,750**	14,410
the supervisory board recommends the following appropriation of the profit:			
Nettoopskrivning efter indre værdis metode		**93,295**	-3,411
Reserve for net revaluation according to the equity method			
Retained earnings		**24,134,455**	17,821
Total appropriation		**24,227,750**	14,410

Balance sheet at 31 March 2010

	Notes	**2009/10 DKK**	2008/09 DKK'000
Assets			
Fixed assets			
Software		**193,592**	266
Intangible assets	5	**193,592**	266
Other fixtures and fittings, tools and equipment		**180,903**	163
Property, plant and equipment	6	**180,903**	163
Investments in group enterprises	7	**2,669,415**	2,629
Receivables from group enterprises		**2,197,922**	2,927
Deposits		**411,963**	404
Investments		**5,279,300**	5,960
Total fixed assets		**5,653,795**	6,389
Current assets			
Goods for resale		**350,721**	432
Inventories		**350,721**	432
Trade debtors		**6,874,340**	10,503
Work in progress for third parties		**173,105**	62
Receivables from group enterprises		**13,121,855**	9,714
Other receivables		**73,236**	25
Deferred tax asset		**623,490**	977
Prepayments		**348,857**	396
Receivables		**21,214,883**	21,677
Cash		**9,380,632**	3,643
Total current assets		**30,946,236**	25,752
Total assets		**36,600,031**	32,141

Equity and liabilities

Equity

Balance sheet at 31 March 2010

	Notes	**2009/10 DKK**	2008/09 DKK'000
Share capital		**1,000,000**	1,000
Reserve for net revaluation according to the equity method		**1,879,214**	1,839
Retained earnings		**24,134,455**	17,820
Total equity		**27,013,669**	20,659
Liabilities	8		
Trade payables		**390,093**	1,122
Payables to group enterprises		**2,930,192**	2,753
Income taxes		**342,829**	1,559
Other payables		**5,744,504**	6,048
Deferred income		**178,744**	—
Short-term liabilities		**9,586,362**	11,482
Total liabilities		**9,586,362**	11,482
Total equity and liabilities		**36,600,031**	32,141
Security for loans	9		
Other financial obligations	10		

Notes 31 March 2010

	Notes	2009/10 DKK	2008/09 DKK'000
Note 1.			
Staff costs			
Analysis of staff costs:			
Wages and salaries		**19,362,287**	17,154
Pension costs		**2,741,361**	2,370
Other social security costs		**342,096**	270
Other staff costs		**376,591**	406
		22,822,335	20,200
Note 2.			
Amortisation/depreciation and write-downs of intangible assets and property, plant and equipment			
Software		**72,597**	24
Other fixtures and fittings, tools and equipment		**91,460**	92
		164,057	116
Note 3.			
Other financial income			
Interest receivable, group enterprises		**607,386**	107
Other interest receivable, exchange gains and similar income		**1,300,320**	342
		1,907,706	449
Note 4.			
Tax for the year			
Estimated income tax charge, excl. interest surcharges		**1,731,225**	1,466
Change in provision for deferred tax		**353,193**	488
		2,084,418	1,954
Prior year adjustments		**–**	7
		2,084,418	1,961
analysed as follows:			
Tax for the year		**2,084,418**	1,961
Total		**2,084,418**	1,961

Note 5.

	Software
Intangible Assets (DKK)	
Cost	290,388
Balance at 1/4 2009	
Additions in the year	—
Disposals in the year	—
Cost at 31/3 2010	290,388
Amortisation and write-downs	
Balance at 1/4 2009	24,199
Amortisation in the year	72,597
Amortisation and write-downs at 31/3 2010	96,796
Carrying amount at 31/3 2010	193,592

Notes 31 March 2010

	Notes	2009/10 DKK

Note 6.

Property, plant and equipment

	Other fixtures and fittings, tools and equipment
Cost	
Balance at 1/4 2009	**846,199**
Additions in the year	**108,937**
Disposals in the year	**–**
Cost at 31/3 2010	**955,136**
Depreciation and write-downs	
Balance at 1/4 2009	**682,773**
Depreciation in the year	**91,460**
Depreciation and write-downs at 31/3 2010	**774,233**
Carrying amount at 31/3 2010	**180,903**

Note 7.

Investments	
Investments in group enterprises.	Group enterprises
Cost	
Balance at 1/4 2009	**954,522**
Cost at 31/3 2010	**954,522**
Adjustments	
Balance at 1/4 2009	**1,674,681**
Exchange adjustment	**-53,083**
Share of net profit or loss for the year	**93,295**
Adjustments at 31/3 2010	**1,714,893**
Carrying amount at 31/3 2010	**2,669,415**
Analysis of the Company's share of the net profit/loss for the year:	
Share of the pre-tax profit/loss for the year	**93,295**
	93,295

Note 8.

Statement of changes in equity

	Share capital	**Equity method transfer to net revaluation reserve**	**earnings/-Accumulated loss**	**Total**
Shareholders' equity at 1/4 2009	1,000,000	1,839,002	17,820,211	20,659,213
Exchange adjustment		-53,083		-53,083
Revaluations in the year		93,295		93,295
Transfer in the year			6,314,244	6,314,244
Shareholders' equity at 31/3 2010	1,000,000	1,879,214	24,134,455	27,013,669

Notes 31 March 2010

Note 9.

Security for loans

A bank deposit of DKK 3,722,450 has been put up as security for the parent company's bank engagement.

Note 10.

	Notes	**2009/10 DKK**	2008/09 DKK'000
Other financial obligations			
Payments under operating leases and rent contract		**1,782,492**	2,264
The remaining terms are 0-5 years.			
Gross margin			
Revenue		**43,561,369**	44,870
Cost of goods sold, cf. spec. no. 2		**8,841,989**	10,518
Other external expenses, cf. spec. no. 3		**5,200,819**	5,436
		29,518,561	28,916

FOUR SOFT AUSTRALIA PTY LIMITED

(All amounts are in AUD)

Directors Report

The Directors submit the Annual Report of the Company together with the statement of accounts for the year ended March 31, 2010.

General information

Four Soft Australia Pty Ltd is a private limited company domiciled and incorporated in Australia. The address of its Registered Office and Principal place of business is Level 2 Suite 5, 56 Berry Street, North Sydney, NSW 2060, Australia.

The company is a wholly owned subsidiary of Four Soft Singapore Pte Ltd, a company incorporated in Singapore.

The principal activity during the period is provision of IT consultancy services for the logistics and supply chain management marketplace.

Result

The total revenues during the year were AUD 1,017k. Your company made a pre tax profit of AUD 15k and net profits during the year were AUS 5k. The profit for the year is proposed to be retained in the Profit and Loss Account.

Directors

Following directors held office during the year and up to the date of this report:

Palem Srikanth Reddy

Rajshekhar Roy

Biju S Nair

Peter Jackson

The Management of the Company will continue to receive full support from parent Company Four Soft Pte Ltd & Four Soft Ltd in terms of Technology, delivery capabilities and implementation support services.

Dividends

The directors do not recommend any dividend be declared for the period ended 31st March 2010.

Other matters

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

Your directors thank the company's clients and vendors, for their continued support during the year. Your directors place on record their appreciation of the contribution made by employees at all levels.

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

Rajshekhar Roy
Director

Biju S. Nair
Director

Place : Hyderabad
Date : 10th May, 2010

BALANCE SHEET AS AT MARCH 31, 2010

(All amounts are in AUD)

	Schedules	As at March 31, 2010	As at March 31, 2009
SOURCES OF FUNDS			
Shareholders' Funds4			
Capital	1	**500**	500
Reserves and surplus	2	**392,877**	387,919
Total		**393,377**	388,419
APPLICATION OF FUNDS			
Fixed Assets	3		
Gross block		**325,338**	319,109
Less : Accumulated depreciation		**313,285**	304,180
Net block		**12,053**	14,929
Current Assets, Loans and Advances			
Sundry debtors	4	**188,854**	242,592
Cash and bank balances	5	**231,089**	265,840
Loans and advances	6	**625,399**	788,644
		1,045,342	1,297,076
Less: Current Liabilities and Provisions			
Liabilities	7	**531,166**	705,112
Provisions	8	**132,852**	218,474
		664,018	923,586
Net Current Assets		**381,324**	373,490
Total		**393,377**	388,419
Notes to Accounts	13		

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

Rajshekhar Roy
Director

Biju S. Nair
Director

Place : Hyderabad
Date : 10th May, 2010

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2010

(All amounts are in AUD)

	Schedules	**For the Year ended March 31, 2009**	For the Year ended March 31, 2008
INCOME			
Revenue from software services and products	9	**948,511**	1,328,865
Other income	10	**68,091**	47,702
Total		**1,016,602**	1,376,567
EXPENDITURE			
Personnel expenses	11	**647,499**	623,620
Operating and other expenses	12	**345,478**	412,304
Depreciation and amortisation	3	**9,104**	8,812
Total		**1,002,081**	1,044,736
Profit before tax		**14,521**	331,831
Provision for current tax		**9,563**	100,000
Fringe benefit tax		**–**	–
		9,563	100,000
Net profit		**4,958**	231,831
Balance brought forward from previous year		**387,919**	156,088
Surplus carried to Balance Sheet		**392,877**	387,919
Notes to Accounts	13		

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

Rajshekhar Roy
Director

Biju S. Nair
Director

Place : Hyderabad
Date : 10th May, 2010

SCHEDULES TO THE ACCOUNTS

(All amounts are in AUD)

	As at March 31, 2010	As at March 31, 2009
Schedule 1:Capital		
Opning Balance of Share Capital	**500**	500
500 shares of AUD 1 each fully paid-up		
Total	**500**	500
Schedule 2: Reserves and surplus		
Profit and Loss Account	**392,877**	387,919
Total	**392,877**	387,919
Schedule 4: Sundry debtors		
Unsecured, considered good	**188,854**	242,592
	188,854	242,592
Less : Provision for doubtful debts	**—**	—
Total	**188,854**	242,592
Schedule 5: Cash and bank balances		
Cash on hand	–	–
Balances with banks on:		
Current accounts	**231,089**	265,840
Total	**231,089**	265,840
Schedule 6: Loans and advances		
Unsecured, considered good		
Advances and loans to related parties	**579,761**	784,728
Advances recoverable in cash or in kind or for value to be received	**44,481**	2,759
Deposits	**1,157**	1,157
Total	**625,399**	788,644
Schedule 7: Liabilities		
Sundry creditors	**29,192**	15,411
Related party payables	**242,472**	481,526
Advance from customers	**229,630**	190,904
Other liabilities	**29,872**	17,271
Total	**531,166**	705,112
Schedule 8: Provisions		
For retirement benefits	**132,852**	123,024
For income tax (net of advance payments)	–	95,450
Total	**132,852**	218,474

SCHEDULES TO THE ACCOUNTS

SCHEDULE 3: FIXED ASSETS

(All amounts are in AUD)

(All amounts are in AUD)

Particulars	Gross Block				Depreciation/Amortisation				Net Block	Net Block
	At April 1, 2009	Additions	Deletions/ Adjustments	At March 31, 2010	At April 1, 2009	For the year March 31, 2010	Deletions/ Adjustments	At March 31, 2010	At March 31, 2010	At March 31, 2009
Fixed Assets										
Computers	279,038	6,228	–	285,266	264,109	9,104	–	273,213	12,053	14,929
Furniture and fittings 40,072	40,072	–	–	40,072	40,072	–	–	40,072	–	–
Total	319,110	6,228	–	325,338	304,181	9,104	–	313,285	12,053	14,929
Previous Year	316,320	2,789	–	319,109	295,369	8,812	–	304,181	14,929	–

SCHEDULES TO THE ACCOUNTS

(All amounts are in AUD)

	For the Year ended March 31, 2010	For the Year ended March 31, 2009
Schedule 9: Revenue from software services and products		
Customisation and Implementation services	**156,102**	459,118
Annual maintenance services	**792,409**	869,747
Total	**948,511**	1,328,865
Schedule 10: Other income		
Interest income	**42,630**	72,755
Exchange difference (net)	**25,461**	(25,368)
Miscellaneous Income	**—**	315
Total	**68,091**	47,702
Schedule 11: Personnel expenses		
Salaries, wages and bonus	**536,240**	450,592
Retirement benefits	**108,972**	167,428
Staff welfare expenses	**2,287**	5,600
Total	**647,499**	623,620
Schedule 12: Operating and other expenses		
Rent	**56,498**	64,177
Fee, rates and taxes	**212**	212
Office maintenance	**7,582**	8,381
Implementation expenses	**203,945**	232,911
Advertisement and recruitment	**—**	6,180
Communication costs	**23,133**	18,868
Postage and courier	**539**	116
Insurance	**4,627**	1,685
Travelling and conveyance	**10,841**	27,617
Legal and professional fees	**37,573**	51,837
Bank charges	**328**	320
Donation	**200**	—
Loss on sale of fixed asset	**—**	—
Total	**345,478**	412,304

SCHEDULES TO THE ACCOUNTS

Schedule 13: Notes to Accounts

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The accompanying financial statements are prepared under the historical cost convention on the accrual basis of accounting in accordance with generally accepted accounting principles to reflect the financial position & results of operation. These financial statements have been prepared on a going concern basis, which assumes the realization of assets and satisfaction of liabilities in the normal course of business.

Fixed Assets

Fixed assets are stated at cost less accumulated depreciation and impairment loss if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Depreciation

Depreciation is provided using the Straight Lime Method as per the useful lives of the assets estimated by the management.

Revenue recognition

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

Sale of software licenses and software services

Revenue from the sale of user licenses for software application is recognized on delivery or subsequent milestone schedule as per the terms and contract with the customers. Revenue from time and material contracts is recognized as the related services are rendered. Revenue from annual maintenance services is recognized proportionately over the period in which services are rendered. Revenue from services on fixed-priced and fixed time frame contracts is recognized on completion and delivery of services to the customers when the outcome of the contract cannot be assessed with reasonable certainty or on proportionate completion method when no significant uncertainty exists regarding the amount of consideration that will be derived from rendering the services.

Foreign currency translation

Foreign currency transactions are recorded at the rate prevailing on the date of the transaction. 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.

Retirement Benefits

Retirement benefits 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.

Income Taxes

Tax expense comprises of current tax and fringe benefit tax. Current income tax & fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the prevailing taxation law.

Provisions

Provisions are recognized 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 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.

Previous year comparatives

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

FOUR SOFT (HK) LTD

DIRECTORS' REPORT

The Directors have pleasure in submitting their Annual Report together with the audited Financial Statements for the year ended 31st March, 2010.

PRINCIPAL ACTIVITY

The principal activity of the company during the year is the provision of computer system analysis and programming services.

SHARE CAPITAL

Details of the share capital of the company are set out in notes 11 to the financial statements.

RESULT

The loss of the company for the year ended 31st March, 2010 and the state of the company's affair at that date are set out in the financial statements on the pages 5 to 18.

DIRECTORS

The following directors held office during the year and up to the date of this report:-

Srikanth Reddy Palem
Roy Rajshekhar
Four Soft Nordic A/S
(Represented by Srikanth Reddy Palem)

In accordance with the company's Article of Association, all directors shall retire from the Board at the Annual General Meeting and, being eligible, offer themselves for re-election.

DIVIDENDS

The directors do not recommend any dividend be declared for the year ended 31st March, 2010.

RESERVES

During the year, no appropriation to reserves has been made in the financial statements.

DONATIONS

During the year, no donations for charitable or other purposes has been made by the company.

FIXED ASSETS

Movements in fixed assets during the year are set out in Notes to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

There is no contract of significance in relation to the Company's business to which the company, any of its holding company was a party, and in which a Director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company, any of its holding company a party to any arrangements to enable the Directors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

AUDITORS

Messrs. Oliver Wong & Co., C.P.A are the Company's retiring Auditors who, being eligible, offer themselves for re-appointment.

OTHER MATTERS

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

For and on behalf of Board

sd/-

Palem Srikanth Reddy
Chairman

INDEPENDENT AUDITORS REPORT

To the Shares holders of
FOUR SOFT (HK) LTD

We have audited the financial statement of Four Soft (HK) Limited (the" Company") set out on pages 5 to 18, which comprise the balance sheet as 31st March, 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement , whether due to fraud or error ; selecting and applying appropriate policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statement based on our audit. This report is made solely to you , as a body in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk of assessments, the auditor considers internal control relevant to the entity's preparation and true 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 the directors, 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, the financial statements give a true and fair view of the state of the company's affairs as at 31st March, 2010 and of its loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Oliver Wong & Co
Certified Public Accountants (Practising)
Hongkong

STATEMENT OF COMPREHENSIVE INCOME YEAR ENDED 31ST MARCH 2010

	Notes	**2010 HK$**	2009 HK$
Turnover	4	**–**	–
cost of income		**–**	–
Gross Profit		**–**	–
Other Income		**186,918**	9,092
Administrative expenses		**(37,795)**	(285,777)
profit/(loss) Before Taxation	6	**149,123**	(276,485)
Taxation	8(a)	**(221,100)**	25,000
Net Loss for the Year		**(71,977)**	(251,485)
other comprehensive income for the year			
Net of Tax		**–**	–
Total Comprehensive expenses for the year		**(71,977)**	(251,485)

The notes on pages 10 and 18 are part of these financial statements

BALANCE SHEET AS AT 31SR MARCH 2010

	Notes	**2010 HK$**	2009 HK$
Assets			
Non-Current Assets	9	**–**	–
Fixed Assets		**–**	–
Current Assets			
Accounts Receivables		**–**	152,982
Amounts due from related companies	10	**2,287,481**	2,276,802
Prepayment		**2,450**	–
Cash and Bank Balance		**29,362**	39,347
Tax Prepaid	8(c)	**221,100**	132,239
		2,540,393	2,601,370
Curent Liabilities		**20,000**	9,000
Accured Charges		**20,000**	9,000
Net Current Assets		**2,520,393**	2,592,370
Assets		**2,520,393**	2,592,370
CAPITAL AND RESERVE			
Share Capital	11	**1,000,000**	1,000,000
Accumulated Profits		**1,520,393**	1,592,370
Total Shareholder's Equity		**2,520,393**	2,592,370

The financial statements were approved and authorised for issue by the board of directors on

Palem Srikanth Reddy
Director

Rajshekhar Roy
Director

Date : 10 May 2010

The notes are part of these financial statements
Hong Kong

STATEMENT OF CHANGES IN EQUITY YEAR ENDED 31ST MARCH 2010

	Share Capital HK$	Retained Profits HK$	Total Equity HK$
Balance at 31st March 2008	1,000,000	1,843,855	2,843,855
Changes in Equity for 2009			
Net income recognised directly in equity			
Total Comprehensive Expenses for the year	–	(251,485)	(251,485)
Balance at 31st March 2009	1,000,000	1,592,370	2,592,370
Changes in Equity for 2010			
Net income recognised directly in equity			
Total Comprehensive Expenses for the year	–	(71,977)	(71,977)
Balance at 31st March 2010	1,000,000	1,520,393	2,520,393

The notes are part of these financial statements

STATEMENT OF CASH FLOWS YEAR ENDED 31ST MARCH 2010

	Notes	2010 HK$	2009 HK$
Cash (Used in)/ FlowsFrom Operating Activities			
Profit/(Loss) Befor Taxation		**149,123**	(276,485)
Bank Interest Income		**(2)**	(14)
Operating Profit/ (Loss) Before Working Capital Changes		**149,121**	-276,499
(increase)/Decrease in Operating Assets:			
Trade Debtors		**152,982**	311,595
Prepayment		**(2,450)**	–
Amounts due from Related Companies		**(10,679)**	(151,827)
(increase)/Decrease in Operating Liabilities:			
Accrued Charges		**11,000**	1,000
Cash Generated From (Used in) Operations		**299,974**	(115,731)
Tax Paid		**(309,961)**	(48,926)
Net Cash Used in Operating Activities		**(9,987)**	(164,657)
Cash Flows From Investing Activities			
Interest Received		**2**	14
Net Cash From Investing Activities		**2**	14
Net Decrease in Cash and Cash Equivalents		**(9,985)**	(164,643)
Cash and Cash Equivalents at Beginning of Year		**39,347**	203,990
Cash and Cash Equivalents at End of Year	(a)	**29,362**	39,347

(a) Cash and Cash Equivalents

Cash and Cash equivalents consist of cash on hand and balances with banks, and investments in money market instruments. Cash and cash equivalents included in the statement of cash flows comprise the following balance sheet amounts:

	Notes	2010 HK$	2009 HK$
Cash and Cash Bank Balances		**29,362**	39,347

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31ST MARCH 2010

1. **General Information**

Four Soft (HK) Limited is a limited liability company domiciled and incorporated in Hong Kong. The address of its registered office and principal place of business are Room 1301, 13/F., Blissful Building, 243-247 Des Voeux Road Central, Hong Kong. its principal activity is provision of computer system analysis and programming services.

The Company is a wholly-owned subsidiary of Four Soft Nordic A/S, a company incorporated in Denmark.

2. **Statement of Compliance**

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRS), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and interpretation issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance.

At the date of this report, the HKICPA has issued a number of new and revised HKFRSs that are not yet effective for the current accounting period. The Company has not early adopted this new revised HKFRSs.

3. **Summary of Significant Accounting Policies**

(a) basis of Preparation of the Financial Statements

The financial statements have been prepared on the historical cost basis. The preparation of the financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application policies and reported amounts assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and further periods if the revision affects both current and future periods.

Judgments made by management in the application of HKFRSs that gave significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 15.

The shareholders have confirmed that they will provide such financial assistance as is necessary to maintain the company as a going concern. On the strength of this assurance, the financial statements have been prepared on an going concern basis.

(b) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the company. Provided that it is probable that the economic benefits associated with the revenue transaction will flow to the company and the revenue and the costs, if any, in respect of the transaction can be measured reliably, revenue is recognized as follows:

Services income are recognized when the services are rendered and completed.

(c) Fixed Assets

Fixed assets represent property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses, if any

Depreciation has been provided to charge the cost of depreciable assets to operations over their expected useful lives on straight line basis as follows.

Classification	Rate per Annum
Computer System	**25%**
Furniture and Equipment	**30%**

The residual value and the useful life of an asset are reviewed at least at each financial year-end

The company assesses at each reporting date whether there is any indication that any items of property, plant and equipment may be impaired and that an impairment loss recognized in prior periods for an item may have decreased. If any such indication exists, the company estimates the recoverable amount of the item. An impairment loss, being the amount by which the carrying amount of an asset or a cash- generating unit exceeds its recoverable amount or a reversal of impairment loss is recognized immediately in profit or loss.

Gain or loss arising from the derecognizing of an item of property, plant and equipment is included in profit or loss when the item is derecognized and is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

(d) Impairment of Assets

An assessment is made at each balance sheet date to determine whether there is any indication of impairment or reversal of previous impairment, including items of property, plant and equipment, intangible assets and long-term investments. In the event that an asset's carrying amount exceeds its recoverable amount, the carrying amount is reduced to recoverable amount and an impairment loss is recognized in the statement of comprehensive income. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined, had no impairment losses been recognized for the asset in prior years.

(e) Deferred Taxation

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively. Temporary differences are the difference between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

A deferred tax liability is recognized for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which is not a business combination; and at the time of the transaction, affects neither accounting profit not taxable profit.

A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit not taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets and liabilities are not discounted.

(f) Taxation

Taxation charges represents the sum of the tax currently payable and deferred tax.

The tax payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in the other years and it further excludes items that are never taxable or deductible .The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

(g) Cash and Cash Equivalent

Cash comprises cash on hand and at bank and demand deposits with bank. Cash equivalents are short-term, highly liquid investment that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(h) Trade and Other Receivable

Trade and other receivables are initially measured at fair value and , after initial recognition, at amortised cost less impairment losses and doubtful debts.

At each balance sheet date, the company assesses whether there is any objectives evidence that a receivable or group of receivables is impaired. Impairment losses on trade and other receivables are recognized in profit or loss when there is objective evidence that an impairment loss has been incurred and are measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows discounted at its original effective interest rate, i.e.the effective interest rate computed at initial recognition.

(i) Trade and Other Payable

Trade and other payables are initially measured at fair value and , after initial recognition, at amortised cost, excepts for short-term payables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoice amount.

(j) Foreign Currency Transaction

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. At each balance sheet date, monetary assets and liabilities in foreign currencies are translated at the foreign exchange rates ruling at that date. Non- monetory assets and liabilities that are measured at fair value in foreign currencies are translated at the foreign exchanges rates ruling at the date when the fair value was determined. Exchange gains and losses are recognized in profit or loss.

(k) Related Parties

For the purposes of theses financial statement , 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 may be individuals or other entities.

4 TURNOVER

The company did not generate any turnover from its activity during the year.

5. Other Revenue and Other Net Income

	2010 HK$	2009 HK$
Other Revenue		
Other Interest Income	**2**	14
foreign Exchange Gain	**186,916**	9,078
Total Income	**186,918**	9,092

6. Profit/ (Loss) Before Taxation

Profit/ (Loss) before taxation for the year as stated in the statement of comprehensive income is arrived at after charging:

	2010 HK$	2009 HK$
Audit Fee	**9,000**	9,000
Bank Charges	**2,651**	1,111
Exchange Loss	**–**	161,448

7. Directors' Remuneration

Directors' Remuneration disclosed pursuant to section 161 of the Hong Kong companies ordinance is as follows:

	2010 HK$	2009 HK$
Directors' Fees	**Nil**	Nil
Salaries and allowances	**Nil**	Nil

8. Taxation

	2010 HK$	2009 HK$
(a) Current Tax		
Under/ (Over) provision in respect of previous year	**221,100**	(25,000)
Deffered Tax		
Deffered Tax expense relating to the origination and reversal of temporary differences	**0**	0
Tax Income	**221,100**	(25,000)

No rpovision for Hong Kong profit tax has been made in the financial statements in view of the fact that no profit is subjected to tax for the year

(b) Reconciliation between tax expense and tax at the applicable tax rate:

	2010 HK$	2009 HK$
Profit/ (Loss) before tax	**149,123**	(276,485)
Tax at the applicable rate of 16.5%	**24,605**	(45,620)
Income not subject to Tax	**(30,843)**	(21)
Expenses not deductible for tax purposes	**–**	27,042
Tax Losses not recognised	**6,238**	18,599
(Under)/ Overprovided for orevious year	**221,100**	(25,000)
Tax Income	**221,100**	(25,000)

(c) Taxation in Balance Sheet represents amounts prepaid:

	2010 HK$	2009 HK$
Balance b/f	**132,239**	58,313
(Under)/ Overprovision for orevious year	**(221,100)**	25,000
Tax Paid	**309,961**	48,926
Balance c/f	**221,100**	132,239

9 Fixed Assets	Computer System HK $	Furniture & Equipment HK $	Total HK $
At Cost			
At 31/3/2009 and at 31/3/2010	147,066	261,787	408,853
Accumulated Depreciation			
At 31/3/2009 and at 31/3/2010	147,066	261,787	408,853
Net Book Value			
At 31/3/2009	–	–	–
at 31/3/2010	–	–	–

10. Amounts Due From Related Companies

Particulars of loans to related companies disclosed pursuant to section 161B of the companies ordinance are as follows:

Name of Borrowers	Four Soft Australia Pty Limited	Four Soft Nordic A/S
Shareholder Connected	Four Soft Nordic A/S	Four Soft Nordic A/S
Terms fo Loan		
-Interest Rate	Nil	Nil
-Security	Nil	Nil
-Repayment	Not Fixed	Not Fixed
	HK $	HK $
Balance of the Relevant loan		
At 31st March,2009	536,427	1,740,375
At 31st March,2010	723,311	1,564,170
Maximim Balance Outstanding During the year / period	714,932	1,740,375

As at 31st March 2010, no provision for payment recovery has been considered necessary to be made in respect of the above balances

	2010 HK$	2009 HK$
11. Share Capital		
Authorized, issued & fully paid		
1,000,000 ordinary shares of HK$1 each	**1,000,000**	1,000,000

12. Capital Management

Capital comprises of share capital and reserves stated on the balance sheet. The company's objective when managing capital is to safeguard its liability to continue as a going concern, so that it can continue to provide returns for shareholders

13. Financial Instruments

Exposure to foreign currency,credit,liquidity,cash flow interest rate and price risks arises in the normal course of the Company's business. These risks are limited by the company's financial management policies and practices described below:

(a) Foreign Currency Risk

The Company's monetary assets and liabilities are priliminary denominated in either Hong Kong dollars or United states dollars. Given the exchange rate of Hong Kong dollar to the US dollar has remained close to the current pegged rate of HK$ 7.80=US $1.00 since 1983,management does not expect significant foreign exchange gains or losses between the two currencies.

(b) Credit Risk

The Company has classified its financial assets in the following categories:

	2010 HK$	2009 HK$
Accounts Receivable	–	152,982
Amounts due from Related Companies	**2,287,481**	2,276,802
Cash and Cash Bank Balances	**29,362**	39,347
	2,316,843	2,469,131

An analysis of the age of financial assets that are part due as at the reporting date but not impaired

	2010 HK$	2009 HK$
Past due upto:		
30 days	**29,362**	39,347
31 to 60 days	–	0
61 to 90 days	–	0
over 90	**2,287,481**	2,429,784
	2,316,843	2,469,131

The company's cash and cash equivalents are deposited with major banks located in Hong Kong
The Carrying amounts of the trade receivables included in the balance sheet represent the company's maximum exposure to creditin relation to its financial assets. No other financial assets carry a significant exposure to credit risk . The company has no significant concentrations of credit risk due to its larger customer base.

The Company performs ongoing credit evluation of its customers' financial position and requires no collateral form its customers.
The provision for impairement is based upon the review of the expected collectibility of all trade receivables
The Company has no significant concentration of credit risk. The exposures to credit risk are monitored by management on an on going basis.

(c) Cash Flow Interest Rate Risk

The Company has no significant interest-bearing assets and liabilities. Cash at bank earns interest at floating rates based on daily bank deposits rates.

14. Accounting Estimates and Judgements

The key sources of estimation uncertainity and critical accounting judgements in applying the Company's accounting policies are described below

Impairment of Trade Receivables

The Company's management assesses the collectibility of trade receivables. This estimate is based on the credit history of its customers and the current market condition. Managemnet reassesses the impairement loss at the balance sheet date.

15. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING YEAR ENDED 31ST MARCH 2010

Up to the date of issues of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretation which are not yet effective for the year ended 31st March 2010 and which have not been adopted in these financial statements.

The company is in process of making an assessment of what the impact of these amendments, new standards and new interpretation is expected to be in the year of intitial application. So far it has concluded that while the adoption of them is unlikely to have a significant impact on the company's results of operations and financial position.

16. Approval of Financial Satetements

These financial statements were authorised for issue by the coompany's Board of Directors on 21 June 2010

DETAILED STATEMENT OF COMPREHENSIVE INCOME YEAR ENDED 31ST MARCH 2010

	Notes	2010 HK$	2009 HK$
System Analysis, Programming and License Income		**–**	–
Less: Cost of Income			
Maintenance, Programming and Supporting Service Charges		**–**	–
Gross Profit		**–**	–
Add: Other Income			
Interest Received		**2**	14
Foreign exchange gain		**186,916**	9,078
		186,918	9,092
Less: General and Administrative Expenses			
Audit Fee		**9,000**	9,000
Bad Debts		**18,926**	–
Bank Charges		**2,651**	1,111
Business Registration Fee		**2,450**	450
Exchange Loss		**–**	161,448
Legal & Professional Fee		**4,405**	3,405
Sundry Expenses		**363**	110,163
		37,795	285,577
Profit/ (Loss) Before Taxation		**149,123**	(276,485)

TRANSAXIOM USA INC.

(All amounts are in United States Dollars, unless otherwise stated)

BALANCE SHEET AT MARCH 31, 2010

		2010 $
Assets		
Balances with banks and financial institutions		**1,512**
Receivables from Four Soft Nordic A/s		**162,198**
Total assets		**163,710**
Equity & Liabilities		
Current liabilities		**31,622**
Stockholders' equity		
shares issued and outstanding		**50,000**
Accumulated earnings	2	**82,088**
Total stockholders' equity		**132,088**
Total liabilities and stockholders' equity		**163,710**

TRANSAXIOM USA INC.

(All amounts are in United States Dollars, unless otherwise stated)

PROFIT AND LOSS ACCOUNT 2009-10

	2010 $
Cost and expenses	
Selling, general and administrative expenses	**2,021**
Total cost and expenses	**2,021**
Operating income	**(2,021)**
Net income/ (loss)	**(2,021)**

Statement pursuant to section 212 of the Companies Act 1956, relating to subsidiary companies

Sl No.	Particulars	Four Soft B.V.	Four Soft Nether lands B.V.	Four Soft UK Ltd.	Four Soft USA Inc.	Four Soft Singapore Pte Ltd.	Four Soft Japan KK	Four Soft Australia Pty. Ltd.	Four Soft Malaysia Sdn. Bhd.	Four Soft Nordic A/s	Four Soft HK Ltd.	Transaxiom USA Inc.
1	Financial Year ending of the Subsidiary	3/31/2010	3/31/2010	3/31/2010	3/31/2010	3/31/2010	3/31/2010	3/31/2010	3/31/2010	3/31/2010	3/31/2010	3/31/2010
2	Shares of Subsidiary Company held on the above date and extend of holding											
i)	Number of Shares held	66,245	60,000	2	131	1,000,000	3,000,000	500	10,000,000	1,000	10,000,000	1,000,000
ii)	Extend of holding	100%	100%	100%	100%	100%	100%	100%	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	Nil	Nil	Nil	Nil	Nil	Nil	Nil
ii)	not dealt with in the accounts of Four Soft Limited	17,184,767	(58,891,461)	8,305,609	757,660	824,155	229,084	201,025	461,560	58,073,384	(443,242)	(96,460)
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	Nil	Nil	Nil	Nil	Nil	Nil	Nil
ii)	not dealt with in the accounts of Four Soft Limited	326,206,004	(197,094,047)	170,144,126	16,081,356	(27,029,922)	(7,539,204)	16,061,808	257,118	83,938,562	9,088,065	3,787,406

For and on behalf of the Board of Director

sd/-
Palem Srikanth Reddy
Chairman & Managing Director

Place : Hyderabad
Date : 28 May, 2010

FOUR SOFT LIMITED

Registered Office: 5Q1 A3, 5th Floor, Cyber Towers, Hitech City, Madhapur, Hyderabad - 500 081 India.

ATTENDANCE SLIP

11th Annual General Meeting 28th September, 2010

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

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

I certify that I am a member/proxy for a member of the Company. I hereby record my presence at the 11th Annual General Meeting of the Company, at The Chip Auditorium, Cyber Towers, HITEC City, Madhapur, Hyderabad, A.P at 11.00 A.M on Tuesday, the 28th September 2010.

SIGNATURE OF THE MEMBER OR THE PROXY ATTENDING THE MEETING

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

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

FOUR SOFT LIMITED

Registered Office: 5Q1 A3, 5th Floor, Cyber Towers, Hitech City, Madhapur, Hyderabad - 500 081 India.

PROXY SLIP

11th Annual General Meeting 28th September, 2010

Folio No .... Client ID No. & DP ID No ....

I / We .... of .... being a Member / Members of FOUR SOFT LIMITED, hereby appoint .... of.. or failing him / her .... of .... or failing him / her .... of .... as my / our proxy to vote for me/us on my/our behalf at the 11th Annual General Meeting of the Company, at The Chip Auditorium, Cyber Towers, HITEC City, Madhapur, Hyderabad, A.P at 11.00 A.M on Tuesday, the 28th September 2010 and at every adjournment thereof.

Signed this .... day of .... 2010.

Affix
Re.1.00
Revenue
Stamp

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

Notes

Notes

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FOUR SOFT
Internet Solutions for Logistics

5Q1, A2- A3,
Cyber Towers,
HITEC City, Madhapur,
Hyderabad - 500 081 India.
Web : www.four-soft.com