

# Annual Report 2008-09

## **BOARD OF DIRECTORS**

<b>Mr. Palem Srikanth Reddy</b>	Chairman & Managing Director
<b>Dr. T.R. Sivaramakrishnan</b>	Independent Director
<b>Mr. Srinivas Prasad</b>	Independent Director
<b>Mr. Mohan Krishna Reddy</b>	Independent Director
<b>Mr. K. V. Ramakrishna</b>	Non-Executive & Nominee Director
<b>Mrs. P. Mangamma</b>	Non-Executive Director

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

Notice is hereby given that the Tenth Annual General Meeting of Four Soft Limited will be held on Friday, the 25th day of September, 2009 at The Chip Auditorium, Cyber Towers, HITEC City, Madhapur, Hyderabad, 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, 2009 and the Balance Sheet as at that date and the report of Auditors' thereon.
2. To appoint a director in place of Mr. KV Ramakrishna, who retires by rotation, and being eligible, offers himself for reappointment.
3. To appoint a director in place of Mrs. P. Mangamma, who retires by rotation, and being eligible, offers herself for reappointment.

### Special Business:

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 & Co, Chartered Accountants be appointed as the Statutory Auditors of the Company to hold office till the conclusion of the next Annual General Meeting, in place of M/s. S.R. Batliboi & Associates, Chartered Accountants, the retiring Auditors of the company who has expressed their intention to not to seek re-appointment.

RESOLVED further that the Board of Directors of the Company be and is hereby authorized to fix the remuneration of the Statutory Auditors for the period.

5. Appointment of Dr. T.R.Sivaramakrishnan 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 Dr.T.R.Sivaramakrishnan who became an Additional Director of the company with effect from 06.02.2009 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. Appointment of Mr.Srinivas Prasad 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.Srinivas Prasad who became an Additional Director of the company with effect from 19.03.2009 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."

7. Appointment of Mr.Mohan Krishna Reddy 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. Mohan Krishna Reddy who became an Additional Director of the company with effect from 19.06.2009 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."

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

"RESOLVED THAT in accordance with the applicable provisions of the Companies Act 1956 (including any statutory modifications or re-enactment thereof, for the time being in force), the SEBI (Employee Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999, including any amendments thereof, for the time being in force (hereinafter referred to as "the ESOS Guidelines") approval of members be and is hereby

accorded for modification of existing scheme of Four Soft Limited Employee Stock Option Scheme- 2003 as per the terms and conditions as set out in the explanatory statement annexed to this notice of meeting and be treated as these modifications of the scheme as an addendum to the earlier resolutions passed at the general meetings held on 18th July 2003 and 27th August, 2005 and read together for the purpose of compliance with sufficient disclosures under the ESPS Guidelines.

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

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

**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 21st September, 2009 to 25th September, 2009 (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 form must send the advice about change in address to their respective Depository Participants and not to the Company.
7. Members are requested to send all communication relating to shares to the Company's Share Transfer Agents (Physical and Electronic) at the following address:

KARVY COMPUTERSHARE PRIVATE LIMITED  
 Plot No.17 to 24, Vittal Rao Nagar,  
 Madhapur, Hyderabad - 500 081  
 Phone Nos. 040-23420818, 23420828  
 Fax No. 040-23420814  
 Email: manoj.pillai@karvy.com

For and on behalf of the Board of Directors

Sd/-

**Palem Srikanth Reddy**  
 Chairman & Managing Director

Place : Hyderabad  
 Date : 19<sup>th</sup> August, 2009

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

### Item No. 4

The present Auditors of the Company M/s.S.R.Batliboi & Associates, Chartered Accountants, had expressed their intention not to seek reappointment at the ensuing Annual General Meeting pursuant to Sec 224(2) of the Companies Act 1956. The Company has received special notice of a resolution from a Member of the company, in terms of the applicable provisions of the Companies Act, signifying his intention to propose the appointment of M/s.Walker, Chandiok & Co. as the Statutory Auditors of the company from the conclusion of this AGM till the conclusion of next AGM of the company.

Your Directors recommend M/s. Walker, Chandiok & Co, Chartered Accountants to be appointed as the Statutory Auditors of the Company. They have informed us that if appointed, the audit will be within the limits mentioned in Sec 224(1B) of the Companies Act 1956. Section 224(2) read with Sec 225 (1) of the Companies Act 1956 provides that special notice shall be given for appointment of a person other than the retiring auditor as the auditors of the company.

None of the Directors are interested in the resolution.

### Item No. 5

#### Dr.T.R.Sivaramakrishnan

Dr.T.R.Sivaramakrishnan was appointed as an Additional Director of the company on 06.02.2009. 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.

Dr.T.R.Sivaramakrishnan 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.

Dr.T.R.Sivaramakrishnan is the Chairman of the Audit Committee, Investor Grievance Committee and Remuneration Committee of the company. He has no other directorship in any other company.

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 this resolution.

Your directors recommend the resolution as set out in Item No.5 of the Notice for approval of the Members. No director other than Dr.T.R.Sivaramakrishnan is, in any way, concerned or interested in this resolution.

### Item No. 6

#### Mr.Srinivas Prasad

Mr.Srinivas Prasad was appointed as an Additional Director of the company on 19.03.2009. Mr.Srinivas Prasad is an able businessman and also a former Director of M/s.Venkatram Paper Products Pvt Ltd. His interests also spreads across real estate investments. He possesses excellent entrepreneurship skills and thereby contributes extensively to the growth of the company.

Mr.Srinivas Prasad is a member of the Audit Committee and Investor Grievance Committee of the company. He has no other directorship in any other company.

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 this resolution.

Your directors recommend the resolution as set out in Item No.6 of the Notice for approval of the Members. No director other than Mr.Srinivas Prasad is, in any way, concerned or interested in this resolution.

### Item No. 7

#### Mr. Mohan Krishna Reddy

Mr. Mohan Krishna Reddy was appointed as an Additional Director of the company on 19.06.2009. He is the founder CEO of Banyan Advisory, a Boutique Advisory services firm focusing on Mid-Market, fast growing enterprises. Prior to founding Banyan Advisory, Mr.Mohan Krishna Reddy was the CFO of Applabs, the leading independent Software Testing Services Company and prior to that, the CFO of Infotech Enterprises, a leading Engineering Design services and Geospatial services Company. In his role as a CFO, Mohan has worked closely with the CEOs and Boards to enhance corporate governance, strategize and achieve profitable growth through Organic and inorganic means.

Mr.Mohan Krishna Reddy has a Masters Degree in Financial Management from the University of Bombay and a First Class Degree in Economics from the University of Madras.

Mr.Mohan Krishna Reddy is a member of the Audit Committee, Investor Grievance Committee and Remuneration Committee of the company. Presently, he is the Director of following companies:

- a. Banyan Securities & Financial Services Pvt Ltd
- b. Orafin Financial Services Pvt Ltd
- c. 3Koll Concrete Solutions Pvt Ltd
- d. Xylem Supply Change Management Pvt Ltd
- e. M.Anandam Consultancy Services Pvt Ltd
- f. Thrive Energy Technologies Pvt Ltd
- g. Glochem Industries Ltd

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 this resolution.

Your directors recommend the resolution as set out in Item No.7 of the Notice for approval of the Members. No director other than Mr.Mohan Krishna Reddy is, in any way, concerned or interested in this resolution.

#### **Item No. 8**

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

**The Guidelines provide for a separate Special Resolution in the general meeting in case of grant of options to the**

**employees of the company's subsidiary(ies) and step subsidiary(ies). Accordingly, the Board seeks your approval by way of Special Resolution.**

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

#### **I. Total options to be granted:**

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

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

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

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

All permanent employees of the company and its one or more subsidiaries from time to time, including the Directors but excluding an employee who is a promoter or belongs to the promoter group of the Company and a director who by himself or through his relative or through any body corporate, directly or indirectly holds more than 10% of the outstanding equity shares of the Company, as may be decided by the Board of Directors / Remuneration Committee from time to time, would be entitled to be granted stock options under the ESOP Scheme .

#### **3. Transferability of employee stock options**

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

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

#### 4. Requirements of Vesting and period of vesting

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

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

- 33.33% of the total shares granted can be exercised by each employee on or after completion of 1st year from the date of grant
- 33.33% of the total shares granted can be exercised by each employee on or after completion of 2nd year from the date of grant.
- Balance 33.34% of the total shares granted can be exercised by each employee on or after completion of 3rd year from the date of grant.

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

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

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

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

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

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

The options will be exercisable by the employees by a

written application to the Company to exercise the options in such manner, and on execution of such documents, as may be prescribed by the Board or its Remuneration Committee from time to time. The options will lapse if not exercised within the specified exercise period.

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

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

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

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

#### 8. Disclosure and Accounting Policies:

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

#### 9. Method of option valuation:

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

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

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

#### Additional Information:

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

#### Item No. 2 & 3

Brief particulars of Directors seeking Re-appointment:

**Mr.KV Ramakrishna**

Name	Mr.KV Ramakrishna
Age	40 yrs, DOB: 29.10.1969
Date of first appointment as Director	11.10.2005
Educational qualification	<ul style="list-style-type: none"> <li>• Computer Science &amp; Engineering graduate from National Institute of Technology, Warangal</li> <li>• PG Dip in Management - MBA , IIM Bangalore</li> </ul>
Experience / Expertise	<p>Ramakrishna joined Kotak Group in Nov 2004 and is one of the partners of their Private Equity business. He has over 15 years of experience, with the last 13 years in Private Equity and Venture Capital. Prior to his current assignment, Ramakrishna was with Carlyle Asia Venture Partners (CAVP), a technology focused fund, part of the Carlyle Group. Prior to Carlyle, Ramakrishna was with ICICI Venture, the PE &amp; VC arm of the ICICI Group, where he was a key member of the investment team.</p> <p>His investment experience spans sectors ranging from information technology, services and light engineering.</p>
Functional areas	Non-executive & Nominee Director
Directorships of other companies	<ul style="list-style-type: none"> <li>• Sabare International Ltd</li> <li>• Dynaspede Integrated Systems (P) Ltd</li> <li>• IComm Tele Ltd</li> </ul>
Memberships of committees	Member of Audit Committee, Investor Grievances Committee and Remuneration Committee
Shares held in the Company	Nil
Any other important information	No

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

**Mrs. P.Mangamma**

Name	Mrs. P.Mangamma
Age	79 yrs DOB: 10.07.1930
Date of first appointment as Director	24.12.1999
Educational qualification	MA in History
Experience / Expertise	Mrs.P.Mangamma is one of the first directors of the company.
Functional areas	As a Non-executive Director, she continues to be a pillar of strength to the company, actively participating in the meetings and decision making processes.
Directorships of other companies	<ul style="list-style-type: none"> <li>• Thathi Consultants Pvt Ltd</li> <li>• Palred Media &amp; Entertainment Pvt Ltd</li> </ul>
Memberships of committees	Member of Remuneration committee
Shares held in the Company	3480 shares
Any other important information	Mrs.P.Mangamma is a renowned personality and also one of the first directors of the company. Very religious and traditional; she completed MA in History in early 1950s, when advanced education for women were very difficult and challenging.

Your directors recommend the resolution for the approval. Except Mrs. PMangamma and Mr.Palem Srikanth Reddy who is Mrs. PMangamma's son and also the Chairman & Managing Director of the company, none of the other Directors of the Company is in any way concerned or interested in the resolution.

For and on behalf of the Board of Directors

Sd/-

**Palem Srikanth Reddy**  
Chairman & Managing Director

Place : Hyderabad  
Date : 19<sup>th</sup> August, 2009

## DIRECTORS' REPORT

### To the Members,

Your Directors have pleasure in presenting to you the Tenth Annual Report together with the Audited Statement of Accounts for the year ended 31st March 2009.

#### I. Standalone Financial Results:

Particulars	2008-09	2007-08	Growth%
Total Income	<b>326.42</b>	380.33	(14%)
Total Expenditure	<b>306.03</b>	371.64	(18%)
Operating Profit (EBITDA)	<b>59.75</b>	45.79	30%
Interest	<b>16.94</b>	11.83	43%
Depreciation	<b>22.42</b>	25.28	(11%)
Profit Before Tax	<b>20.39</b>	8.68	135%
Provision for Tax	<b>2.29</b>	1.54	49%
Deferred Tax	<b>(3.28)</b>	1.53	(315%)
Fringe Benefit Tax	<b>1.72</b>	2.04	(16%)
Profit after tax	<b>19.66</b>	3.58	450%
Basic Earnings per share	<b>0.51</b>	0.09	448%

#### Consolidated Financial Results:

Particulars	2008-09	2007-08	Growth%
Total Income	<b>2120.34</b>	1768.90	20%
Total Expenditure	<b>1406.58</b>	1575.39	(11%)
Operating Profit (EBITDA)	<b>713.77</b>	193.51	269%
Interest	<b>39.57</b>	51.16	(23%)
Depreciation	<b>42.12</b>	46.13	(9%)
Impairment Loss	<b>36.40</b>	—	100%
Profit Before Tax	<b>595.68</b>	96.22	519%
Provision for Tax	<b>144.22</b>	43.42	232%
Deferred Tax	<b>2.50</b>	0.28	807%
Fringe Benefit Tax	<b>1.72</b>	2.04	(16%)
Profit after tax	<b>447.25</b>	50.49	786%
Basic Earnings per share	<b>11.62</b>	1.31	784%

#### 2. Changes to Share Capital

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

#### 3. Dividend

In view of requirement of funds for various business expansion activities in future, the directors do not recommend dividend for the financial year 2008-09.

#### 4. Transfer to Reserves

The Company proposes the entire amount of profit after tax for an amount of Rs. 19.66 Million to be retained in the profit and loss account.

## BUSINESS PERFORMANCE

### Result of Operations

During the year under review, your company achieved strong business growth, consolidated its existing business and has taken the best possible steps to increase margins from legacy / acquired products. During the year, your company has achieved financial stability and repaid substantial debts as a result of inflow of cash through a unique non-recurring transaction of selling a source code to an existing customer. The company has also implemented processes to ensure efficient delivery to the existing customers; and at the same time, is fully competent to handle new orders. As you may be aware, the global meltdown has had its impacts on our sector too, which explains the slight reduction in the Annual Maintenance Revenues during the second half of the financial year. However, we plan to overcome and offset these effects by doing new sales in the year 2009-10.

### Revenues

Total income in financial year 2008-09 is Rs. 326.42 Million (Previous year Rs. 380.33 Million) and Rs. 2,120.34 Million as per the Consolidated Accounts (previous Year Rs. 1,768.90 Million).

Operating Profit (EBITDA) is at Rs. 59.75 Million (previous year Rs. 45.79 Million) and Rs. 713.77 Million as per Consolidated Accounts (previous year Rs. 193.51 Million). Profit after tax is Rs.19.66 Million or 6.46% of total income (Previous Year Rs. 3.58 Million or 0.94% of total income) and Rs.447.25 Million or 21.09% as per the Consolidated Accounts (Previous Year Rs.50.49 Million or 2.85% 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. 59.61 million on R&D expenses for the year 2008-09 as against Rs 78.82 million during the year 2007-08.

We were also able to close many deals in India during this year and India is now emerging as a potential market which is 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. 17.09 Million as on March 31, 2009.

### SUBSIDIARIES:

We have four subsidiaries; Four Soft B.V, Netherlands, Four Soft Singapore Pte Ltd, Four Soft Malaysia Sdn Bhd, Four Soft Nordic A/S, Denmark and six step-down subsidiaries Four Soft

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

Four Soft - Europe is the major contributor of revenue and profits consistently over years and is an integral part of Four Soft's business. We have launched our hosted version of WMS product in UK to ensure that we cater to SME and mid sized customers in the region. Europe continues to be a focus area as we believe there is huge potential that is untapped in these regions. However, there was a slow down in business in Netherlands as an offshoot of the meltdown that we are witnessing globally. Nonetheless, it is also heartening to note that Denmark operations have continued to be a high margin consistent business location for your company.

### **Four Soft B.V Netherlands**

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

In September, 2005 your company acquired DCS T&L division with four entities for a 100% cash consideration of US\$ 19.00 million through its subsidiary Four Soft B.V. The acquisition was part financed through debt funding of GBP 5.5 million from leading Indian bank, based in UK. Presently, Four Soft B.V. holds three subsidiaries viz., Four Soft UK Ltd., Four Soft Netherlands B.V and Four Soft USA Inc. During the year 2008-09, Four Soft B.V. has made a consolidated net profit after tax of Euros 5.94 million on revenue of Euros 22.20 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 44.87 Million, with a net profit of DKK 9.2 Million.

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

### **Four Soft Singapore Pte Ltd**

In May 2005 the company acquired Comex Frontier Pte Ltd. (renamed as Four Soft Singapore Pte Ltd). The Company generated revenues of SG\$ 1.56 Million, with gross profit of SG\$ 3.78 million and a net profit of SG\$ 0.21 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.

### **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 0.33 Million, with a net profit of RM 0.07 Million.

### **INDUSTRY SOLUTIONS**

Presently, your company offers solutions in the areas of Freight forwarding industry, 3PLs and Service providers, Customs brokerage, Contract & Warehousing Logistics, Shipper Logistics and for Liners, NVOCCS & Agencies. Products in Freight forwarding industry include 4S eTrans, 4S ePoms, iLogistics, 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 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.

### **HUMAN RESOURCES**

Four Soft as a leading Indian Multinational believes that human capital is an important driver of organizational innovation, profitability, growth and competitive advantage. In its constant pursuit of excellence in product development and delivery, Four Soft has continuously focused on attracting, developing and retaining the best technical and functional talent in the industry. Your company realizes that the key to organizational success are strategies that are well understood, accepted and executed by each employee. To ensure this, all organizational strategies have been broken down to individual level goal sheets and constant evaluation is done to ensure that each employee is well aligned to achieve their individual and collective goals. The entire performance evaluation, training and compensation systems are designed at developing this culture of meritocracy. With an open work environment, employee empowerment and automated HR systems, The company is committed to train and nurture talent and provide the much needed career growth and incentives through Employee Stock Option Plan, which has been highly successful. Four Soft has been highly successful in maintaining higher levels of staff motivation, productivity and development throughout the organization.

### **SOCIAL RESPONSIBILITY:**

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

### **PROCESSES**

Product Development and delivery are critical to any software product and solutions company, thus improving customer

satisfaction. Continuous Quality improvement and adherence to quality standards and processes are important to remain competitive in the global market. During the year, your company has focused on improving quality in every process, including Project delivery, Product development, Testing and Implementation.

### **CMMi LEVEL 5 CERTIFICATION**

We have undertaken CMMi level 5 certification activities this year. Our key personnel have been trained on CMMi. As a first milestone, we targeted level 3 for which process capability baselines were drawn and a panel of executives were trained as appraisal team members to join the certification process conducted by the consultant, CyberQ India Limited. We have received level 3 certification which is a key milestone in our journey towards our goal of reaching CMMi level 5 in the next year.

### **LEAN MANAGEMENT**

Your company has initiated Lean Management in the company starting with a collaborative workshop with Lean Management Institute, India. In a nutshell, lean management is about doing more with less. More than a dozen value stream improvement projects have been planned and are being executed with overall cycle time optimization as the major objective. The gains that will accrue are rapid implementations, effective resource utilization and customer satisfaction.

### **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. Pursuant to SEBI recommendations, the Management Discussion & Analysis Report and Report on Corporate Governance are provided in this Annual Report. The Certificate received from Company Secretary in Practice on compliance with the mandatory requirements of the Corporate Governance is also annexed to this report.

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

### **DIRECTORS:**

As per Article 88 of the Articles of Association, Mrs. P.Mangamma, and Mr. KV Ramakrishna retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment.

Mr. KV Vishnu Raju and Mr. Sarath Naru ceased to be directors of the company with effect from 6th February, 2009 and 16th March 2009 respectively. We place on record our appreciation for the services rendered by Mr. KV Vishnu Raju and Mr. Sarath Naru during their tenure on the Board.

Dr.T.R.Sivaramakrishnan, Mr.Srinivas Prasad and Mr.Mohan Krishna Reddy were appointed as Independent Directors on the

Board of the Company on 6th February 2009, 19th March 2009 and 19th June 2009 respectively.

Proposals for the regularization of their appointment at the ensuing annual general meeting are coming up before you.

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:**

The present Statutory auditors, M/s. S. R. Batliboi & Associates, Chartered Accountants will hold office up to the conclusion of the ensuing Annual General Meeting and they have expressed their intention to not to seek reappointment.

The company has identified M/s. Walker, Chandiok & Co, 3rd Floor, Uptown Banjara Road No. 3, Banjara Hills, Hyderabad-500 034 to be appointed as Statutory Auditors of your company.

The Board of Directors recommend the appointment of M/s. Walker, Chandiok & Co, as the Statutory Auditors of the company for the year 2008-09.

### **AUDITOR'S REPORT:**

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

The directors noted that the auditors have made the following observation on the Standalone Financial Results, with respect to loans made to Four Soft Singapore Pte Ltd, a wholly owned subsidiary of the company:

*"The Company has not accounted for diminution in the value of investments aggregating Rs. 424.24 lakhs in, and provision in respect of loans made, including interest accrued thereon, aggregating Rs 187.11 lakhs to, Four Soft Singapore Pte. Ltd., a wholly owned subsidiary which, in our opinion, need to be accounted for. Had the Company accounted for such diminution and provisions, the carrying values of investments and loans would have been lower by Rs. 424.24 lakhs and 187.11 lakhs respectively and profit for the year would have been lower by Rs. 611.35 lakhs."*

With respect to the aforementioned auditor's observation, the Board and management is of the opinion that in view of the strategic importance of these acquisitions and future profitability projections there is no other than temporary diminution in the value of the investments and loans and thus, no provision is considered necessary there against.

### **DISCLOSURE AS PER LISTING AGREEMENT:**

#### **Clause 32:**

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

**Clause: 43A**

Your Company's shares are listed on the Bombay Stock Exchange Limited, Mumbai (Stock Code: 532521) and National Stock Exchange of India Limited, Mumbai (Stock Code: FOURSOFT). The Annual Listing Fees for the year 2009-10 has been paid.

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

The financial statements are prepared in conformity with the accounting standards issued by the Institute of Chartered Accountants of India and the requirements of the Companies Act' 1956, to the extent applicable to the company; as a going concern and on the accrual basis. There are no material departures from prescribed accounting standards in the adoption of the accounting standards. The accounting policies used in the preparation of the financial statements have been consistently applied except where otherwise stated in the notes on accounts.

The board of directors and the management of your company accept responsibility for the integrity and objectivity of these financial statements. The estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis in order that the financial statements reflect in a true and fair manner, the form and substance of transactions, and reasonably present the company's state of affairs and profit for the year. To ensure this the company has taken proper and sufficient care in installing a system of internal control and accounting on an ongoing basis.

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

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

**Employee Welfare Trust**

The company has established Four Soft Limited Employees Welfare Trust ("The Trust") to administer the ESOP Scheme and as at March 31, 2009 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, 2009 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	551,040
Granted during the year	—
Forfeited during the year	115,150
Exercised during the year	90,538
Expired during the year	—
Outstanding at the end of the year	345,352
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.0.51

**FIXED DEPOSITS:**

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

**PARTICULARS OF EMPLOYEES:**

As required under the provisions of section 217(2A) of the Companies Act' 1956, read with the Companies (Particulars of employees) Rules, 1975. The Department of Company Affairs, has amended the Companies (Particulars of employees) Rules, 1975 to the effect that particulars of employees of companies engaged information technology sector posted and working outside India not being directors or their relatives, drawing more than rupees twenty four lakhs per financial year or rupees two lakhs per month, as the case may be, need not be included in the statement, but, such particulars shall be furnished to the Registrar of Companies. The details of such employees are set out in the annexure included in this Report.

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

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

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

For and on behalf of the Board of Directors

Sd/-

Place: Hyderabad  
Date: 19<sup>th</sup> August, 2009

**Palem Srikanth Reddy**  
Chairman & Managing Director

## Annexure to the Directors' Report

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

#### I. Conservation of energy

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

#### 2. Research and Development

##### a) 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. Having successfully evaluated and adopted technologies and tools like web services, JEE 5, EJB 3.0, JProfiler etc in the past, we have prototyped BPEL for process orchestration and OpenSSO portal to achieve UI level integration for our eProducts. We want to highlight that some tools are developed internally to provide specific solutions to problems encountered during the development lifecycle. These tools are not available in the market. Examples include connection leakage detection tool, unused code detection tool, files - tables mapping tool etc.

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

Developed on the Enterprise Java platform, our products were built integration ready from the ground up. Various integration solutions between our products and with external applications have been implemented at customer locations. This year, 4S products were selected for the IBM SOA Business Catalog. The products had to pass through a technical validation process before being certified. This acceptance is recognition of the products' interoperability capabilities and adherence to technical standards. By getting listed on the IBM catalog, our products get industry validation and enhanced market visibility.

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.

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

Your company spent Rs.59.61 million in current year (Rs. 78.82 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. We have launched an initiative to develop and publish software components that can be reused across various products. 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.

##### d) Future plan of action

We are now focusing on Web2.0, Cloud computing and other leading edge options. Our products will be available in the SaaS model to extend the benefits of IT to small and medium customers in our domain.

#### 3. Technology absorption, adaptation and innovation

Your company has always been in the forefront in using cutting edge technology tools and methodologies in its products and solutions. The Company has technology alliance with Oracle, Sun Microsystems, Progress and IBM for continued technology improvement. These partnerships allow us to leverage the best of modern technologies that complement our products in offering complete solutions to our customers.

#### 4. Foreign exchange earnings and outgo

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

Your company has derived 91 % of its revenues from exports; your company has direct marketing offices in North America, Europe and Asia-Pacific regions.

b) Foreign exchange earned and used for the year ended March 31, 2009

	(Rs. in Millions)	
	2009	2008
Gross Earnings	<b>277.69</b>	358.44
Outflow (including capital Goods and imported software)	<b>64.77</b>	38.01
Net Foreign Exchange		
Earnings	<b>212.92</b>	320.43
NFE/Gross Earnings %	<b>77%</b>	89%

**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.in lacs)	Nature of employment	Nature of duties of employment	Qualification & experience	Date of commencement of work	Age	Last employment	% of shareholding in the company
Rajshekhar Roy	Chief Executive Officer	208,333 p.m.	Contractual	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**  
Managing Director

Place : Hyderabad  
Date : 19<sup>th</sup> August, 2009

## 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	—
3	Pricing Formula	Price of Rs.5/- per share
4	Options vested as on March 31, 2009	123826
5	Options exercised during the year	90,538
6	Options lapsed during the year	115,150
7	Grant Price	Rs.5/-
8	Total no. of options in force as on March 31, 2009	345,352
9	Variations of terms of Option	In the Annual General Meeting held on 29.09.2008, the shareholders approved the following variations to ESOP Scheme: <ul style="list-style-type: none"> <li>a. There is no lock-in period after allotment of Employee Stock Option shares to employees account.</li> <li>b. One-third of total grants offered to be vested on to employee on each completed year of service from the date of granting of option. In other words,               <ul style="list-style-type: none"> <li>- 33.33% of the total shares granted can be exercised by each employee on or after completion of 1<sup>st</sup> year from the date of grant.</li> <li>- 33.33% of the total shares granted can be exercised by each employee on or after completion of 2<sup>nd</sup> year from the date of grant.</li> <li>- 33.33% of the total shares granted can be exercised by each employee on or after completion of 3<sup>rd</sup> year from the date of grant.</li> </ul> </li> </ul>
10	Money realized by exercise of options	452,690
11	Grant details to members of senior management team	—
12	Employees holding 5% or more of total options granted during the year	NIL
13	Identified employees, who were granted options during the financial year exceeding 1% of issued capital	NIL
14	Diluted EPS as per Accounting Standard 20	0.51
15	i. Method of calculation of employee compensation cost	The company has calculated the employee compensation cost using the intrinsic value of the stock options.

ii)	Difference between the employee compensation cost so computed at (i) above and the employee compensation cost that shall have been recognized if it had used the fair value of the options	:	Rs. 1,872,360
(iii)	The impact of this difference on profits and on EPS of the company	:	PAT Rs. 19,662,239 Less: Additional employees Compensation cost based on Fair value Rs. 1,872,360 Adjusted PAT Rs. 17,789,879 Adjusted EPS Basic Rs. 0.46 Diluted Rs. 0.46
(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:	:	
		<hr/>	<hr/>
		2009	2008
Risk free interest rate	:	7.5%	8.3%
Expected life of options from the date of grant	:	1 to 3 years	1 to 3 years
Expected volatility	:	.695	.713
Expected Dividend yield	:	Nil	Nil

For and on behalf of the Board of Directors

Place : Hyderabad  
 Date : 19<sup>th</sup> August, 2009

Sd/-  
**P. Srikanth Reddy**  
 Chairman & Managing Director

## ANNEXURE TO DIRECTORS' REPORT ON CORPORATE GOVERNANCE

**Report on Corporate Governance forming part of Directors' Report of Four Soft Ltd for the year ended March 31, 2009 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

Companies across the world have adopted and practiced the best concept of Corporate Governance in order to protect stakeholders' interest, comprising shareholders, employees, customers, suppliers and vendors. Globally companies have adopted Corporate Governance to bring transparency, accountability and fairness in business practices.

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

Your directors place on record the Corporate Governance report for the year 2008-09.

### A. Board Composition

#### I. Size and composition of the board

The Company has optimum combination of non-executive directors with three Independent Directors. The Chairman is an executive director and the number of Independent Directors is 50% at any point of time. All independent non-executive directors comply with the requirement of Independent Director's definition of Clause 49 of the Listing Agreement entered into with the Stock Exchanges.

The names and categories of the Directors on the Board, their attendance at Board Meetings held during the year and the number of Directorships and Committee memberships held by them in other companies is given below.

Name	Category	Number of Board meetings		Whether attended last AGM	No. of Directorships in other Companies			No. of Committee Positions held in		
		Held	Attended		Indian		Foreign Companies	This Company	Other Companies	
					Public Companies	Private Companies				
Palem Srikanth Reddy	Executive Chairman & Managing Director	8	6	Yes	1	2	10	—	—	
Douglas Terence Ash*	Non-Executive and Independent Director	8	—	No	—	—	3	1	—	
K.V. Ramakrishna	Non-Executive Nominee Director	8	7	No	2	1	—	3	6	
Dr.T.R.Sivaramakrishnan <sup>^</sup>	Non-Executive and Independent Director	2	—	—	—	—	—	—	—	
Srinivas Prasad <sup>^^</sup>	Non-Executive and Independent Director	1	—	—	—	—	—	—	—	
Mohan Krishna Reddy <sup>^^^</sup>	Non-Executive and Independent Director	—	—	—	1	6	—	3	1	
K.V. Vishnu Raju**	Non-Executive and Independent Director	7	6	Yes	6	1	—	3	2	
Sarat Naru***	Non-Executive and Independent Director	7	2	No	1	6	—	2	—	
P. Mangamma	Non-Executive Director	8	8	Yes	—	1	—	1	—	

\* Resigned as director with effect from 20.07.2009

<sup>^</sup> Appointed as Director w.e.f. 06.02.2009

\*\* Resigned as director with effect from 06.02.2009

<sup>^^</sup> Appointed as Director w.e.f. 19.03.2009

\*\*\* Resigned as director with effect from 16.03.2009

<sup>^^^</sup> Appointed as Director w.e.f. 19.06.2009

## 2. Definition of Independent Director

- i. 'Independent director' shall mean a non-executive director of the company who:
  - a. apart from receiving director's remuneration, does not have any material pecuniary relationships or transactions with the company, its promoters, its directors, its senior management or its holding company, its subsidiaries and associates which may affect independence of the director;
  - b. is not related to promoters or persons occupying management positions at the board level or at one level below the board;
  - c. has not been an executive of the company in the immediately preceding three financial years;
  - d. is not a partner or an executive or was not partner or an executive during the preceding three years, of any of the following:
    - i. the statutory audit firm or the internal audit firm that is associated with the company, and
    - ii. the legal firm(s) and consulting firm(s) that have a material association with the company.
  - e. is not a material supplier, service provider or customer or a lessor or lessee of the company, which may affect independence of the director; and
  - f. is not a substantial shareholder of the company i.e. owning two percent or more of the block of voting shares.

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

As per provisions of Article 88, Mrs. P.Mangamma and Mr. KV Ramakrishna, directors retire at the ensuing general meeting and being eligible, offer themselves for re-appointment.

Mrs.PMangamma aged 79yrs is one of the first directors of the company. Besides being the Director of the company, she is also on Board of Thathi Consultants Pvt Ltd and Palred Media & Entertainment Pvt Ltd. Very religious and traditional; she completed MA in History in early 1950s, when advanced education for women were very difficult and challenging. She continues to be a pillar of strength to the company, actively participating in the meetings and decision making processes.

Mr.Palem Srikanth Reddy, Chairman & Managing Director is the son of Mrs.PMangamma. She has 3480 shares in the company.

Mr.KV Ramakrishna aged 40yrs is a nominee Director of Kotak Private Equity group. He has over 15 years of experience in private equity and venture capital. Ramakrishna adopts a value based investment strategy of controlling risks and aiming for long term growth. With his active board participation, he has been guiding the company into a path of growth and success.

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.

Dr.T.R.Sivaramakrishnan and Mr.Srinivas Prasad were appointed as Additional Directors of the company with effect from 06.02.2009 and 19.03.2009 respectively. Mr.Mohan Krishna Reddy was appointed as an Additional Director on 19.06.2009.

Proposals for the regularization of the appointment of newly appointed directors are coming up before you at the ensuing annual general meeting. Letters were received from members proposing their candidature for the post of the Directors. The detailed profiles of all these Directors are provided in the notice calling the forthcoming Annual General Meeting.

## 4. Board Procedure

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

## 5. Information supplied to the Board

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

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

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

## B. Board Meetings

Eight board meetings were held during the financial year ended March 31, 2009. The dates of the Board meetings were 30.04.2008, 01.07.2008, 22.07.2008, 29.08.2008, 24.10.2008, 28.01.2009, 06.02.2009 and 19.03.2009. The gap between two meetings did not exceed four months.

### 1. Materially Significant related party transactions

During the year, the company has not entered into any transaction of material nature with the Directors, their relatives or management which was in conflict with the company's interests. The particulars of transactions between the company and its related parties, as defined in Accounting Standard 18 is set out in the Notes to Accounts of the financial statements to this Report.

### 2. Regular information to Independent directors

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

## C. Board Committees

The Company presently has three committees - the Audit Committee, Remuneration Committee and the Investor Grievance Committee. Majority of directors who constitute the Committee members are Independent directors. The Chairman of the Board in consultation with the Company Secretary decides the frequency of the committee meetings. Recommendations of the committee are submitted to the full board for approval.

### 1. Audit Committee

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

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

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

The financial results are sent to the audit committee and the Board. The Audit committee reviews the un-

audited quarterly, half-yearly and audited annual financial results with the management before submitting to the Board for its approval. The company's Managing Director, Chief Financial Officer, its 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 29.09.2008 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](http://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 (from 06.02.09)
Mr. Srinivas Prasad	: Member (from 19.03.09)
Mr. K.V. Ramakrishna	: Member
Mr. Mohan Krishna Reddy	: Member (from 19.06.09)
Mr. K.V. Vishnu Raju	: Chairman (up to 06.02.09)
Mr. Sarath Naru	: Member (up to 16.03.09)

### Attendance at the Audit Committee Meeting:

The audit committee met five times during the year 2008-09 and number of meetings attended by each member of Audit Committee is as follows:

Name	Number of meetings held during the year	Number of meetings attended during the year
Mr. K.V.Vishnu Raju	5	4
Mr. K.V.Ramakrishna	5	5
Mr. Sarath Naru	5	2
Dr.T.R.Sivaramakrishnan	n.a	n.a
Mr. Srinivas Prasad	n.a	n.a
Mr. Mohan Krishna Reddy	n.a	n.a

### 2. Remuneration 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.

#### Name of Director

Dr.T.R.Sivaramakrishnan - Chairman (from 06.02.09)  
 Mr K. V. Vishnu Raju - Chairman (up to 06.02.09)  
 Mr. Douglas Terence Ash - Member (up to 20.07.09)  
 Mr. K.V. Ramakrishna - Member  
 Mrs. P. Mangamma - Member  
 Mr. Mohan Krishna Reddy- Member (from 19.06.09)

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. No remuneration or sitting fee is payable to or drawn by non-executive directors of the company.

One meeting of Remuneration committee was held during the year on 01.07.2008.

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 31.03.2009 is as follows:

Name of Director	No. of shares
a. Mr. Palem Srikanth Reddy	8651297
b. Mr. KV Ramakrishna	nil
c. Dr. T.R. Sivaramakrishnan	22
d. Mr. Srinivas Prasad	nil
e. Mrs. P. Mangamma	3480
f. Mr. Douglas Terence Ash	210000
g. Mr. Mohan Krishna Reddy	100

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

The Investor Grievance Committee administers the following:

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

##### a. Members of the Committee:

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

Mr. Sarath Naru - Chairman (up to 06.02.09)  
 Dr.T.R.Sivaramakrishnan - Chairman (from 06.02.09)  
 Mr.Srinivas Prasad - Member (from 19.03.09)  
 Mr. K.V. Vishnu Raju - Member (up to 06.02.09)  
 Mr. K.V. Ramakrishna - Member  
 Mr.Mohan Krishna Reddy- Member (from 19.06.09)

- b. Name and Designation of Compliance Officer:  
 Ms. Seena Sankar, Company Secretary
- c. Status of Share transfers as on the date of the Report  
 There are no pending share transfers as on the date of this report.
- d. Details of Investor Correspondence/grievances for the year 2008-2009

Received	Redressed	Pending
3	3	NIL

#### Attendance at the Investor Grievance Committee Meeting:

The Investor Grievances committee met four times during the year 2008-09 and number of meetings attended by each member of Committee is as follows:

Name	Number of meetings during the tenure	
	Held	Attended
Mr. Sarath Naru	4	1
Mr. K.V.Ramakrishna	4	4
Mr. K.V.Vishnu Raju	4	3
Dr.T.R.Sivaramakrishnan	n.a	n.a
Mr. Srinivas Prasad	n.a	n.a
Mr. Mohan Krishna Reddy	n.a	n.a

It is also noted that the shareholding in dematerialization mode is 94.36% as against 93.91% 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
2005-06	29-09-06	2.00 P.M	Chip Auditorium, Cyber Towers, Hitech City, Hyderabad-33
2006-07	28-09-07	10.00 A.M	Chip Auditorium, Cyber Towers, Hitech City, Hyderabad-33
2007-08	29-09-08	10.00 A.M	Chip Auditorium, Cyber Towers, Hitech City, Hyderabad-33

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

No Resolution was passed through Postal Ballot during last year.

## E. Disclosures

- During the year, the company has not entered into any transaction of material nature with the Directors, their relatives or management which was in conflict with the Company's interests. The particulars of transactions between the company and its related parties, as defined in Accounting Standard 18 is set out in the Notes to Accounts of the financial statements to this Report. None of the non-executive directors have any pecuniary material relationship with the company for the year ended March 31, 2009.
- In the opinion of the Board, during the year ended March 31, 2009, transactions between the Holding Company and its subsidiaries have been done at arms length and are duly recorded in the Register of Contracts maintained by the Company pursuant to Section 301 of Companies Act, 1956.
- The Company has complied with the requirements of the Stock Exchange or SEBI on matters related to Capital Markets as applicable.

- To enhance standards on Corporate Governance and strengthen controls, the company has adopted a whistle blower policy under the code of ethics, whereby employees are given free access to Audit committee to report violation of code of conduct or ethics policy, actual or suspected fraud to the Chairman of Audit Committee. During the financial year, no personnel of the Company has been denied access to the Audit Committee.
- The company follows the accounting standards as specified in the Companies (Accounting Standard) Rules, 2006 and the relevant provisions of the Companies Act, 1956. The Company did not adopt a treatment different from that prescribed in any accounting standard, in the preparation of financial statements.
- The Company's Managing Director and the Chief Financial Officer certify to the Board every quarter on the financial statements and other matters in accordance with Clause 49 of the Listing Agreement.
- In compliance with the Clause 47 (f) of the Listing Agreement with the stock exchanges, the Company designated the mail id investors@four-soft.com to receive the complaint of investors and posted this on the Company's website. The investors can send their grievances, if any, to the designated mail id.
- Your company has complied with all the mandatory requirements of the Clause 49 of the Listing Agreement.

The details of these compliances have been given in the relevant section of this report. The Board of directors will explore the possibility of introducing all non-mandatory items in a need-based manner.

## F. Communication to Shareholders

The Company's quarterly financial results, after their approval by the Board of Directors, are promptly issued to the Bombay Stock Exchange Ltd and National Stock Exchange of India Ltd with whom the company has listing arrangements.

The quarterly and annual financial results of the Company are published in major newspapers including, Business Standard (national news paper) and in Andhra Bhoomi (vernacular news paper). The complete quarterly un-audited / audited financial statements, press releases etc., are posted on the company's website, at [www.four-soft.com](http://www.four-soft.com). Any official news releases are also displayed on the website. All presentations made to analyst and institution investors are displayed on the Company's website.

A Management Discussion and Analysis Report, forming a part of the Directors' Report is included in the Annual Report.

## G. General Shareholder Information

**1. Date, time and venue of 10<sup>th</sup> AGM** 25<sup>th</sup> September, 2009 at 11.00 A.M The Chip Auditorium, Cyber Towers, HITEC City, Madhapur, Hyderabad - 500 081, AP, INDIA

**2. Financial Calendar** 1<sup>st</sup> April to 31<sup>st</sup> March

**3. Dates of book closure** 21<sup>st</sup> September, 2009 to 25<sup>th</sup> September, 2009 (both days inclusive)

**4. Calendar of Board meetings to adopt the accounts (tentative and subject to change)**  
 for quarter ending June 30, 2009 July 28, 2009  
 for quarter ending September 30, 2009 between 15th & 31st Oct '09  
 for quarter ending December 31, 2009 between 15th & 31st Jan '10  
 for quarter ending March 31, 2010 between 15th & 30th Apr '10 or  
 Audited Annual Results by June 30th 2010.

**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 2008-09.

Year 2008 - 09	NSE			BSE		
	Month	HighRs.	Low Rs.	No.of Shares	High Rs. Traded	Low Rs.
April	40.75	28.25	964459	40.55	28.45	762970
May	39.00	29.55	306445	39.40	30.00	393288
June	33.45	22.85	216738	33.15	22.60	232389
July	32.90	20.75	865817	32.05	20.55	895911
August	31.00	26.8	346767	31.50	27.05	262912
September	28.00	17.05	452033	28.20	17.05	453336
October	19.70	11.25	433771	19.85	11.05	375586
November	16.85	12.65	358729	16.20	12.52	127561
December	15.85	13.2	219861	15.78	13.10	109421
January	16.45	10.6	246328	16.48	10.55	197553
February	16.25	13.3	211592	15.90	13.30	186392
March	14.20	11.5	155689	14.60	12.00	216360

**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](http://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  
46, Avenue 4, Road No. 10  
Banjara Hills, Hyderabad - 500 034.  
India  
Tel: +91-40-2331 2454, Fax: +91-40-2331 2968  
Email: [manoj.pillai@karvy.com](mailto:manoj.pillai@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, 2009.**

No. of Equity shares held	No. of Shareholders	% of Shareholders	Total Shares	Amount of Shares	% of Total Amount
I - 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%
<b>Total</b>	<b>24045</b>	<b>100.00</b>	<b>38959744</b>	<b>194798720</b>	<b>100.00%</b>

### 13. Investor's correspondence

#### For investor matters:

Ms.Seena Sankar  
 Company Secretary and Compliance Officer  
 Secretarial Department  
 Four Soft Limited  
 5Q1 A3, 5th Floor, Cyber Towers  
 Hitec City, Madhapur, Hyderabad - 500 081  
 Tel: +91-40-2310 0600, Fax: +91-40-2310 0602  
 email: investorinfo@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	2,31,064	10th October 2011
2005-06	29th September 2006	1,81,998	6th November 2013

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, 2009 obtained from Mr. K.V.S. Subramanyam, Partner A.G.R. Reddy & Co. Company Secretaries in Whole-time Practice is given at relevant page in annual report.

## 6. Code of Conduct

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

### 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](mailto: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/-

Place : Hyderabad  
Date : 19<sup>th</sup> August, 2009

**Palem Srikanth Reddy**  
Chairman & Managing Director

### 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, 2009.

Sd/-

Place : Hyderabad  
Date : 19<sup>th</sup> June, 2009

**Palem Srikanth Reddy**  
Chairman & Managing Director

## COMPLIANCE CERTIFICATE

To  
The Members of  
Four Soft Ltd.  
Hyderabad

We have examined the compliance of conditions of Corporate Governance by Four Soft Limited, for the year ended 31st March 2009 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 given to us and the representation made by the directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in clause - 49 of the above mentioned Listing Agreement.

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

Place : Hyderabad  
Date : June 19, 2009

**For AGR Reddy & Co.,**  
Company Secretaries in Whole-time Practice

**K.V.S. Subramanyam**  
Partner  
C.P. No. 4815

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT FOR THE YEAR 2008-09

### 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.

### I. 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.

### 2. Opportunities and Threats

#### 2.1 Growth through Organic and Inorganic Mode

Four Soft has grown over years by a combination of organic and inorganic strategies. 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.

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

Inorganic growth is a key element in our exponential growth. We have achieved global leadership with the acquisitions done in past. Now with the portfolio and range of products we have in all the sub-verticals of Transportation & Logistics, we have come up with the positioning guidelines that help our sales people to position the best fitting product to the customer and geography, depending on the prevailing business practices specific to that domain.

#### 2.2 Market Opportunity

With the multiple acquisitions Four Soft has made in the recent years, the product portfolio has extended horizontally. Today it offers software solutions for Transportation, Logistics, 3PL/ 4PL providers, Distributions, solutions for Freight forwarding industry, Customs brokerage, Contract Logistics, Shipper Logistics and Services. 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.

### 3. Business Segments and Industry Outlook

#### 3.1 Business Segments

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

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

#### Freight Forwarding Solutions

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

- 4S eTrans is offered for Large, Medium and Small customers and provides real time data visibility and improved operational profitability. The SME version provides solutions for Small and Medium Enterprises.
- 4S iLogistics built on IBM iSeries, provide solutions for Freight and logistics business of global organizations.
- 4S ePoms 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 Visilog is a world class business application designed as an efficient solution for managing supply chain activities in the distribution network, whether company owned or outsourced to third parties. It enables step-by-step implementation and can be adapted 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. 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.

#### 3.2 Customer Base

Our clientele includes 10 of world's top 20 Transport and Logistics players. This gives us the market leadership and enables us to grow significantly and increase our market share and grow significantly with time.

### 3.3 4S business Model

Four Soft Limited sells its software products in various delivery models including Hosted and Licensed 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 4S 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 chart representing revenues from various services is given below for easy understanding.

(Rs. in millions)

Consolidated numbers for the Year ended March 31	2009	% of Revenue	2008	% of Revenue
Revenue from Services	1004.71	51.63	1,165.99	67.97
Support Services	563.99	28.98	349.01	20.35
Software Licenses	350.49	18.01	166.06	9.68
Third Party	26.74	1.37	34.27	2.00
Total	1945.93	100.00	1,715.33	100.00

The 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.

### 3.4 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	2009 %	2008 %
EMEA	82.70	74.34
North America	9.23	12.24
APAC	8.07	13.42
Total	100	100.00

### 3.5 Average Revenue per Employee on consolidated basis

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

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

### 3.6 Quality

Your company is dedicated to maintain the highest level of quality standards and processes in its development and delivery teams and overall process improvement to achieve the quality certification. Presently the company is ISO 9001:2000 certified. Your company was also certified with CMMI Level 3 recently.

## 4. Risks and Concern

### A. Market and competitive Environment

The Transportation and Logistics domain continues to increase consolidation across various geographies. Four Soft is focused on this domain and any variations in this business environment may considerably impact the fortunes of the customers and thus effecting our revenues. Further, the company is not focused on one product or service segment for the industry, but offers a wide range or suite of products that may reduce uncertainties on the market size and opportunities etc. In order to restrict fierce competition, the IT industry serving this domain has been witnessing various mergers and acquisitions recently. However, your company's focus is to acquire small players in the similar business either in US or Asia-pacific to strengthen its local presence.

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 doing new sales.

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, scaleable 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.

#### **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. We hope that the increase in Indian rupee revenues (domestic revenue) can mitigate the exposure to the extent of Indian rupee.

#### **C. Technology Obsolescence Mode**

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

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

#### **D. Geographic concentration of revenues**

Concentration of revenue from any 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 GBP, 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.

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

#### **E. Acquisitions**

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

#### **F. Variability of quarterly operating results**

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

#### **G. Intellectual Property Infringement**

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

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

#### **H. Strategy**

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

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

### **5. INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY**

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

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

### **6. Culture, values and leadership**

Your company is emerging as a global player in Supply Chain for Transportation, Logistics, Distribution and Supply Chain Management execution software. Your company has a written code of conduct and ethics to make employees aware of ethical requirements and whistle blower policy for reporting violations, if any.

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

### **7. DISCUSSION ON 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 into 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. 19.66 Million (Rs. 3.58 Million previous year) out of which the entire amount Rs 19.66 Million transferred to Balance Sheet. The total Reserves and Surplus as on the balance sheet date is Rs. 813.65 Million (Rs. 774.00 Million Previous Year). There is an expense of Rs. 2.79 Million towards stock option compensation during the year (Rs. 3.03 Million previous year).

### III. Secured Loans:

The company had availed working capital short term loan of Rs. 13.50 million from Citicorp Finance (India) Limited in 2007-08 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. 0.87 million. The entire investment in fixed assets was funded out of internal accruals

(Rs. In millions)

Particulars	Additions
Computers	0.62
Office equipment	0.21
Software	0.04
<b>Total</b>	<b>0.87</b>

### V. Investments:

During the year under review, the company has made payment of third tranche towards the shares acquired of Four Soft Nordic A/s (previously known as Transaxiom Holding A/S).

## VI. Current Assets, Loans and Advances

### I. Sundry Debtors

Sundry Debtors, considered good and realizable as of March 31, 2009 amounts to Rs. 151.96 million (Rs. 242.56 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 50% (64 % previous year) of total revenues.

The additional provision for doubtful debts is Rs 1.11 million (Rs. 0.99 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. 17.09 million and 18.96 million for the financial year ended 31 March 2009 and 31 March 2008 respectively. Cash and Bank balance constitutes 1.30% of the total assets (1.40% previous year).

### 3. Other Current Assets

Other current assets include interest accrued as at March 31, 2009 amounting to Rs 0.05 million (Previous year Rs 0.02 million) on fixed deposits with scheduled banks and Rs. 7.27 million (Previous year 8.27 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. 15.00 million as compared to Rs.54.00 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. 40.90 million (previous year Rs. 61.13 million) includes payroll related liabilities and payable for other general expenses

Provisions include Rs. 6.92 million (previous year 5.92 million) gratuity & leave encashment.

## B. Results of Operations

### I. Income

Income from software services and products.

Particulars	2008-09	% of Revenue	2007-08	% of Revenue
Revenue from services	157.13	52%	236.55	64%
Annual maintenance services	119.28	40%	84.13	23%
Sale of licenses	21.84	7%	49.39	13%
Income from sale of third party licenses (net)	2.57	1%	1.28	0%
<b>Total</b>	<b>300.83</b>	<b>100%</b>	<b>371.35</b>	<b>100%</b>

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:

Particulars	2008-09	(Rs. In million)		2007-08	% of Total Income
		Total Income	% of Total Income		
Total Income	<b>326.415</b>	100%	380.33	100%	
Personnel expenses	<b>147.55</b>	45%	146.30	38%	
Operating and other expenses	<b>119.12</b>	36%	188.24	49%	
Operating profit (EBITDA)	<b>59.75</b>	18%	45.79	12%	
Depreciation and amortization	<b>22.42</b>	7%	25.28	7%	
Financial expenses	<b>16.94</b>	5%	11.83	3%	
Profit before tax	<b>20.39</b>	6%	8.68	2%	
Provision for tax	<b>0.73</b>	0%	5.11	1%	
Profit after tax	<b>19.66</b>	6%	3.58	1%	

### 1. Personnel Expenses:

During the year under review, the personnel expenses were at 45% of its total revenue as compared to 38% during the previous year.

### 2. Operating and other expenses:

The Operating expenses of the Company were 36% of its revenue during the current financial year as compared to 49% 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 59.75 million representing 18% of total revenues as compared to 45.79 million, representing 12% of total revenues during the previous year.

### 4. Depreciation

The company provided a sum of Rs. 22.42 million compared to Rs. 25.28 million in previous year towards depreciation representing 7% of total revenues (7% in previous year).

## 5. Financial expenses

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

## 6. Provision for Tax

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

## 7. Net profit

The net profit of the company amounted to Rs 19.66 Million for the current financial year and Rs. 3.58 million (previous year). This represents 6% of the total revenue in the current financial year and 1% 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, 2009, the company had cash and cash equivalents to the extent of Rs. 17.09 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 0.51 (Rs 0.09 previous year). The Diluted earnings per share Rs.0.51 per share compared to Rs 0.09 per share in the previous year.

## 10. Stock option plan

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

## 11. Foreign Exchange

The company has an amount of Rs 21.87 million gain compared to Rs 27.76 million loss in previous year due to favorable movement in Rs/Dollar rate during the current year

## 12. Related Party Transaction

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

## 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. 643.28 million (Rs. 637.57 million previous year). Rs. 5.70 million was transferred on account exercise of stock options.

During the year share warrants amounting to Rs. 14.28 million were forfeited on account of the warrant holders not subscribing to the warrants within the stipulated period of 18 months from the date of allotment warrants. This amount has been transferred to Capital reserve.

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. 619.51 million (Rs. 172.26 million previous year). Net profits after tax for the year were Rs. 447.25 million (Rs. 50.48 million previous year) which is transferred to Balance Sheet.

The closing balance of Foreign Currency Translation Reserve is Rs. 121.73 million (Rs. 69.91 million previous year)

There is an expense of Rs. 2.79 Million towards stock option compensation during the year (Rs. 3.03 Million previous year).

#### III. Loans:

Secured loans as at the Balance Sheet date aggregated to Rs. 296.53 million (Rs. 507.92 million previous year). Rs. 161.53 million (Rs. 371.97 million previous year) is availed by Four Soft BV from ICICI Bank Plc. This loan is secured by all assets of and assets of subsidiaries of Four Soft BV, and also guaranteed by Four Soft Limited.

Rs. 135.00 million (Rs. 135.00 million previous year) is short term working capital loan availed from Citicorp Finance (India) Limited, secured against investment in equity share of Four Soft Nordic A/s, Denmark.

Furniture obtained under finance lease arrangement at Balance Sheet date was at Rs. Nil (Rs. 0.95 million previous year).

Unsecured loans at Balance Sheet date are Rs. 0.18 million (Rs. 0.19 million). Out of the above unsecured loans Rs. 0.04 million is repayable within one year.

#### IV. Fixed Assets:

Addition to tangible fixed assets during the year is Rs. 7.47 million including Rs. 6.76 million towards computer equipment.

Addition to intangible assets is Rs 124.54 million. Goodwill as at Balance Sheet date is Rs. 1,625.32 million (Rs. 1,409.79 million previous year). Addition to software is Rs. 3.56 million.

#### V. Current Assets, Loans and Advances

##### I. Sundry Debtors:

Sundry debtors considered good and realizable as on the Balance Sheet date are Rs. 567.70 million (Rs. 370.93 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. 28.98 million and additional provision for doubtful debts during the year is Rs. 11.11 million. Sundry debtors are 29% (22% previous year) of total revenues.

##### 2. Cash and Bank Balance:

Cash and Bank balances are Rs. 108.19 million (Rs. 79.78 million previous year). Of the above Rs. 90.80 million (Rs. 60.52 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. 82.35 million (Rs. 100.20 million previous year) including provision for doubtful advances of Rs. 2.38 million (Rs. 2.02 million previous year).

Advances recoverable in cash, kind or value to be received Rs. 55.42 million (Rs. 75.19 million previous year) are primarily towards prepayments, travel advances and staff advances and other receivables.

Deposits Rs. 18.70 million (Rs. 20.27 million previous year) represent electricity deposits, telephone deposits and other deposits.

Minimum Alternate Tax (MAT) Rs. 0.55 million (Rs. Nil previous year) can be set off against tax liability in the future years. Advances for income tax of Rs. 8.89 million (Rs. 6.76 million previous year) and fringe benefit tax of Rs. 1.84 million (Rs. Nil 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. 353.95 million (Rs. 399.78 million previous year).

Sundry creditors amounting to Rs. 144.96 million (Rs. 130.00 million previous year) includes payroll related liabilities and payable for other general expenses.

Advances from customers as on the Balance Sheet date are Rs. 173.39 million (Rs. 227.53 million previous year)

#### 5. Provisions:

Provisions include Rs. 52.98 million (Rs. 49.35 million previous year) towards gratuity & leave encashment. Provision for income tax Rs. 130.61 million (Rs. 25.31 million previous year) and fringe benefit tax of Rs. Nil (Rs. 1.53 million previous year) net of advances towards tax liability in the consolidating entities.

#### B. Results of Operations:

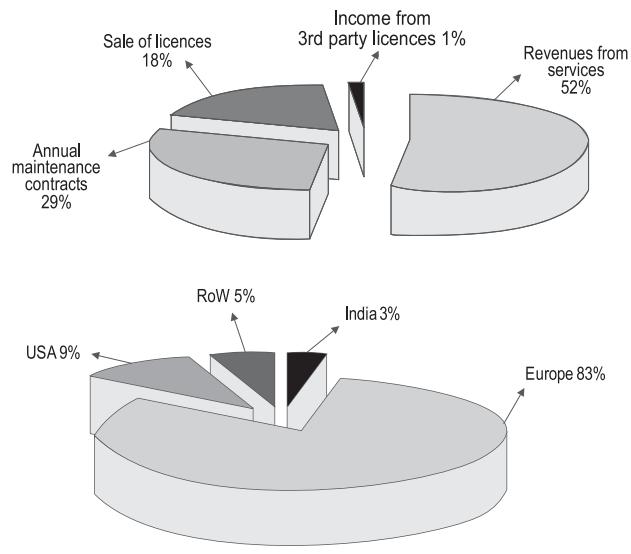
Particulars	For the Year ended March 31, 2009		For the Year ended March 31, 2008		% Increase/ (Decrease)
	Rs. Million	% of revenues	Rs. Million	% of revenues	
Revenues from services	1,004.71	52%	1,165.99	68%	(14%)
Annual maintenance contracts	563.99	29%	349.01	20%	62%
Sale of licenses	350.49	18%	166.06	10%	111%
Income from 3rd party licenses (net)	26.75	1%	34.27	2%	(22%)
<b>Total Revenues</b>	<b>1,945.94</b>	<b>100%</b>	<b>1,715.33</b>	<b>100%</b>	<b>13%</b>
Personnel expenses	949.11	49%	1,100.66	64%	(14%)
Operating and other expenses	457.47	24%	474.73	28%	(4%)
<b>Total Expenses</b>	<b>1,406.58</b>	<b>72%</b>	<b>1,575.39</b>	<b>92%</b>	<b>(11%)</b>
Other income	174.41	9%	53.57	3%	226%
<b>Operating profit (EBITDA)</b>	<b>713.77</b>	<b>37%</b>	<b>193.51</b>	<b>11%</b>	<b>269%</b>
Interest	39.57	2%	51.16	3%	(23%)
Depreciation	42.12	2%	46.13	3%	(9%)
<b>Profit before tax and impairment loss</b>	<b>632.08</b>	<b>32%</b>	<b>96.22</b>	<b>6%</b>	<b>557%</b>
Impairment loss	36.40	2%	-	0%	100%
<b>Profit before tax</b>	<b>595.68</b>	<b>31%</b>	<b>96.22</b>	<b>5%</b>	<b>519%</b>
Provision for taxes	148.43	8%	45.74	3%	225%
<b>Net Profit</b>	<b>447.25</b>	<b>23%</b>	<b>50.48</b>	<b>3%</b>	<b>786%</b>

## I. Income:

Revenues from software services and products grew by 13%. The year has seen a significant jump in revenues with a unique transaction involving sale of customer-specific legacy software solution to an existing customer on non-exclusive basis.

### 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. 151.55 million on account of cost rationalization exercise. The global headcount has come down from 719 at last year end to 594 at current year end. The payroll cost was 49% of revenues compared to 64% in the previous year.

### 2. Operating and other expenses:

Operating expense was stable during the year with a 4% decrease over previous year.

### 3. Operating Profits:

Operating profit saw a Rs. 520.26 million increase due to increase in the revenues and other income coupled with decrease in the personnel and operating expenses. Operating profit was 37% of the total revenues in current financial year compared to 11% in the previous year.

### 4. Depreciation:

Depreciation during the year is Rs. 42.12 million compared to Rs. 46.13 million in the previous year.

### 5. Financial expenses:

Interest expense was down Rs. 11.59 million on account reduction in the outstanding loans. Total interest expense was down to 2% of the revenues compared to 3% in the 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 447.25 Million for the current financial year an increase of Rs. 396.77 or 786%. This represents 23% of revenues compared to 3% 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. 128.00 million.

### 9. Earnings per share:

Earnings per share during the year were Rs 11.62 (Rs 1.31 previous year). The Diluted earnings per share were Rs. 11.60 (Rs. 1.31 previous year).

### 10. Foreign Exchange

During the year gains due to favorable fluctuation in the foreign exchange rates amounted to Rs. 100.65 million compared to Rs 37.03 million 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 March 31, 2009 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statement based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matter specified in paragraphs 4 and 5 of the said Order.
4. *The Company has not accounted for diminution in the value of investments aggregating Rs. 424.24 Lakhs in, and provision in respect of loans made, including interest accrued thereon, aggregating Rs 187.11 lakhs to, Four Soft Singapore Pte. Ltd., a wholly owned subsidiary which, in our opinion, need to be accounted for. Had the Company accounted for such diminution and provision, the carrying values of investments and loans would have been lower by Rs. 424.24 lakhs and 187.11 lakhs respectively and profit for the year would have been lower by Rs. 611.35 lakhs.*
5. Further to our comments in the Annexure referred to above, we report that :
  - i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - ii) In our opinion, proper books of account as required by law have been kept by the Company so far appears from our examination of those books;
  - iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - iv) *Subject to paragraph 4 above*, in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
  - v) On the basis of the written representations received from the directors, as on March 31, 2009, and taken on record by the Board of Directors, we report that none of the directors in disqualified as on March 31, 2009 from being appointed as a director in terms of clause (g) of sub-section (l) of section 274 of the Companies Act, 1956.
  - vi) In our opinion and to the best of our information and according to the explanations given to us *subject to our observation in Para 4 above*, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
    - a) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2009;
    - b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
    - c) in the case of Cash Flow Statement, of the cash flow for the year ended on that date.

**For S. R. BATLIBOI & ASSOCIATES**  
Chartered Accountants

Per  
**Ali Nyaz**  
Partner

Membership No.: 200427

Place: Hyderabad  
Date : June 19, 2009

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

### Re: Four Soft Limited ('the Company')

- i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All fixed assets have not been physically verified by Management during the year but there is a regular program of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification.
- (c) There was no substantial disposal of fixed assets during the year
- ii) Due to the nature of is business, the Company has no inventory. Accordingly, the provision of clause (ii) of paragraph 4 of the Campaniles (Auditor's Report) Order, 2003 (as amended) in respect of inventories are not applicable to the Company.
- iii) (a) The Company has granted loan to two bodies corporate covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 49,222,966 and year end balance of loans granted to such parties was Rs. 11,572,308.
- (b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not *prima facie* prejudicial to the interest of the Company.
- (c) The loans granted and the interest thereon is re-payable on demand. As informed, there has been no default on the part of the parties to whom the money has been lent.
- (d) There is no overdue amount of loans granted to companies, firms or other parties listed in the register maintained under section 301 of the companies Act, 1956.
- (e) As informed, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly the clause (f) and (g) of clause (iii) of paragraph 4 of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and for the sale of goods and services. Due to the nature of its business, the Company does not purchase any inventory. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
- v) (a) According to the information and explanations provided by Management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301 have been so entered.
- (b) *In respect of transactions* made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs entered into during the financial year, because of the unique and specialized nature of the items involved and absence of any comparable prices, we are unable to comment whether the transactions were made at prevailing market prices at the relevant time.
- vi) The Company has not accepted any deposits from the public.
- vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (l) of section 209 of the Companies Act, 1956 for any of the activities of the Company.
- ix) (a) Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, custom duty, excise duty wealth-tax, service tax, cess and other material statutory dues have generally been regularly deposited with the appropriate authorities *though there have been slight delays in deposit of income tax deducted at source in few cases.*
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income -tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

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

Name of the Statute	Nature of dues	Amount (Rs.)	Period to which the amount relates	Forum where the dispute is pending
Income tax Act, 1961	Tax on income	2,625,937	Financial year 2003-04	Income-Tax Appellate Tribunal

- x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- xi) Based on our audit procedures and as per the information and explanations given by Management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution or bank. The company did not have any outstanding debentures during the year.
- xii) According to the information and explanations given to us and base on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way pledge of shares, debentures and other securities
- xiii) The Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the companies (Auditor's Report) Order, 2003 (as amended) are not allocable to the Company.
- xiv) The Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- xv) According to the information and explanations given to us, the Company has given guarantee for loans taken by its wholly owned overseas subsidiary from a bank, the terms and conditions whereof in our opinion are not *prima facie* prejudicial to the interest of the Company.
- xvi) Based on information and explanations given to us by Management, term loans were applied for the purpose for which the loans were obtained.
- xvii) According to the information and explanations given to us and on an overall examination of the Balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956 during the year.
- xix) The Company did not have any outstanding debentures during the year.
- xx) The Company has not raised any monies by way of public issue during the year.
- xxi) Base upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

**For S. R. BATLIBOI & ASSOCIATES**  
Chartered Accountants

Per  
**Ali Nyaz**

Partner

Membership No.: 200427

Place: Hyderabad

Date : June 19, 2009

**BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2009**

	Schedules	As at March 31, 2009	Amount in Rupees As at March 31, 2008
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share capital	1	<b>193,544,130</b>	193,091,440
Equity share warrants (Refer note on schedule 3)		–	14,280,000
Stock options outstanding	2	<b>5,835,742</b>	8,751,291
Reserves and surplus	3	<b>813,649,532</b>	774,001,157
<b>Loan Funds</b>			
Secured loan	4	<b>135,000,000</b>	135,955,173
<b>Deferred Tax Liabilities (net)</b>	18(4)	<b>2,057,721</b>	5,340,353
		<b>1,150,087,125</b>	<b>1,131,419,414</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>	5		
Gross block		<b>163,049,489</b>	165,462,923
Less : Accumulated depreciation/amortisation		<b>93,424,816</b>	73,918,681
Net block		<b>69,624,673</b>	91,544,242
Capital work-in-progress including capital advances		–	124,514
		<b>69,624,673</b>	91,668,756
<b>Investments</b>	6	<b>1,033,492,040</b>	912,510,674
<b>Current assets, Loans and Advances</b>			
Sundry debtors	7	<b>151,957,496</b>	242,561,219
Cash and bank balances	8	<b>17,092,885</b>	18,964,131
Other current assets	9	<b>7,321,859</b>	8,295,751
Loans and advances	10	<b>37,839,579</b>	79,456,211
		<b>214,211,819</b>	<b>349,277,312</b>
<b>Less: Current Liabilities and Provisions</b>			
Current liabilities	11	<b>160,321,570</b>	214,584,280
Provisions	12	<b>6,919,837</b>	7,453,048
		<b>167,241,407</b>	<b>222,037,328</b>
<b>Net Current Assets</b>		<b>46,970,412</b>	<b>127,239,984</b>
<b>Notes to Accounts</b>	18	<b>1,150,087,125</b>	<b>1,131,419,414</b>

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

As per our report of even date

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

Chartered Accountants

Per

**Ali Nyaz**

Partner

Membership No.: 200427

Place : Hyderabad

Date : June 19, 2009

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

Sd/-

**Palem Srikanth Reddy**

Managing Director

Sd/-

**P. Mangamma**

Director

Sd/-

**Seena Sankar**

Company Secretary

Sd/-

**Biju S. Nair**

Chief Financial Officer

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2009

	Schedules	For the Year ended March 31, 2009	Amount in Rupees For the Year ended March 31, 2008
<b>INCOME</b>			
Revenue from software services and products	13	<b>300,827,223</b>	371,354,715
Other income	14	<b>25,587,798</b>	8,970,957
		<b>326,415,021</b>	<b>380,325,672</b>
<b>EXPENDITURE</b>			
Personnel expenses	15	<b>147,546,749</b>	146,298,701
Operating and other expenses	16	<b>119,122,854</b>	188,235,716
Depreciation and amortisation	5	<b>22,415,255</b>	25,277,331
Financial expenses	17	<b>16,940,420</b>	11,829,256
		<b>306,025,278</b>	<b>371,641,004</b>
<b>Net Profit</b>		<b>20,389,743</b>	8,684,668
<b>Provision for tax</b>			
Current tax (MAT payable)		<b>2,067,000</b>	1,050,000
MAT credit entitlement		<b>(547,000)</b>	–
Deferred tax		<b>(3,282,632)</b>	1,527,033
Fringe benefit tax		<b>1,720,000</b>	2,040,000
Tax for earlier years		<b>770,136</b>	491,000
<b>Total tax expense</b>		<b>727,504</b>	<b>5,108,033</b>
<b>Profit after tax</b>		<b>19,662,239</b>	3,576,635
Balance brought forward from previous year		<b>133,830,464</b>	130,253,829
Profit available for appropriation		<b>153,492,703</b>	133,830,464
Surplus carried to Balance Sheet		<b>153,492,703</b>	133,830,464
<b>Earnings per share</b>	8(16)		
Basic		<b>0.51</b>	0.09
Diluted		<b>0.51</b>	0.09
Nominal value of shares		<b>5</b>	5
<b>Notes to Accounts</b>	18		

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

As per our report of even date

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

Per

**Ali Nyaz**

Partner

Membership No.: 200427

Place : Hyderabad

Date : June 19, 2009

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

Sd/-  
**Palem Srikanth Reddy**  
Managing Director

Sd/-  
**P. Mangamma**  
Director

Sd/-  
**Seena Sankar**  
Company Secretary

Sd/-  
**Biju S. Nair**  
Chief Financial Officer

**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2009**

Amount in Rupees

	As at March 31, 2009	As at March 31, 2008
<b>SCHEDULE - I</b>		
<b>SHARE CAPITAL</b>		
<b>Authorised</b>		
56,077,600 (Previous year : 56,077,600) equity shares of Rs.5 each	<b>280,388,000</b>	280,388,000
696,120 (Previous year : 696,120) 14% redeemable optionally convertible cumulative preference shares of Rs.100 each	<b>69,612,000</b>	69,612,000
	<b>350,000,000</b>	<b>350,000,000</b>
<b>Issued, Subscribed and Paid-up</b>		
38,959,744 (Previous year : 38,959,744) equity shares of Rs. 5 each fully paid-up	<b>194,798,720</b>	194,798,720
Less: Calls in arrears	<b>9,000</b>	9,000
	<b>194,789,720</b>	194,789,720
Less: Amount recoverable from ESOP trust	<b>1,245,590</b>	1,698,280
[466,318 equity shares (Previous year: 556,856), including 217,200 bonus shares allotted to the trust]	<b>193,544,130</b>	193,091,440

**Notes:**

Of the above:

- 4,563,970 equity shares (Previous year 4,563,970) of Rs. 5 each are allotted as fully paid up bonus shares by capitalisation of general reserve
- 10,452,102 equity shares (Previous year 10,452,102) were allotted as fully paid up for consideration other than cash.
- 703,882 shares (Previous year: 613,344 shares) were issued to employees (through ESOP trust) pursuant to the employee stock option scheme.
  - Of the above 390,544 shares were issued at Rs. 19.65 out of which Rs. 14.65 per share were received in the form of employee service
  - Of the above 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 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.

**SCHEDULE - 2****STOCK OPTIONS OUTSTANDING**

Stock compensation outstanding at the beginning of the year	<b>18,815,316</b>	29,405,042
Add: Additions during the year	<b>—</b>	<b>7,655,718</b>
	<b>18,815,316</b>	37,060,760
Less: Deletions during the year	<b>4,938,714</b>	6,383,755
Less: Transferred to securities premium on exercise of stock options	<b>5,706,136</b>	11,259,689
Less: Transferred to General reserve on lapse of options	<b>—</b>	<b>602,000</b>
	<b>8,170,466</b>	18,815,316
Less: Deferred employee compensation outstanding	<b>2,334,724</b>	10,064,025
	<b>5,835,742</b>	<b>8,751,291</b>

**Note:**

Deferred stock employee compensation :		
Stock compensation outstanding at the beginning of the year	<b>10,064,025</b>	11,823,846
Add: Stock options granted during the year	<b>—</b>	7,655,718
Less: Stock options cancelled/forfeited during the year	<b>(4,938,714)</b>	(6,383,755)
Less: Stock compensation amortised during the year	<b>(2,790,587)</b>	(3,031,784)
Closing balance of deferred stock compensation outstanding	<b>2,334,724</b>	10,064,025

**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2009**

	Amount in Rupees	
	As at March 31, 2009	As at March 31, 2008
<b>SCHEDULE - 3</b>		
<b>RESERVES AND SURPLUS</b>		
<b>Securities Premium Account</b>		
Balance as per last account	<b>637,572,479</b>	626,311,290
Add: Received during the year	-	1,500
Add: On exercise of stock options	<b>5,706,136</b>	11,259,689
	<b>(I)</b>	<b>637,572,479</b>
<b>Capital Reserve</b>		
Balance as per last account	-	-
Add: Share warrants forfeited (Refer note)	<b>14,280,000</b>	-
	<b>(II)</b>	<b>14,280,000</b>
<b>General Reserve</b>		
Balance as per last account	<b>2,598,214</b>	1,996,214
Add: Transferred from stock options outstanding on lapse of stock options	-	602,000
	<b>(III)</b>	<b>2,598,214</b>
<b>Profit and Loss Account</b>	<b>(IV)</b>	<b>133,830,464</b>
<b>TOTAL</b>	<b>(I to IV)</b>	<b>774,001,157</b>

**Note:**

As approved by the shareholders in Extra ordinary general meeting of the Company held on January 19, 2007, the Board of Directors of the Company at their meeting held on February 2, 2007, allotted 2,000,000 warrants to Citicorp Finance (India) Limited and 100,000 warrants to IndusAge Management Services Private Limited at a price of Rs. 68 determined in accordance with the Securities and Exchange Board of India (SEBI) Guidelines. These warrants 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 warrantholders did not subscribe to the warrants within the stipulated period and the Company has forfeited the amount so deposited.

**SCHEDULE - 4**  
**SECURED LOAN****Term loan**

From others	<b>135,000,000</b>	135,000,000
(Secured against Investment in equity shares of Four Soft Nordic AS, Denmark a wholly owned subsidiary)	-	955,173
Finance lease obligation (Secured by underlying leased assets)	<b>135,000,000</b>	<b>135,955,173</b>

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

All amounts are in Indian Rupee unless otherwise stated

Particulars	Gross Block			Depreciation/Amortisation			Net Block		
	As at April 1, 2008	Additions	Deductions	As at March 31, 2009	As at April 1, 2008	For the year March 31, 2009	Deletions/Adjustments	As at March 31, 2009	As at March 31, 2009
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Fixed Assets</b>									
Building	30,594,644	—	—	30,594,644	5,888,461	1,383,546	—	7,272,007	23,322,637
Computers	51,921,238	618,495	2,417,437	50,122,296	32,684,117	7,902,632	2,370,636	38,216,113	11,906,183
Office equipment	24,739,214	210,750	116,818	24,833,146	6,868,828	2,558,871	1,013	9,426,686	15,406,460
Furniture and fittings*	17,167,795	—	745,880	16,421,915	10,193,597	1,358,484	537,471	11,014,610	5,407,305
Lease hold improvements	3,652,713	—	—	3,652,713	2,882,222	405,801	—	3,288,023	364,690
<b>Total (A)</b>	128,075,604	829,245	3,280,135	125,624,714	58,517,225	13,609,334	2,909,120	69,217,439	56,407,275
<b>Intangibles</b>									
Software	37,387,319	37,456	—	37,424,775	15,401,456	8,805,921	—	24,207,377	13,217,398
<b>Total (B)</b>	37,387,319	37,456	—	37,424,775	15,401,456	8,805,921	—	24,207,377	13,217,398
<b>Total (A+B)</b>	165,462,923	866,701	3,280,135	163,049,489	73,918,681	22,415,255	2,909,120	93,424,816	69,624,673
Previous year	129,224,380	36,342,594	104,051	165,462,923	48,737,872	25,277,331	96,522	73,918,681	91,544,242

\* Furniture and fittings includes assets capitalised as finance lease with gross block Rs. 2,908,974 (Previous year Rs. 2,908,974) and net block of Rs 68,251 ( Previous year Rs. 200,739)

**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2009**

Amount in Rupees

	As at March 31, 2009	As at March 31, 2008
<b>SCHEDULE - 6</b>		
<b>INVESTMENTS</b>		
<b>Long Term Investments (Unquoted and at cost)</b>		
(Refer note 15 on schedule 18)		
<b>Other than trade (unquoted)</b>		
<b>A. In subsidiaries</b>		
31 (Previous year : 31) equity shares of US Dollar 0.01 each fully paid up in Four Soft USA Inc.	<b>727,500</b>	727,500
66,245 (Previous year : 66,245) equity shares of Euro 1 each fully paid up in Four Soft BV , The Netherlands	<b>618,133,185</b>	618,133,185
930,000 (Previous year: 930,000) equity shares of Singapore Dollar 1 each fully paid up in Four Soft Singapore Pte Limited	<b>38,435,758</b>	38,435,758
70,000 (Previous year: 70,000) Class A preference shares of Singapore Dollar 1 each fully paid up in Four Soft Singapore Pte Limited	<b>3,988,362</b>	3,988,362
1,000 (Previous Year 1000 ) ordinary shares of Danish Kroner 1000 each fully paid up in Four Soft Nordic A/S	<b>372,204,610</b>	251,223,244
10,000,000(Previous year: 10,000,000) equity shares of Malaysian Ringgit 1 each fully paid up in Four Soft Sdn Bhd	<b>2,625</b>	2,625
	<b>1,033,492,040</b>	912,510,674
Aggregate amount of unquoted investments	<b>1,033,492,040</b>	912,510,674
<b>SCHEDULE - 7</b>		
<b>SUNDRY DEBTORS</b>		
(Refer note 8 on schedule 18)		
<b>Debts outstanding for a period exceeding six months</b>		
Unsecured, considered good	48,438,830	76,594,015
Considered doubtful	<b>7,282,748</b>	5,285,299
	<b>55,721,578</b>	81,879,314
<b>Other debts</b>		
Unsecured, considered good	103,518,666	165,967,204
Unsecured considered doubtful	<b>79,543</b>	-
	<b>159,319,787</b>	247,846,518
Less : Provision for doubtful debts	<b>7,362,291</b>	5,285,299
	<b>151,957,496</b>	242,561,219
<b>SCHEDULE - 8</b>		
<b>CASH AND BANK BALANCES</b>		
Cash on hand	53,230	4,659
Balances with scheduled banks on:		
On current accounts	16,097,482	18,001,572
On deposit accounts	<b>332,556</b>	332,556
On unpaid dividend accounts	404,658	420,385
On unpaid IPO refund accounts	<b>204,959</b>	204,959
	<b>17,092,885</b>	18,964,131

**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2009**

Amount in Rupees

	As at March 31, 2009	As at March 31, 2008
<b>SCHEDULE - 9</b>		
<b>OTHER CURRENT ASSETS</b>		
Interest accrued on fixed deposits	50,894	22,962
Interest accrued on loans to subsidiaries	<u>7,270,965</u>	<u>8,272,789</u>
	<b>7,321,859</b>	<b>8,295,751</b>

	As at March 31, 2009	As at March 31, 2008
<b>SCHEDULE - 10</b>		
<b>LOANS AND ADVANCES</b>		
(Refer note 9 on schedule 18)		
Unsecured considered good		
Advances and loans to subsidiaries	15,001,263	53,999,831
Advances recoverable in cash or in kind or for value to be received	8,769,075	9,874,045
Deposits - others	11,101,733	13,062,584
MAT credit entitlement	547,000	-
Income tax [Net of provision Rs 10,600,000, (Previous year Rs.9,080,000)]	1,235,503	2,519,751
Fringe benefit tax (Net of provision)	<u>1,185,005</u>	<u>-</u>
	<b>37,839,579</b>	<b>79,456,211</b>

	As at March 31, 2009	As at March 31, 2008
<b>SCHEDULE - 11</b>		
<b>CURRENT LIABILITIES</b>		
Sundry creditors		
- Outstanding dues to micro and small enterprises	-	-
(Refer to note 18 on schedule 18)		
- Others	<u>40,897,132</u>	<u>61,131,361</u>
	<b>40,897,132</b>	<b>61,131,361</b>
Subsidiary companies	110,563,209	142,573,503
Dues to directors*	1,878,852	1,403,600
Advance from customers	2,058,376	3,418,554
Investor Education and Protection Fund shall be credited by the following amounts (as & when due):		
Unclaimed dividends	404,658	420,385
Application money due for refund	204,959	204,959
Other liabilities	<u>4,314,384</u>	<u>5,431,918</u>
	<b>160,321,570</b>	<b>214,584,280</b>

\* maximum amount outstanding during the year Rs. 1,878,852 (Previous year Rs 1,403,600)

	As at March 31, 2009	As at March 31, 2008
<b>SCHEDULE - 12</b>		
<b>PROVISIONS</b>		
Provision for gratuity	5,453,065	4,333,399
Provision for compensated absences	1,466,772	1,584,409
Provision for fringe benefit tax (net of advance tax)	<u>-</u>	<u>1,535,240</u>
	<b>6,919,837</b>	<b>7,453,048</b>

## SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2009

	For the Year ended March 31, 2009	For the Year ended March 31, 2008	Amount in Rupees
<b>SCHEDULE - 13</b>			
<b>REVENUE FROM SOFTWARE SERVICES AND PRODUCTS</b>			
Revenue from services	157,134,104	236,554,019	
Annual maintenance services	119,275,830	84,126,779	
Sale of licenses	21,843,634	49,391,731	
Income from sale of third party licenses (net)	2,573,655	1,282,186	
	<u>300,827,223</u>	<u>371,354,715</u>	

## SCHEDULE - 14

### OTHER INCOME

Interest on fixed deposits (Gross)	478,994	58,567
[Tax deducted at source Rs. 108,485 (Previous year Rs. 8,450)]		
Interest on loan to subsidiaries (Gross)	2,047,681	2,930,176
[Tax deducted at source Rs. 144,075 (Previous year Rs. 946,560)]		
Profit on sale of fixed asset	–	103,048
Bad debts/advance recovered	187,144	2,964,642
Dividend income from non trade investments - short term	441,268	–
Liabilities no longer required written back	381,174	2,912,616
Exchange difference (net)	21,870,623	–
Miscellaneous income	180,914	1,908
	<u>25,587,798</u>	<u>8,970,957</u>

## SCHEDULE - 15

### PERSONNEL EXPENSES

Salaries, wages and bonus	127,395,703	125,046,732
Contribution to provident fund	10,534,913	13,325,927
Gratuity and Compensated absences	2,095,256	467,500
Employee stock compensation expenses	2,790,587	3,031,784
Staff welfare expenses	4,730,290	4,426,758
	<u>147,546,749</u>	<u>146,298,701</u>

## SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2009

	For the Year ended March 31, 2009	For the Year ended March 31, 2008	Amount in Rupees
<b>SCHEDULE - 16</b>			
<b>OPERATING AND OTHER EXPENSES</b>			
Rent	19,889,295	25,551,435	
Rates and taxes	1,875,918	1,335,529	
Office maintenance	10,483,613	11,838,385	
Auditors' remuneration	2,593,417	2,979,260	
Implementation expenses	30,192,067	57,058,047	
Advertisement and recruitment	910,821	2,245,575	
Business promotion	2,368,905	3,050,582	
Communication costs	6,354,443	7,736,082	
Postage and courier	1,092,922	1,098,529	
Insurance	3,929,233	3,623,853	
Electricity and water charges	10,457,855	8,475,079	
Travelling and conveyance	14,939,254	22,865,167	
Legal and professional fees	12,648,200	9,817,330	
Exchange difference (net)	–	27,757,603	
Provision for doubtful debts	1,112,239	992,450	
Advances written off	–	1,807,558	
Donation	274,672	1,600	
Miscellaneous expenses	–	1,652	
	<b>119,122,854</b>	<b>188,235,716</b>	

## SCHEDULE - 17

### FINANCIAL EXPENSES

Interest			
-on term loans from others	16,200,000	10,766,552	
Finance lease charges	88,704	401,666	
Bank charges	651,716	661,038	
	<b>16,940,420</b>	<b>11,829,256</b>	

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2009**

	Amount in Rupees	
	For the Year ended March 31, 2009	For the Year ended March 31, 2008
<b>A. Cash flow from operating activities</b>		
Net Profit before taxation	20,389,743	8,684,668
<b>Adjustments for:</b>		
Depreciation and amortisation	22,415,255	25,277,331
Employee stock compensation expenses	2,790,587	3,031,784
Unrealised foreign exchange loss (net)	4,987,869	4,471,491
Interest on fixed deposits	(478,994)	(58,567)
Interest on loans to subsidiaries	(2,047,681)	(2,930,176)
Dividends from non trade current investments	(441,268)	–
Provision for doubtful debts	1,112,239	992,450
Finance lease charges	88,704	401,666
(Profit)/Loss on sale of fixed asset	–	(103,048)
Donations in kind	255,210	–
Interest expense	16,200,000	10,766,552
<b>Operating profit before working capital changes</b>	<b>65,271,664</b>	<b>50,534,151</b>
Movements in working capital :		
Decrease/(increase) in sundry debtors	101,219,568	92,963,618
Decrease/ (Increase) in loans and advances	7,638,116	161,197,149
(Decrease)/ Increase in provisions	(73,146,319)	79,390,088
<b>Cash (used in)/ generated from operations:</b>	<b>100,983,029</b>	<b>384,085,006</b>
Direct taxes paid (including fringe benefit tax), net of refunds	(5,993,133)	(4,149,915)
<b>Net Cash (used in)/generated from operating activities</b>	<b>94,989,896</b>	<b>379,935,091</b>
<b>B. Cash flows from investing activities</b>		
Purchase of fixed assets	(626,382)	(36,091,952)
Investments in subsidiaries	(120,981,366)	(473,923,259)
Repayment of loan granted	51,615,630	20,381,302
Loan granted	(13,990,608)	(33,407,136)
Payment towards finance lease obligation	(955,173)	(990,123)
Interest received	3,500,567	5,258,794
Sale proceeds of fixed asset	–	110,577
Dividends received from non trade current investment	441,268	–
<b>Net cash used in investing activities</b>	<b>(80,996,064)</b>	<b>(518,661,797)</b>

**CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2009**

	For the Year ended March 31, 2009	For the Year ended March 31, 2008	Amount in Rupees
<b>Contd...</b>			
<b>C. Cash flows from financing activities</b>			
Proceeds from issuance of share capital	–	3,000	
Share application money received/(refunded)	–	(4,439,101)	
Proceeds from secured loan	–	135,000,000	
Finance lease charges	(88,704)	(401,666)	
Interest on loan	(16,200,000)	(10,766,552)	
<b>Net Cash generated from financing activities</b>	<b>(16,288,704)</b>	<b>119,395,681</b>	
Net decrease in cash and cash equivalents (A + B + C)	<b>(2,294,872)</b>	<b>(19,331,025)</b>	
Cash and cash equivalent at the beginning of the period	<b>18,631,575</b>	<b>37,625,793</b>	
Cash and cash equivalent at the end of the period	<b>16,336,703</b>	<b>18,294,768</b>	

**Notes:**

1 Cash and cash equivalents include:

Cash and bank balances	16,150,712	18,006,231
On deposit accounts	332,556	332,556
Unpaid dividend accounts	404,658	420,385
Unpaid public issue refund accounts	204,959	204,959
Cash and cash equivalents as per Balance sheet	<b>17,092,885</b>	<b>18,964,131</b>
Less: Deposits with banks with original maturity of more than three months	332,556	332,556
	<b>16,760,329</b>	<b>18,631,575</b>
Effect of unrealised exchange (gain)/ loss	(423,626)	(336,807)
Cash and cash equivalents considered for Cash Flows	<b>16,336,703</b>	<b>18,294,768</b>

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

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

As per our report of even date

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

Per  
**Ali Nyaz**  
Partner

Membership No.: 200427

Place : Hyderabad  
Date : June 19, 2009

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

Sd/-  
**Palem Srikanth Reddy**  
Managing Director

Sd/-  
**P. Mangamma**  
Director

Sd/-  
**Seena Sankar**  
Company Secretary

Sd/-  
**Biju S. Nair**  
Chief Financial Officer

Place : Hyderabad  
Date : June 19, 2009

## 18. Notes to Accounts

(All amounts are expressed in Indian Rupee unless otherwise stated)

### I. Statement of Significant Accounting Policies

#### (a) Basis of Preparation

The financial statements have been prepared to comply in all material respects in respects with the Notified accounting standard by Companies Accounting Standards Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on accrual basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

#### (b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon Management's best knowledge of current events and actions, actual results could differ from these estimates.

#### (c) Fixed Assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

#### (d) Capital Work in Progress

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

#### (e) Depreciation

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

Assets	Rate (%)
Computers	40
Office equipment	13.91
Furniture and fittings	18.10
Buildings	5.60

Lease hold improvements are depreciated on written down value method over the lease period of three to five years, or useful life of the assets whichever is shorter.

#### (f) 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.

#### (g) Intangibles

##### Software licenses

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

##### Research and Development Costs

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

#### (h) Leases

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

Company will obtain the ownership by the end of the lease term, capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

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

**(i) Investments**

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

**(j) Revenue recognition**

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

*Sale of goods and services*

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

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

*Interest*

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

*Dividends*

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

**(k) Foreign currency translation**

(i) Initial Recognition:

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

(ii) Conversion:

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

(iii) Exchange Differences:

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

**(l) Retirement and other employee benefits**

(i) A retirement benefit in the form of Provident Fund Scheme is a defined contribution and 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.

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

(iii) Compensation absences are in the nature of short term benefit and provided for based on estimates

**(m) Employee Stock Option Scheme**

Measurement and disclosure of the employee share-based payment plans is done in accordance with SEBI (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. 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.

**(n) Income taxes**

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

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets 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 Company re-assesses unrecognised deferred tax assets and recognises it to the extent it has become reasonably certain that sufficient future taxable income will be available against which such deferred tax assets can be realised.

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 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.

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 Minimum Alternative tax (MAT) credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance Note issued by the Institute of Chartered Accountants of India, 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.

**(o) Earnings per share**

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

For the purpose of calculating diluted earnings per share, the net profit for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

**(p) Provisions**

A provision is recognised when the Company has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

**(q) Cash flow statement**

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

**(r) Cash and Cash equivalents**

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

## 2. Related party transactions

Names of the related party	Country	Nature of relationship
Four Soft B.V.	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 Germany GmbH	Germany	WOS of Four Soft BV
Four Soft Singapore Pte. Ltd.	Singapore	Wholly owned subsidiary
Four Soft Japan KK	Japan	WOS of Four Soft Singapore Pte. Ltd
Four Soft Australia Pty Ltd.*	Australia	WOS of Four Soft Singapore Pte. Ltd
Four Soft Nordic A/S	Denmark	Wholly owned subsidiary
Four Soft (HK) Ltd.	Hong Kong	WOS of Four Soft Nordic A/S
Transaxiom UK Ltd.	UK	WOS of Four Soft Nordic A/S
Transaxiom USA Inc.	USA	WOS of Four Soft Nordic A/S
Four Soft Malaysia Sdn. Bhd.	Malaysia	Wholly owned subsidiary
Four Soft USA, Inc.	USA	WOS of Four Soft BV
Four Soft Employee Welfare Trust	India	Controlling interest
Palem Srikanth Reddy	India	Key Management Personnel
Biju S. Nair	India	Key Management Personnel
Raj Shekhar Roy**	India	Key Management Personnel
Sonata Information Technology Limited	India	Enterprises significantly influenced by key management personnel or their relatives.
P.C Reddy Trust	India	Enterprises significantly influenced by key management personnel or their relatives.

\*During the year ended March 31, 2009, the investment held by Four Soft Nordic A/S in its wholly owned subsidiary Four Soft Australia Pty Ltd was transferred to Four Soft Singapore Pte. Ltd consequent to which Four Soft Australia Pty Ltd became subsidiary of Four Soft Singapore Pte. Ltd.

\*\*w.e.f September 30, 2008

The details of the related party transactions entered into by the Company during the year ended March 31, 2009 are as follows:

	Year ended March 31,	
	2009	2008
<b>SUBSIDIARIES</b>		
<b>Four Soft BV, The Netherlands</b>		
a) Loan granted	13,990,608	33,407,136
b) Interest on loan granted	1,112,118	902,910
c) Investment into equity	Nil	247,530,000
d) Repayment of loan granted	(51,615,630)	Nil
e) Repayment of interest on loan granted	(3,892,275)	4,050,447
<b>Four Soft USA Inc., USA</b>		
a) Reimbursable expenses (Net)	29,168,925	25,765,256
b) Sales	42,996,221	47,115,729
c) Implementation Expenses	3,813,966	37,217,530
<b>Four Soft UK Ltd, United Kingdom</b>		
a) Reimbursable expenses (Net)	11,282,298	14,961,258
b) Sales	54,733,841	99,541,505
c) Implementation expenses	2,935,848	2,937,231
d) Purchase of Fixed Assets	Nil	124,514

	Year ended March 31,	
	2009	2008
<b>Four Soft NL BV, the Netherlands</b>		
a) Reimbursable expenses (Net)	10,204,954	11,385,171
b) Sales	63,572,242	56,811,413
<b>Four Soft Singapore Pte Ltd., Singapore</b>		
a) Reimbursable expenses (Net)	16,281,423	9,150,077
b) Sales	16,168,661	14,329,678
c) Interest on loan granted	935,564	2,027,266
d) Repayment of loan granted	Nil	20,381,302
<b>Four Soft Japan KK</b>		
a) Reimbursable expenses (Net)	4,125,150	8,754,737
b) Implementation Expenses	23,442,253	16,903,477
<b>Four Soft Nordic A/s, Denmark</b>		
a) Investment into equity	120,981,366	226,393,259
b) Reimbursable expenses (Net)	5,825,138	(20,976,202)
c) Sales	63,519,853	32,411,877
<b>KEY MANAGEMENT PERSONNEL</b>		
<b>Palem Srikanth Reddy</b>		
Remuneration including commission	960,622	618,769
<b>Biju Nair</b>		
a) Remuneration	1,524,796	1,658,703
b) Incentive	817,369	582,988
<b>Raj Shekhar Roy</b>		
a) Remuneration	1,263,850	Nil
b) Incentive	1,320,764	Nil
<b>ENTERPRISES SIGNIFICANTLY INFLUENCED</b>		
<b>BY KEY MANAGEMENT PERSONNEL OR THEIR RELATIVES:</b>		
<b>Sonata Information Technology Limited</b>		
a) Purchase and implementation of enterprise resource program	Nil	1,208,838
b) Purchase of Software License	2,473,653	424,485
<b>P. C. Reddy Trust</b>		
Donation of assets	255,210	–
<b>Debit/(Credit) balance outstanding</b>		
<b>Sundry Debtors</b>		
Four Soft NL BV , the Netherlands	6,470,542	35,717,160
Four Soft UK Ltd , United Kingdom	18,385,238	86,514,333
Four Soft USA Inc., USA	45,124,534	65,531,321
Four Soft Singapore Pte. Ltd., Singapore	39,200,378	23,399,315
Four Soft Nordic A/s, Denmark	5,790,351	6,374,743
Four Soft Japan KK, Japan	18,135,414	10,622,138

	Year ended March 31,	
	2009	2008
<b>Interest receivable</b>		
Four Soft BV, the Netherlands	132,500	2,908,710
Four Soft Singapore Pte. Ltd., Singapore	7,138,465	5,364,079
<b>Loans and advances recoverable</b>		
Four Soft NL BV, the Netherlands	429,970	33,203
Four Soft UK Ltd, United Kingdom	1,942,595	273,355
Four Soft USA Inc., USA	575,830	384,038
Four Soft Singapore Pte. Ltd., Singapore	12,052,868	10,175,098
Four Soft B.V.	–	43,134,136
Four Soft welfare trust	1,255,520	1,241,645
<b>Amounts payable</b>		
Four Soft UK Ltd, United Kingdom	(19,448,310)	(12,492,464)
Four Soft USA Inc., USA	(53,391,475)	(64,494,028)
Four Soft Singapore Pte. Ltd., Singapore	(7,919,774)	(11,926,173)
Four Soft Japan KK, Japan	(28,465,053)	(19,025,510)
Four Soft NL BV, the Netherlands	(798,155)	(842,037)
Four Soft Malaysia Sdn. Bhd.	(506,266)	(437,763)
Four Soft Nordic A/s, Denmark	(34,175)	(22,329,157)
Four Soft B.V.	–	(11,032,350)
Sonata Information Technology Limited	–	(191,615)
Key Management personnel	(3,058,722)	(2,199,558)

The Company has outstanding guarantee given on behalf of Four Soft BV, the Netherlands as described in Note 11(a).

### 3. Leases

#### Finance Leases

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

Particulars	Year ended March 31,	
	2009	2008
Total minimum lease payments at the year end	Nil	1,107,859
Less : Amount representing finance charges	Nil	152,686
Present value of minimum lease payments (Rate of interest: 26.89% p.a.)	Nil	955,173
<b>Minimum Lease Payments:</b>		
Not later than one year [Present value Nil as on March 31, 2009] (Previous year Rs. 955,173)	Nil	1,107,859
Later than one year but not later than five	Nil	Nil
Later than 5 years	Nil	Nil

**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-cancelable operating leases payable as per the rentals stated in the respective agreements are as follows:

Particulars	As at March 31,	
	2009	2008
Lease payments for the year	19,889,295	25,551,435
<b>Minimum Lease Payments:</b>		
Not later than one year	14,244,676	22,346,623
Later than one year but not later than five years	Nil	19,178,877
Later than 5 years	Nil	Nil

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

**4. Deferred tax comprises of :**

Particulars	Year ended March 31,	
	2009	2008
<b>Deferred tax Liability</b>		
Difference in depreciation in block of assets	6,912,217	5,340,353
<b>Total Deferred tax liability</b>	<b>6,912,217</b>	<b>5,340,353</b>
<b>Deferred tax Assets</b>		
Provision for gratuity	1,853,487	–
Provision for compensated absences	498,556	–
Provision for doubtful debts	2,502,443	–
<b>Total Deferred tax assets</b>	<b>4,854,496</b>	<b>5,340,353</b>
<b>Net deferred tax liability</b>	<b>2,057,721</b>	<b>5,340,353</b>

**5. Research and development**

During the year ended March 31, 2009 the Company has incurred expenses amounting to Rs.59,608,490 (Previous Year Rs. 78,820,744) towards research and development included under various heads of expenses.

**6. Employee Stock Option Scheme (ESOP)**

- (a) The Company has established Four Soft Limited Employees Welfare Trust ("the Trust") to administer the ESOP Scheme and as at March 31, 2009 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 March 31, 2009 the total shares held by the Trust is 466,318 (previous year 556,856). Mode of settlement of these stock options is equity.
- (b) During the year ended March 31, 2009 the Company has amortized stock compensation expenses amounting to Rs.2,790,587 (Previous Year Rs. 3,031,784).

(c) Changes in number of shares representing stock options outstanding as at the year ended on March 31, 2009 were as follows:

	Year Ended March 31, 2009		As at March 31, 2008	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding at the beginning of the year	<b>551,040</b>	5	620,940	5
Granted during the year	–	5	358,280	5
Forfeited during the year	<b>115,150</b>	5	96,469	5
Exercised during the year	<b>90,538</b>	5	311,711	5
Expired during the year	–	5	20,000	5
Outstanding at the end of the year	<b>345,352</b>	5	551,040	5
Exercisable at the end of the year	<b>Nil</b>	5	Nil	5

(d) In March 2005 the ICAI has issued a guidance note on "Accounting for Employees Share Based Payments" applicable to employee based share plan the grant date in respect of which falls on or after April 1, 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	Year ended March 31,	
	2009	2008
Profit after tax as reported	<b>19,662,239</b>	3,576,635
Add: Employee stock compensation under intrinsic value method	<b>2,790,587</b>	3,031,784
Less: Employee stock compensation under fair value method	<b>4,662,947</b>	8,028,121
Proforma profit	<b>17,789,879</b>	(1,419,702)
<b>Earnings Per Share</b>		
<b>Basic</b>		
- As reported	<b>0.51</b>	0.09
- Pro forma	<b>0.46</b>	(.04)
<b>Diluted</b>		
- As reported	<b>0.51</b>	0.09
- Pro forma	<b>0.46</b>	(.04)

(e) No fresh options were granted during the year. The fair value of options was estimated at the date of grant using the Black Scholes method with the following assumptions:

Particulars	Assumptions	
	2009	2008
Risk-free interest rate	<b>7.5%</b>	8.3%
Expected life	<b>1 to 3 years</b>	1 to 3 years
Expected volatility	<b>0.695</b>	0.713
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. 16.81 (Previous year Rs.43.23). Options outstanding at March 31, 2009 had an exercise price of Rs. 5, and a weighted average remaining contractual life of 11.94 months (Previous year 13.02 months).

## 7. Gratuity

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

The following tables summarises the components of net benefit expense recognised in the Profit and Loss Account and the funded status and amounts recognised in the Balance Sheet for the gratuity:-

	Year ended March 31, 2009	Year ended March 31, 2008
<b>a) Net gratuity expense recognised in the Profit and Loss Account (under personnel expenses)</b>		
Current service cost	3,153,629	3,892,017
Interest cost on benefit obligation	873,781	618,253
Expected return on plan assets	(303,034)	(235,881)
Net actuarial (gain) / loss recognized in the year	(2,604,710)	(4,023,288)
Past service cost	Nil	Nil
Net benefit expense	<u>1,119,666</u>	<u>251,101</u>
<b>b) Details of provision recognised in the Balance Sheet</b>		
Defined benefit obligation	7,494,424	7,550,118
Fair value of plan assets	<u>(2,041,359)</u>	<u>(3,216,719)</u>
	5,453,065	4,333,399
Less: Unrecognised past service cost	Nil	Nil
Net provision for gratuity	<u>5,453,065</u>	<u>4,333,399</u>
Actual return on plan assets	218,327	291,203
<b>c) Changes in the present value of the defined benefit obligation are as follows:</b>		
Opening defined benefit obligation	7,550,118	7,858,429
Interest cost	873,781	618,253
Current service cost	3,153,629	3,892,017
Benefits paid	(1,393,687)	(850,615)
Actuarial (gains) / losses on obligation	(2,689,417)	(3,967,966)
Closing defined benefit obligation	<u>7,494,424</u>	<u>7,550,118</u>
<b>d) Changes in the fair value of plan assets are as follows:</b>		
Opening fair value of plan assets	3,216,719	2,323,344
Expected return	303,034	235,881
Contributions by employer	Nil	1,452,787
Benefits paid	(1,393,687)	(850,615)
Actuarial gains / (losses)	(84,707)	55,322
Closing fair value of plan assets	<u>2,041,359</u>	<u>3,216,719</u>
Expected employer's contribution in 2009-10 Rs. 2,500,000		
<b>e) The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:</b>		
Investments with insurer	100%	100%
<b>f) The principal assumptions used in determining gratuity obligations for the Company's plans are shown below:</b>		
Discount rate	7.50% p.a	8.30% p.a.
Expected rate of return on assets	7.50% p.a.	7.50% p.a.

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors.

## g) Amounts for the current and previous four periods are as follows:

	Period Ended			
	March 31, 2006	March 31, 2007	March 31, 2008	March 31, 2009
Defined benefit obligation	3,869,746	7,858,429	7,550,118	7,494,424
Planned assets	1,010,019	2,323,344	3,216,719	2,041,359
Surplus/(Deficit)	(2,859,727)	(5,535,085)	(4,333,399)	(5,453,065)
Exp. Adjustment on plan liabilities	–	(6,143,132)	(3,754,454)	(2,074,730)
Exp. Adjustment on plan assets	–	18,825	55,322	(84,707)

## 8. Sundry Debtors

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

Particulars	As at March 31,	
	2009	2008
Four Soft USA Inc.	45,124,534	65,531,321
Four Soft UK Limited	18,385,238	86,514,333
Four Soft NL BV , The Netherlands	64,70,542	35,717,160
Four Soft Singapore Pte. Limited	39,200,378	23,399,315
Four Soft Japan KK	18,135,414	10,622,138
Four Soft Nordic A/S	5,790,351	6,374,743

## 9. Loans and advances

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

## (a) Details of advance outstanding

Particulars	Balance as at March 31,		Maximum amount outstanding	
	2009	2008	2009	2008
Four Soft BV , The Netherlands	Nil	5,509,114	5,509,114	5,509,114
Four Soft Singapore Pte. Ltd.,	480,560	356,306	481,587	356,306
Four Soft UK Limited	1,942,595	273,355	1,942,609	273,355
Four Soft NL BV , The Netherlands	429,970	33,203	429,991	1,110,237
Four Soft USA Inc.	575,830	384,038	575,831	1,554,350

## (b) Details of loans outstanding

Particulars	Balance as at March 31,		Maximum amount outstanding	
	2009	2008	2009	2008
Four Soft BV, The Netherlands	Nil	37,625,022	37,625,022	37,625,022
Four Soft Singapore Pte. Limited, Singapore	11,572,308	9,818,792	11,597,944	31,184,900

## 10. Contingent Liabilities not provided for

	As at March 31,	
	2009	2008
a. Guarantees given on behalf of overseas subsidiary (All the movable fixed assets of the Company have been hypothecated with Unit Trust of India Advisory Services Ltd., who are acting as an onshore security trustee for ICICI Bank Plc. for the facility taken by Four Soft B.V., The Netherlands from ICICI Bank Plc).	161,549,297	372,152,908
b. Income tax demand in respect of which the Company has gone on appeal. Management is of the opinion that appeal is likely to be accepted by appellate authority.	2,625,937	2,625,937
c. Contingent liability in respect of additional purchase consideration payable to erstwhile shareholders of Transxiom Holdings A/S (subsequently renamed as Four Soft Nordica A/s), Denmark.		

The outcome of the above is dependent on uncertain future events.

## 11. Unhedged Foreign Currency Exposure

Particulars	Year ending March 31, 2009				Year ended March 31, 2008		
	Foreign Currency	Foreign Currency Amount	Closing Exchange Rate	(Rs.)	Foreign Currency Amount	Closing Exchange Rate	(Rs.)
Sundry debtors	USD	2,719,791	51.76	140,776,382	6,017,994	39.90	240,117,961
	SGD	3,803	34.04	129,454	3,803	28.88	109,831
	EUR	6,584	68.35	450,016	6,584	63.04	415,055
	MYR	121,500	14.18	1,721,655	121,500	12.26	1,489,627
	JPY	2,500,000	0.532	1,330,000	—	—	—
Loans and	USD	53,963	51.76	2,948,378	137,629	39.90	5,491,397
Advances	SGD	354,118	34.04	12,052,885	351,880	28.88	10,162,299
To subsidiaries	EUR	—	—	—	87,388	63.04	5,509,114
	GBP	—	—	—	412,500	79.57	32,822,625
Other current	USD	1,132	51.76	58,592	50,271	39.90	2,005,813
Assets	SGD	209,708	34.04	7,138,465	185,777	28.88	5,365,240
	GBP	1,005	73.54	73,908	11,300	79.57	899,141
	USD	1,877,449	51.76	9,7176,752	2,507,983	39.90	100,068,531
Due to Subsidiaries	SGD	229,619	34.04	7,816,245	410,210	28.88	11,846,373
	EUR	788	68.35	53,860	12,727	63.04	802,310
	MYR	35,704	14.18	506,286	35,715	12.26	437,762
	GBP	68,127	73.54	5,010,065	63,210	79.57	5,029,620
	DKK	—	—	—	2,642,067	8.45	22,325,463
	JPY	—	—	—	5,108,118	.40	2,043,247
	USD	219,657	51.76	11,369,470	352,512	39.90	14,065,247

**12. Remuneration to auditors**

	<b>Year ended March 31,</b>	
	<b>2009</b>	<b>2008</b>
As Auditors		
- Audit fees	<b>2,435,020</b>	2,783,192
- Reimbursement of out-of-pocket expenses	<b>48,397</b>	50,000
In others manner		
- Certification	<b>110,000</b>	146,068
	<b>2,593,417</b>	2,979,260

**13. Supplementary Statutory Information****13.1 Managing Director's Remuneration**

	<b>Year ended March 31,</b>	
	<b>2009</b>	<b>2008</b>
Salaries	<b>240,000</b>	240,000
Perquisites	<b>242,570</b>	144,051
Commission on net profit	<b>449,252</b>	205,918
Contribution to provident fund and other funds	<b>28,800</b>	28,800
	<b>960,622</b>	618,769

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.

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

	<b>Year ended March 31,</b>	
	<b>2009</b>	<b>2008</b>
Profit before tax as per Profit and Loss Account	<b>20,389,743</b>	8,684,668
Add:		
Managing Director's remuneration	<b>960,622</b>	618,769
Depreciation as per books of account	<b>22,415,255</b>	25,227,331
Provision for doubtful debts	<b>1,112,239</b>	992,450
	<b>44,877,859</b>	35,368,708
Less: Depreciation under Section 350 of the Act*	<b>22,415,255</b>	25,227,331
Net profit as per Section 349 of the Act	<b>22,462,604</b>	10,295,887
Commission to Managing director at 2% of the net profits as approved by shareholders	<b>449,252</b>	205,918

\* The Company depreciates fixed assets based on estimated useful lives that are lower than those implicit in schedule XIV of the Companies Act, 1956. Accordingly, the rates of depreciation used by the Company are higher than the minimum prescribed by schedule XIV.

**13.3 Earnings in foreign currency (on accrual basis)**

	<b>Year ended March 31, 2009</b>	<b>2008</b>
License fees	11,295,405	40,116,626
Annual maintenance services	117,436,471	82,491,115
Revenue from services	144,261,896	227,116,086
Sale of third party licenses (gross)	4,698,745	8,713,133
	<b>277,692,517</b>	<b>358,436,960</b>

**13.4 Expenditure in foreign currency (on payment basis)**

	<b>Year ended March 31, 2009</b>	<b>2008</b>
Travelling	13,691,848	10,680,989
Implementation expenses	42,297,579	15,024,908
Cost of third party licenses	2,482,783	9,298,184
Professional Charges	6,297,983	–
Others	–	3,004,813
	<b>64,770,193</b>	<b>38,008,894</b>

**13.5 Value of imports calculated on CIF basis**

During the year ended March 31, 2009 the Company has imported capital goods amounting to Rs.286,572 (Previous year Rs.9,033,277)

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

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

**15. Investments**

**15.1** In December 2006 the Company had entered into a share purchase agreement for purchase of 100% of the outstanding equity shares of Transaxiom Holding A/S, Denmark (subsequently renamed as Four Soft Nordic A/S) from its erstwhile shareholders for consideration not exceeding Danish Kroner (DKK) 69,000,000. The aggregate purchase consideration is to be determined based on the average eligible revenues of the acquired entity over a period of 36 months ending December 31, 2009 payable in cash and shares of the Company. Till March 31, 2009, the Company has, based on certain payment milestones, paid an aggregate amount of DKK 44,549,526 (equivalent Rs. 372,204,610) towards purchase consideration; which has been recorded as investment. No liability has been recorded for the purchase price payable as the actual liability would be determined only after December 31, 2009 as per the terms of share purchase agreement.

**15.2 Current Investments purchased and sold/ redeemed during the year**

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

Note: Previous year figures have been stated in brackets.

**16. Earnings per share (EPS)**

	<b>Year ended March 31,</b>	
	<b>2009</b>	<b>2008</b>
Net profit as per Profit and Loss Account (For calculation of basic and dilutive EPS)	<b>19,662,239</b>	35,76,635
Weighted average number of equity shares in calculating basic EPS	<b>38,493,426</b>	38,402,888
Effect of dilutive equity shares	<b>53,157</b>	105,374
Weighted average number of equity shares in calculating diluted EPS	<b>38,546,583</b>	38,508,262

The Institute of Chartered Accountants of India has issued guidance note on "Accounting for Employees Share Based Payments" applicable to employee based share plan the grant date in respect of which falls on or after April 1, 2005. In accordance with such guidance note shares allotted to the ESOP Trust pursuant to an employee share based payment plan has not been included in the outstanding shares for computation of basic EPS till the employees have exercised their right after fulfilling the vesting conditions. Until such time the shares so allotted have been considered as dilutive potential equity shares for the purpose of calculating diluted EPS.

**17. Segment Information**

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

18. 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 March 31, 2009.

**19. Previous Year Comparatives**

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

As per our report of even date

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

Per

**Ali Nyaz**

Partner

Membership No.: 200427

Place : Hyderabad

Date : June 19, 2009

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

Sd/-	Sd/-
<b>Palem Srikanth Reddy</b>	<b>P. Mangamma</b>
Managing Director	Director

Sd/-	Sd/-
<b>Seena Sankar</b>	<b>Biju S. Nair</b>
Company Secretary	Chief Financial Officer

Place : Hyderabad  
Date : June 19, 2009

## Balance Sheet Abstract and Company's general business profile

### Registration details

Registration No. : 33131

State Code : 01

Balance Sheet date	March 31, 2009 (Rs.in Thousand except per share data)
<b>Capital raised during the year</b>	
Public Issue	-
Rights Issue	-
Bonus Issue	-
Private placement	-
Sweat Equity shares to Directors	-
Shares allotted to Four Soft Ltd. Employee Welfare Trust	-
Position of Mobilisation and Deployment of Funds	-
<b>Total Liabilities</b>	<b>1,150,087</b>
<b>Total Assets</b>	<b>1,150,087</b>
<b>Sources of Funds</b>	
Paid-up Capital	193,544
Reserves and Surplus	819,485
Secured Loans	135,000
Unsecured Loans	-
<b>Application of Funds</b>	
Net Fixed assets	69,624
Investments	1,033,492
Net current assets	46,970
Miscellaneous expenditure	-
Accumulated losses	-
<b>Performance of Company</b>	
Income from software products and related services	300,827
Other Income	25,587
Total Income	326,415
Total Expenditure	306,025
Profit / (Loss) before tax	20,389
Profit / (Loss) after tax	19,662
Earnings per share (basic) (Rs.)	0.51
Earnings per share (diluted) (Rs.)	0.51
Dividend per par value (Rs. 5/-) (%)	Nil
<b>Generic name of principal products / services of the company</b>	
Item Code No. (ITC Code)	85 24 90 09
Product Description	Computer Software

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

Sd/-  
**Palem Srikanth Reddy**  
Managing Director

Sd/-  
**P. Mangamma**  
Director

Sd/-  
**Seena Sankar**  
Company Secretary

Sd/-  
**Biju S. Nair**  
Chief Financial Officer

Place : Hyderabad  
Date : June 19, 2009

## AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To  
 The Board of Directors  
 Four Soft Limited

1. We have audited the attached Consolidated Balance Sheet of Four Soft Limited (the Company) as at March 31, 2009, and its subsidiaries ("the Subsidiaries") and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of Company's management and have been prepared by Management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. *Except as discussed in paragraph 4 below, we conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amount and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimated made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.*
3. (i) We did not audit the financial statements of certain subsidiaries, whose financial statements reflect aggregate total assets of Rs. 401,453,942 as at March 31, 2009 and aggregate total revenues of Rs. 622,540,715 and net cash inflows aggregating to Rs. 13,815,046 for the year then ended. These financial statements and other financial information required for the purposes of consolidation have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the reports of other auditors.
- (ii) We have relied upon the audit of Earnest & Young Denmark and Ernst & Young UK for certain subsidiaries whose financial statements reflect aggregate total assets of Rs. 884,887,444 as at March 31, 2009 and aggregate total revenues of Rs. 1,230,367,149 and net inflows aggregating to Rs. 10,929,578 for the year then ended.
4. The consolidated financial statements for the year ended March 31, 2009 include the *unaudited financial statements of certain subsidiaries whose un-audited financial statements reflect aggregate total assets of Rs. 1,836,344,175 as March 31, 2009 (Previous year Rs. 1,551,627,090) and aggregate total revenue of Rs. 68,774,346 (Previous year Rs. 84,541,223) and net cash inflows amounting to Rs. 5,585,217 (Previous Year cash outflow of Rs. 24,281,668) for the year then ended. The accompanying consolidated financial statements do not include adjustments. If any that may be required had the financial statements of the aforesaid subsidiaries been audited. Our report on the financial statements for the year ended March 31, 2008 was also modified in respect of the aforesaid matter.*
5. We reported that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standards (AS) 21-'Consolidated Financial Statements', issued by the Institute of Chartered Accountants of India.
6. We report that the auditor's of Four Soft Malaysia Sdn Bhd. M/s. TLH Associates have in their report of May 12, 2009 stated the following.

"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 2009, the company has accumulated losses of Malaysian

Ringtail (RM) 10,168,322 and a negative equity of RM 168,322. Continuation of the company as going concern is dependent upon the satisfactory outcome from litigation proceedings as disclosed in Note 7 to the financial statements and the continuing financial support of the holding company and its related companies to evolve new business models, rationalize business plans and provide requisite funding, technical innovation and marketing resources to deliver adequate and reliable earnings and positive cash flow streams to revitalize 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".

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

accepted in India:

- (a) in the case of the Consolidated Balance Sheet, of the state of affairs of Four Soft Limited and its Subsidiaries, as at March 31, 2009.
- (b) in the case of the Consolidated Profit and Loss Account, of the consolidated profit of Four Soft Limited and its Subsidiaries, for the year ended on that date; and
- (c) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flow of Four Soft Limited and its Subsidiaries, for the year ended on that date.

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

per  
**Ali Nyaz**  
Partner  
Membership No.: 200427  
Place : Hyderabad  
Date : June 19, 2009

CONSOLIDATED BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2009

	Schedules	As at March 31, 2009	Amount in Rupees As at March 31, 2008
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share capital	1	<b>193,544,130</b>	193,091,440
Equity share warrants (Refer Note on Schedule 3)		–	14,280,000
Stock options outstanding	2	<b>5,835,742</b>	8,751,291
Reserves and Surplus	3	<b>1,401,398,533</b>	882,345,994
<b>Loan funds</b>			
Secured loan	4	<b>296,530,073</b>	507,923,020
Unsecured loan	5	<b>188,254</b>	195,423
<b>Deferred tax liabilities</b>	18(9A)	<b>2,066,176</b>	5,346,842
<b>TOTAL</b>		<b>1,899,562,908</b>	<b>1,611,934,010</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>	6		
Gross block		<b>1,960,466,457</b>	1,736,173,460
Less : Accumulated depreciation/amortisation		<b>257,185,836</b>	216,358,682
Less: Impairment loss	18(4)	<b>36,396,093</b>	–
Net block		<b>1,666,884,528</b>	1,519,814,778
Capital work-in-progress including capital advances		–	312,299
<b>Deferred tax asset</b>	18(9B)	<b>11,922,672</b>	16,848,642
<b>Current assets, Loans and advances</b>			
Sundry debtors	7	<b>567,699,853</b>	370,934,399
Cash and bank balances	8	<b>108,189,368</b>	79,780,411
Other current assets	9	<b>50,894</b>	22,962
Loans and advances	10	<b>82,354,447</b>	100,202,084
		<b>758,294,562</b>	<b>550,939,856</b>
<b>Less: Current liabilities and Provisions</b>			
Current liabilities	11	<b>353,946,186</b>	399,779,244
Provisions	12	<b>183,592,668</b>	76,202,321
		<b>537,538,854</b>	<b>475,981,565</b>
Net Current Assets		<b>220,755,708</b>	<b>74,958,291</b>
<b>TOTAL</b>		<b>1,899,562,908</b>	<b>1,611,934,010</b>
Notes to Accounts	18		

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

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

Chartered Accountants

Per

**Ali Nyaz**

Partner

Membership No.: 200427

Place : Hyderabad

Date : June 19, 2009

**For and on behalf of the Board of Directors of Four Soft Limited**Sd/-  
**Palem Srikanth Reddy**  
Managing DirectorSd/-  
**Seena Sankar**  
Company SecretaryPlace : Hyderabad  
Date : June 19, 2009Sd/-  
**P. Mangamma**  
DirectorSd/-  
**Biju S. Nair**  
Chief Financial Officer

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2009

Amount in Rupees

	Schedules	For the Year ended March 31, 2009	For the Year ended March 31, 2008
<b>INCOME</b>			
Revenue from software services and products	13	<b>1,945,931,776</b>	1,715,329,028
Other income	14	<b>174,409,351</b>	53,568,516
<b>TOTAL</b>		<b>2,120,341,127</b>	<b>1,768,897,544</b>
<b>EXPENDITURE</b>			
Personnel expenses	15	<b>949,106,964</b>	1,100,659,338
Operating and other expenses	16	<b>457,467,617</b>	474,727,636
Depreciation and amortization	6	<b>42,118,478</b>	46,132,365
Impairment loss	18(4)	<b>36,396,094</b>	—
Financial expenses	17	<b>39,568,487</b>	51,155,416
<b>TOTAL</b>		<b>1,524,657,640</b>	<b>1,672,674,755</b>
<b>Profit before tax</b>		<b>595,683,487</b>	96,222,789
Provision for tax			
-Current tax		<b>154,522,919</b>	45,475,108
-MAT credit entitlement		<b>(547,000)</b>	—
-Tax for earlier years		<b>(9,755,945)</b>	(2,052,914)
-Deferred tax		<b>2,497,153</b>	275,360
-Fringe benefit tax		<b>1,720,000</b>	2,040,000
		<b>148,437,127</b>	<b>45,737,554</b>
<b>Profit after tax</b>		<b>447,246,360</b>	50,485,235
Balance brought forward from previous year		<b>172,261,161</b>	121,775,926
<b>Profit available for appropriation</b>		<b>619,507,521</b>	172,261,161
<b>Surplus carried to Balance Sheet</b>		<b>619,507,521</b>	172,261,161
<b>Earnings per share</b>			
Basic		<b>11.62</b>	1.31
Diluted		<b>11.60</b>	1.31
Nominal value of shares		<b>5</b>	5
<b>Notes to Accounts</b>	18		

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

As per our report of even date

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

Chartered Accountants

Per

**Ali Nyaz**

Partner

Membership No.: 200427

Place : Hyderabad

Date : June 19, 2009

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

Sd/-

**Palem Srikanth Reddy**

Managing Director

Sd/-

**P. Mangamma**

Director

Sd/-

**Biju S. Nair**

Chief Financial Officer

Sd/-

**Seena Sankar**

Company Secretary

Place : Hyderabad

Date : June 19, 2009

**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2009**

Amount in Rupees

	As at March 31, 2009	As at March 31, 2008
<b>SCHEDULE - I</b>		
<b>CAPITAL</b>		
<b>Authorised</b>		
56,077,600 (Previous year : 56,077,600) equity shares of Rs.5 each	<b>280,388,000</b>	280,388,000
696,120 (Previous year : 696,120) 14% redeemable optionally convertible cumulative preference shares of Rs.100 each	<b>69,612,000</b>	69,612,000
	<b>350,000,000</b>	350,000,000
<b>Issued, Subscribed and Paid-up</b>		
38,959,744 (Previous year : 38,959,744) equity shares of Rs. 5 each fully paid-up	<b>194,798,720</b>	194,798,720
Less: Calls in arrears	<b>9,000</b>	9,000
	<b>194,789,720</b>	194,789,720
Less: Amount recoverable from ESOP trust	<b>1,245,590</b>	1,698,280
[466,318 equity shares (Previous year: 556,856), including 217,200 bonus shares allotted to the trust]		
	<b>193,544,130</b>	193,091,440

**Note****Of the above**

- 4,563,970 equity shares (Previous year 4,563,970) of Rs. 5 each are allotted as fully paid up bonus shares by capitalisation of general reserve
- 10,452,102 equity shares (Previous year 10,452,102) were allotted as fully paid up for consideration other than cash.
- 703,882 shares (Previous year: 613,344 shares) were issued to employees (through ESOP trust) pursuant to the employee stock option scheme.
  - Of the above 390,544 shares were issued at Rs. 19.65 out of which Rs. 14.65 per share were received in the form of employee service
  - Of the above 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 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.

Amount in Rupees

	As at March 31, 2009	As at March 31, 2008
<b>SCHEDULE 2: STOCK OPTIONS OUTSTANDING</b>		
Stock compensation outstanding at the beginning of the year		
Add: Additions during the year	–	7,655,718
	<b>18,815,316</b>	29,405,042
Less: Deletions during the year	<b>4,938,714</b>	37,060,760
Less: Transfer to securities premium on exercise of stock options	<b>5,706,136</b>	6,383,755
Less: Transfer to General reserve on lapse of options	–	11,259,689
	<b>8,170,466</b>	602,000
Less: Deferred stock employee compensation	<b>2,334,724</b>	18,815,316
	<b>5,835,742</b>	10,064,025
		8,751,291

**Notes:**

Deferred stock employee compensation	–	11,823,846
Stock compensation expense outstanding at the beginning of the year	<b>10,064,025</b>	7,655,718
Add: Stock options granted during the year	–	(6,383,755)
Less: Stock options cancelled/forfeited during the year	<b>(4,938,714)</b>	(3,031,784)
Less: Stock compensation amortised during the year	<b>(2,790,587)</b>	10,064,025
Closing balance of deferred employee compensation outstanding	<b>2,334,724</b>	

**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2009**

	Amount in Rupees	
	As at March 31, 2009	As at March 31, 2008
<b>SCHEDULE - 3</b>		
<b>RESERVES AND SURPLUS</b>		
<b>Securities Premium Account</b>		
Balance as per last account	637,572,479	626,311,290
Add: Received during the year	-	1,500
Add: on exercise of stock options	5,706,136	11,259,689
	(I)	643,278,615
		637,572,479
<b>Capital Reserve</b>		
Balance as per last account	-	-
Add: Share warrants forfeited (Refer note)	14,280,000	-
	(II)	14,280,000
		-
<b>General Reserve</b>		
As per last Balance Sheet	2,598,214	1,996,214
Add: Transferred from Profit and Loss Account	-	602,000
	(III)	2,598,214
		2,598,214
<b>Profit and Loss Account</b>		
	(IV)	619,507,521
		172,261,161
<b>Foreign Currency Translation Reserve</b>		
Balance as per last account	69,914,140	3,626,045
Add: Current year translation adjustment	51,820,043	66,288,095
	(V)	121,734,183
		69,914,140
	TOTAL (I to V)	1,401,398,533
		882,345,994

**Note:**

As approved by the shareholders in Extra ordinary general meeting of the Company held on January 19, 2007, the Board of Directors of the Company at their meeting held on February 2, 2007, allotted 2,000,000 warrants to Citicorp Finance (India) Limited and 100,000 warrants to IndusAge Management Services Private Limited at a price of Rs. 68 determined in accordance with the Securities and Exchange Board of India (SEBI) Guidelines. These warrants 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 warrantholders 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 10 on Schedule 18)

<b>Finance lease obligation</b>	-	955,173
<b>Term loan</b>		
-From banks	161,530,073	371,967,847
-From others	135,000,000	135,000,000
<b>TOTAL</b>	<b>296,530,073</b>	<b>507,923,020</b>

**SCHEDULE - 5****UNSECURED LOAN**

Finance lease obligations	188,254	195,423
<b>TOTAL</b>	<b>188,254</b>	<b>195,423</b>

**FOUR SOFT LIMITED**  
**SCHEDULE - 6**  
**FIXED ASSETS**

**SCHEDULE OF THE CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2009**

(Amount in Rupees)

Sno	Particulars	GROSS BLOCK					DEPRECIATION				Net Block	
		As at 01 Apr 08	Additions	Deductions	Exchange Difference	As at 31 Mar 09	As at 01 Apr 08	For the Year 31 Mar 09	Deletion/Adjustments	Impairment	As at 31 Mar 09	As at 31 Mar 08
	<b>Tangibles</b>											
1	Computers	134,725,645	6,761,149	5,084,515	(2,448,235)	133,954,044	103,804,138	14,980,569	4,740,972	–	(2,231,040)	111,812,695
2	Office equipment	33,096,890	309,721	116,818	948,157	34,237,950	14,158,956	2,744,241	1,013	–	742,030	17,644,214
3	Furniture and fittings	68,446,883	405,312	806,554	3,587,412	71,843,053	54,813,410	5,147,038	666,487	–	4,445,528	63,739,489
4	Building	38,493,680	–	–	665,120	39,158,800	12,658,519	2,560,609	–	–	617,035	15,836,163
5	Lease hold improvements	3,550,643	–	–	1,221,393	4,772,036	2,999,122	506,290	–	–	72,237	3,577,649
6	Vehicles	88,515	–	88,515	–	–	20,082	–	20,082	–	–	–
	(A)	278,602,256	7,476,182	6,096,402	3,983,847	283,945,883	188,454,227	25,938,747	5,428,554	–	3,645,790	212,610,210
	<b>Intangibles</b>											
1	Goodwill	1,409,786,795	120,981,366	3,417,515	97,973,605	1,625,314,251	4,604,406	6,469,173	3,417,515	36,396,093	2,973,270	47,025,427
2	Software	47,784,409	3,562,621	444,423	273,716	51,176,323	23,300,049	9,710,559	(654,961)	–	280,723	33,946,292
	(B)	1,457,571,204	124,543,987	3,861,938	98,247,321	1,676,500,574	27,904,455	16,179,732	2,762,554	36,396,093	3,253,993	80,971,719
	Total (A+B)	1,736,73,460	132,020,169	9,958,340	102,231,168	1,960,446,457	216,358,682	42,118,479	8,191,108	36,396,093	6,899,783	293,581,929
	Previous year-	1,403,869,301	267,969,621	27,695,647	92,030,185	1,736,173,460	197,14,418	46,132,365	25,880,913	–	(1,007,188)	216,358,682
		–	–	–	–	–	–	–	–	–	–	1,519,814,778

**Note:**

Furniture and fittings includes furniture taken on finance lease

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

Net book value Rs. 68,251 (Previous year: Rs.200,739)

**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2009**

	Amount in Rupees	
	As at March 31, 2009	As at March 31, 2008
<b>SCHEDULE - 7</b>		
<b>SUNDRY DEBTORS</b>		
<b>Debts outstanding for a period exceeding six months</b>		
Unsecured, considered good	323,090,428	7,711,669
Considered doubtful	<u>28,902,302</u>	<u>38,006,430</u>
	<b>351,992,730</b>	<b>45,718,099</b>
<b>Other debts</b>		
Unsecured, considered good	244,609,425	363,222,730
Considered doubtful	<u>79,543</u>	<u>3,752,276</u>
	<b>596,681,698</b>	<b>412,693,105</b>
Less : Provision for doubtful debts	<b>28,981,845</b>	<b>41,758,706</b>
<b>TOTAL</b>	<b>567,699,853</b>	<b>370,934,399</b>
<b>SCHEDULE - 8</b>		
<b>CASH AND BANK BALANCES</b>		
Cash on hand	343,551	297,683
Balances with scheduled banks on:		
Current accounts	16,097,482	18,001,572
Deposit accounts	332,556	332,556
Unpaid dividend accounts	<u>404,658</u>	<u>420,385</u>
Unpaid IPO refund accounts	204,959	204,959
	<b>17,039,656</b>	<b>18,959,472</b>
Balance with other banks on:		
Current Accounts	89,839,303	59,842,868
Deposit Accounts	<u>966,859</u>	<u>680,388</u>
	<b>90,806,162</b>	<b>60,523,256</b>
<b>TOTAL (I +II)</b>	<b>108,189,368</b>	<b>79,780,411</b>
<b>SCHEDULE - 9</b>		
<b>OTHER CURRENT ASSETS</b>		
Interest accrued on fixed deposits	50,894	22,962
<b>TOTAL</b>	<b>50,894</b>	<b>22,962</b>
<b>SCHEDULE - 10</b>		
<b>LOANS AND ADVANCES</b>		
Unsecured, considered good		
Advances recoverable in cash or in kind or for value to be received	55,421,434	75,186,580
Deposits - others	18,693,953	20,275,476
MAT credit entitlement	<u>547,000</u>	<u>—</u>
Advance income tax (net of provision)	8,890,185	6,762,049
Advance fringe benefit tax (net of provision)	<u>1,185,005</u>	<u>—</u>
	<b>84,737,577</b>	<b>102,224,105</b>
Less: Provision for doubtful advances	<b>2,383,130</b>	<b>2,022,021</b>
<b>TOTAL</b>	<b>82,354,447</b>	<b>100,202,084</b>

**SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2009**

	Amount in Rupees	
	As at March 31, 2009	As at March 31, 2008
<b>SCHEDULE - 11</b>		
<b>CURRENT LIABILITIES</b>		
Sundry creditors		
- Outstanding dues to micro and small enterprises	144,962,120	130,004,826
- Others	<u>144,962,120</u>	<u>130,004,826</u>
Dues to directors*	1,878,852	1,403,600
Advance from customers	173,394,731	227,531,212
Unclaimed dividends	404,658	420,385
Application moneys due for refund	204,959	204,959
Other liabilities	<u>33,100,866</u>	<u>40,214,262</u>
<b>TOTAL</b>	<b>353,946,186</b>	<b>399,779,244</b>

\* maximum balance outstanding during the year Rs. 1,878,752 (Previous year Rs. 1,403,600)

**SCHEDULE - 12**  
**PROVISIONS**

For employee benefits	52,982,588	49,350,404
For income tax (net of advance payments)	130,610,080	25,316,677
For fringe benefit tax (net of advance payments)	<u>—</u>	<u>1,535,240</u>
<b>TOTAL</b>	<b>183,592,668</b>	<b>76,202,321</b>

**SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2009**

	Amount in Rupees	
	For the Year ended March 31, 2009	For the Year ended March 31, 2008
<b>SCHEDULE - 13</b>		
<b>REVENUE FROM SOFTWARE SERVICES AND PRODUCTS</b>		
Revenue from services	1,004,711,477	1,165,987,367
Annual maintenance services	563,987,562	349,009,765
Sale of licenses	350,487,904	166,063,451
Income from sale of third party licenses (net)	<u>26,744,833</u>	<u>34,268,445</u>
<b>TOTAL</b>	<b>1,945,931,776</b>	<b>1,715,329,028</b>

**SCHEDULE - 14**  
**OTHER INCOME**

Interest on fixed deposits (gross)	3,305,844	2,449,901
Exchange difference (net)	100,646,191	34,003,634
Bad debts and advances recovered	686,756	4,624,914
Dividend income from non trade investments - short term	441,268	—
Liability no longer required written back	7,632,629	7,005,718
Guarantee commission	29,533,057	—
Miscellaneous income	<u>32,163,606</u>	<u>5,484,349</u>
<b>TOTAL</b>	<b>174,409,351</b>	<b>53,568,516</b>

## SCHEDULES FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2009

	For the Year ended March 31, 2009	For the Year ended March 31, 2008	Amount in Rupees
<b>SCHEDULE - 15</b>			
<b>PERSONNEL EXPENSES</b>			
Salaries, wages and bonus	817,152,800	971,062,410	
Retirement benefits	20,167,104	10,638,596	
Contribution to provident and other funds	51,975,080	47,625,134	
Employee stock compensation expenses	2,790,587	3,031,784	
Staff welfare expenses	57,021,393	68,301,414	
<b>TOTAL</b>	<b>949,106,964</b>	<b>1,100,659,338</b>	

## SCHEDULE-16 OPERATING AND OTHER EXPENSES

Rent	74,364,543	91,832,921
Rates and taxes	10,650,190	10,047,850
Office maintenance	47,001,390	41,101,383
Auditors' remuneration	11,831,005	9,811,201
Implementation expenses	51,733,269	46,395,982
Advertisement and recruitment	4,766,656	5,899,142
Business promotion	9,461,342	11,720,135
Communication costs	28,239,099	29,416,994
Postage and courier	3,158,029	2,485,423
Insurance	7,041,429	7,183,076
Electricity and water charges	17,914,847	16,329,289
Travelling and conveyance	77,302,656	96,321,764
Legal and professional fees	90,693,445	46,796,905
Bad and doubtful debts written off	-	36,548,425
Provision for doubtful debts	11,112,213	2,080,756
Prior period expenses (net)	-	8,319,837
Provision for doubtful advances	-	1,807,557
Donation	274,672	1,600
Loss on sale of fixed asset	112,499	139,311
Miscellaneous expenses	11,810,333	10,488,085
	<b>457,467,617</b>	<b>474,727,636</b>

## SCHEDULE 17 FINANCIAL EXPENSES

Interest		
- on term loan	20,194,981	36,850,876
- on others	16,200,000	10,766,552
Finance lease charges	114,599	1,469,401
Bank charges	3,058,907	2,068,587
	<b>39,568,487</b>	<b>51,155,416</b>

## Consolidated Cash Flow Statement for the year ended 31<sup>st</sup> March, 2009

	Amount in Rupees	
	2008-2009	2007-2008
<b>A. Cash flow from operating activities</b>		
Net profit before taxation	<b>595,683,487</b>	96,222,789
<b>Adjustments for:</b>		
Depreciation and amortisation	42,118,478	46,132,365
Impairment Loss	<b>36,396,094</b>	–
Employee stock compensation expenses	2,790,587	3,031,784
Unrealised foreign exchange loss (net)	<b>14,750,326</b>	24,625,689
Interest on fixed deposits	(3,305,844)	(2,449,901)
Provision for doubtful debts and advances	<b>11,112,213</b>	40,436,738
Interest expense	36,509,580	49,086,829
Donations in kind	255,210	–
(Profit)/Loss on sale of fixed asset	<b>112,499</b>	139,311
<b>Operating profit before working capital changes</b>	<b>736,422,630</b>	257,225,604
Movements in working capital :		
Decrease/(Increase) in sundry debtors	(219,605,751)	128,699,233
Decrease/ (Increase) in loans and advances	<b>18,867,409</b>	83,385,812
Increase/(Decrease) in current liabilities and provisions	<b>(23,988,793)</b>	(182,162,240)
<b>Cash (used in)/generated from operations:</b>	<b>511,695,495</b>	287,148,409
Direct taxes paid (including fringe benefit tax), net of refunds	<b>(45,494,952)</b>	(44,473,987)
<b>Net Cash (used in)/generated from operating activities</b>	<b>466,200,543</b>	242,674,422
<b>B. Cash flows from investing activities</b>		
Purchase of fixed assets	(10,610,700)	(41,576,361)
Proceeds from sale of fixed assets	<b>1,283,719</b>	731,090
Payments for net assets acquired of subsidiaries, net of cash	(120,981,366)	(167,044,661)
Payment towards finance lease obligation	(962,342)	(794,700)
Interest received	3,277,912	2,449,901
<b>Net cash used in investing activities</b>	<b>(127,992,777)</b>	(206,234,732)

Consolidated Cash Flow Statement for the year ended 31<sup>st</sup> March, 2009

	Amount in Rupees	
	2008-2009	2007-2008
<b>Contd...</b>		
<b>C. Cash flows from financing activities</b>		
Proceeds from issuance of share capital	-	2,998
Share application money received/(refunded)	-	(4,439,101)
Proceeds from long-term borrowings	-	135,000,000
Repayment of long term borrowings	<b>(230,175,969)</b>	(126,101,938)
Interest paid	<b>(34,836,023)</b>	(45,875,845)
<b>Net cash generated from/(used in) financing activities</b>	<b>(265,011,992)</b>	(41,413,886)
<b>D. Effect of exchange difference on cash and cash equivalents</b>	<b>(44,363,192)</b>	(25,742,090)
Net increase/(decrease) in cash and cash equivalents (A+B+C+D)	<b>28,832,582</b>	(30,716,286)
Cash and cash equivalents at the beginning of the year	<b>79,447,855</b>	110,500,949
<b>Cash and cash equivalents at the end of the year</b>	<b>108,280,438</b>	79,784,663

**Notes:**

1. Cash and cash equivalents include:

Cash and bank balances	107,247,195	78,822,511
Unpaid dividend accounts	404,658	420,385
Unpaid public issue refund accounts	<b>204,959</b>	204,959
Deposits with banks	<b>332,556</b>	332,556
Cash and bank balance as per Balance Sheet	<b>108,189,368</b>	79,780,411
Less:Deposits with banks with original maturity of more than three months	<b>(332,556)</b>	(332,556)
Effect of unrealised exchange gain as on the Balance Sheet date	<b>423,626</b>	336,808
Cash and cash equivalents considered for Cash Flows	<b>108,280,438</b>	79,784,663

2. Previous year's figures have been regrouped where necessary to confirm to this year's classification  
 3. The accompanying notes are an integral part of this statement.

As per our report of even date

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

Per  
**Ali Nyaz**  
 Partner  
 Membership No.: 200427

Place : Hyderabad  
 Date : June 19, 2009

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

Sd/-  
**Palem Srikanth Reddy**  
 Managing Director

Sd/-  
**P. Mangamma**  
 Director

Sd/-  
**Seena Sankar**  
 Company Secretary

Sd/-  
**Biju S. Nair**  
 Chief Financial Officer

Place : Hyderabad  
 Date : June 19, 2009

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### SCHEDULE 18

Summary of Significant Accounting Policies and Notes to Consolidated Accounts for the year ended and as at March 31, 2009

#### I. Statement of Significant Accounting Policies

##### (a) Basis of Consolidation

The Consolidated Financial Statements of Four Soft Limited ("the Company" or "the parent") together with its subsidiaries collectively termed as "the Group" or "the Consolidating Entities" are prepared under historical cost convention on accrual basis to comply in all material respects with the notified accounting standard by Companies (Accounting Standards) Rules, 2006, (as amended). 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" issued by the ICAI.

The financial statements of the Group are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expense after fully eliminating material intra-group balances and intra-group transactions and resulting unrealized profits or losses are eliminated in full on consolidation unless cost can not be recovered.

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

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

During the year, Four Soft Germany GmbH and Transaxiom UK Limited have been wound up hence not considered for the purpose of preparation of consolidated financial statement.

##### (b) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon Management's best knowledge of current events and actions, actual results could differ from these estimates.

##### (c) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

##### (d) Capital Work in Progress

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

**(e) Impairment**

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

**(f) Depreciation**

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

- i. Four Soft USA Inc. uses Modified Accelerated Cost Recovery System (MACRS) for depreciating its fixed assets.
- ii. Fixed assets of all the other subsidiaries are depreciated over the estimated useful lives, using the Straight Line Method (SLM).

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

<b>Assets</b>	<b>Rate (%)</b>
Computers	40
Office equipment	13.91
Furniture and fittings	18.10
Buildings	5.60

Lease hold improvements are depreciated using the written down value method over the lease period or useful life whichever is shorter.

**(g) Intangible Assets****Software licenses**

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

**Research and Development Costs**

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

**Goodwill**

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

Four Soft UK Ltd. amortizes goodwill on Straight Line Method over its useful life of 20 years.

**(h) Leases**

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

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

**(i) Investments**

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

**(j) Revenue recognition**

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

**Sale of software licenses and software services**

Revenue from the sale of user licenses for software applications is recognised on delivery or subsequent milestone schedule as per the terms and contract with the customers. Revenue from time and material contracts is recognised as the related services are rendered. Revenue from annual maintenance services is recognised proportionately over the period in which services are rendered. Revenue from services on fixed-priced and fixed time frame contracts is recognized on completion and delivery of services to the customers when the outcome of the contract cannot be assessed with reasonable certainty or on proportionate completion method when no significant uncertainty exists regarding the amount of consideration that will be derived from rendering the services.

**Interest**

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

**Dividends**

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

**Guarantee commission**

Revenue is recognised on an accrual basis in accordance with the terms of the relevant agreement.

**(k) Foreign currency transactions****Initial Recognition:**

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

**Conversion:**

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

**Exchange Differences:**

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

**(l) 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 laid down under AS 11 (Revised) the Group has designated all its foreign operations, as "non-integral foreign operations".

**(m) Retirement and other employee benefits**

- (i) Retirement benefits in the form of Provident Fund Scheme are charged to the Profit and Loss Account of the year when the contribution to the respective fund is due. There are no other obligations other than the contribution payable to the respective fund.
- (ii) Gratuity liability is a defined benefit obligation and provided for on the basis of an actuarial valuation made on projected unit credit method at the end of each financial year. Actuarial gains and losses are recognised in full in the Profit and Loss Account in the period in which they occur.
- (iii) Compensation absences are in the nature of short term benefit and are provided for based on estimates.
- (iv) In respect of Four Soft B.V. and Four Soft N.L. B.V. Netherlands retirement benefits such as holiday allowances have been accrued on actual basis. These Companies also contribute to a private pension plan on the basis of a defined contribution plan.
- (v) In respect of Four Soft UK Limited, a defined contribution pension scheme for employees is maintained by the Company. The assets of the scheme are held separately from those of the Company. The annual contributions payable are charged to the Profit and Loss account and there are no other obligations other than the contribution payable to the respective funds.
- (vi) In respect of Four Soft USA Inc, the Company has 401(k) retirement plan. Contribution to the plan by the Company is discretionary.

**(n) Employee Stock Option Scheme**

Measurement and disclosure of the employee share-based payment plans is done in accordance with SEBI (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. 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.

**(o) Taxes on income**

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

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets 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 that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

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

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 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.

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

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 Minimum Alternative tax (MAT) credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance Note issued by the Institute of Chartered Accountants of India, 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.

**(p) Earnings per share**

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

For the purpose of calculating diluted earnings per share, the net profit for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

**(q) Provisions**

A provision is recognised when the Group has a present obligation as a result of past event and when it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

**(r) Cash and Cash equivalents**

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

**(s) Segment information:**

Inter segment sales are generally accounted at fair values and the same have been eliminated in consolidation. The accounting policies of the segments are substantially the same as those described in the "Statement of Significant Accounting Policies" as above.

**2. Difference in Accounting Policies**

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

Depreciation in 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 Parent Company. The Company has not ascertained the impact of such differential accounting policy on the consolidated profits for the year ended and financial position of the Group as at March 31, 2009. The proportion of net fixed assets and depreciation so accounted is Rs. 18,949,067 (Previous year Rs. 18,251,269) and Rs. 16,416,769 (Previous year Rs. 20,855,034) respectively included in the net fixed assets and depreciation of the consolidated entities.

**3. Goodwill**

In December 2006, the Company had entered into an agreement for purchase of 100% outstanding equity shares of Transaxiom Holding A/S (Subsequently renamed as Four Soft Nordic A/S), Denmark from its erstwhile shareholders in consideration not exceeding Danish Kroner (DKK) 69,000,000. The aggregate purchase consideration is to be determined based on the average eligible revenue of the acquired entity over a period of 36 months ending December 31, 2009. Till March 31, 2009, the Company has, based on certain payment mile-stones paid an aggregate amount of DKK 44,549,526 (equivalent Rs. 372,204,610) towards purchase consideration. During the year, the Company has made a payment of DKK 13,663,898 (equivalent Rs. 120,981,366) towards purchase consideration. The difference between the net assets acquired as on the date of acquisition and purchase consideration paid as on the balance sheet date is accounted as goodwill.

**4. Impairment of Goodwill**

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. 36,396,093 and the goodwill value after providing the impairment loss is 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%.

## 5. Employee Stock Option Scheme (ESOP)

(a) The Company has established Four Soft Limited Employees Welfare Trust ("the Trust") to administer the ESOP Scheme and as at March 31, 2009 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 over a period of three years from the date of the grant. As of March 31, 2009 the total shares held by the Trust is 466,318 (previous year 556,856). Mode of settlement of these stock options is equity.

(b) During the year ended March 31, 2009 the Company has amortized stock compensation expenses amounting to Rs.2,790,587 (Previous Year Rs. 3,031,784).

(c) Changes in number of shares representing stock options outstanding as at the year ended on March 31, 2009 were as follows:

	Year Ended March 31, 2009		As at March 31, 2008	
	Number of shares	Weighted average exercise price (Rs)	Number of shares	Weighted average exercise price (Rs)
Outstanding at the beginning of the year	<b>551,040</b>	<b>5</b>	620,940	5
Granted during the year	–	<b>5</b>	358,280	5
Forfeited during the year	<b>115,150</b>	<b>5</b>	96,469	5
Exercised during the year	<b>90,538</b>	<b>5</b>	311,711	5
Expired during the year	–	<b>5</b>	20,000	5
Outstanding at the end of the year	<b>345,352</b>	<b>5</b>	551,040	5
Exercisable at the end of the year	<b>Nil</b>	<b>5</b>	Nil	5

(d) In March 2005 the ICAI has issued a guidance note on "Accounting for Employees Share Based Payments" applicable to employee based share plan the grant date in respect of which falls on or after April 1, 2005. The said guidance note requires the proforma disclosures of the impact of the fair value method of accounting of employee stock compensation accounting in the financial statements. Applying the fair value based method defined in the said guidance note, the impact on the reported net profit and earnings per share is as follows:

	Year ended March 31,	
	2009 (Rs)	2008 (Rs)
Profit after tax as reported	<b>447,246,360</b>	50,485,235
Add: Employee stock compensation under intrinsic value method	<b>2,790,587</b>	3,031,784
Less: Employee stock compensation under fair value method	<b>4,662,947</b>	8,028,121
Proforma profit	<b>445,374,000</b>	45,488,898
<b>Earnings Per Share</b>		
<b>Basic</b>		
- As reported	<b>11.62</b>	1.31
- Pro forma	<b>11.57</b>	1.18
<b>Diluted</b>		
- As reported	<b>11.60</b>	1.31
- Pro forma	<b>11.55</b>	1.18

(e) No fresh options were granted during the year. The fair value of options was estimated at the date of grant using the Black Scholes method with the following assumptions:

	Assumptions	
	2009 (Rs)	2008 (Rs)
Risk-free interest rate	7.5%	8.3%
Expected life	1 to 3 years	1 to 3 years
Expected volatility	.695	.713
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. 16.81 (Previous year 43.23). Options outstanding at March 31, 2009 had an exercise price of Rs. 5, and a weighted average remaining contractual life of 11.94 months (Previous year Rs 13.02).

## 6. Gratuity

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

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

	Year ended March 31, 2009	Year ended March 31, 2008
<b>a) Net gratuity expense recognised in the Profit and Loss Account (under personnel expenses)</b>		
Current service cost	3,153,629	3,892,017
Interest cost on benefit obligation	873,781	618,253
Expected return on plan assets	(303,034)	(235,881)
Net actuarial (gain)/loss recognized in the year	(2,604,710)	(4,023,288)
Past service cost	Nil	Nil
Net benefit expense	<u>1,119,666</u>	<u>251,101</u>
<b>b) Details of provision recognised in the Balance Sheet</b>		
Defined benefit obligation	7,494,424	7,550,118
Fair value of plan assets	(2,041,359)	(3,216,719)
	<u>5,453,065</u>	<u>4,333,399</u>
Less: Unrecognised past service cost	Nil	Nil
Net provision for gratuity	<u>(5,453,065)</u>	<u>(4,333,399)</u>
Actual return on plan assets	<u>218,327</u>	<u>291,203</u>
<b>c) Changes in the present value of the defined benefit obligation are as follows:</b>		
Opening defined benefit obligation	7,550,118	7,858,429
Interest cost	873,781	618,253
Current service cost	3,153,629	3,892,017
Benefits paid	(1,393,687)	(850,615)
Actuarial (gains)/losses on obligation	(2,689,417)	(3,967,966)
Closing defined benefit obligation	<u>7,494,424</u>	<u>7,550,118</u>

**d) Changes in the fair value of plan assets are as follows:**

Opening fair value of plan assets	<b>3,216,719</b>	2,323,344
Expected return	<b>303,034</b>	235,881
Contributions by employer	<b>Nil</b>	1,452,787
Benefits paid	<b>(1,393,687)</b>	(850,615)
Actuarial gains / (losses)	<b>(84,707)</b>	
Closing fair value of plan assets	<b>2,041,359</b>	<b>55,322</b>
		<b>3,216,719</b>

Expected employer's contribution in 2009-10 is Rs. 2,500,000.

**e) The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:**

Investments with insurer	<b>100%</b>	100%
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**f) The principal assumptions used in determining gratuity obligations for the Company's plans are shown below:**

Discount rate	<b>7.50% p.a.</b>	8.30% p.a.
Expected rate of return on assets	<b>7.50% p.a.</b>	7.50% p.a.

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors.

**g) Amounts for the current and previous four periods are as follows:**

	<b>Period Ended</b>			
	<b>March 31, 2006</b>	<b>March 31, 2007</b>	<b>March 31, 2008</b>	<b>March 31, 2009</b>
Defined benefit obligation	3,869,746	7,858,429	7,550,118	<b>7,494,424</b>
Planned assets	1,010,019	2,323,344	3,216,719	<b>2,041,359</b>
Surplus/(Deficit)	(2,859,727)	(5,535,085)	(4,333,399)	<b>(5,453,065)</b>
Exp. Adjustment on plan liabilities	–	(6,143,132)	(3,754,454)	<b>(2,074,730)</b>
Exp. Adjustment on plan assets	–	18,825	55,322	<b>(84,707)</b>

**7. Related party transactions**

<b>Name of Related party</b>	<b>Country</b>	<b>Nature of Relationship</b>
Four Soft Employee Welfare Trust	India	Controlling Interest
Palem Srikanth Reddy	India	Key Management Personnel
Biju S. Nair	India	Key Management Personnel
Raj Shekhar Roy*	India	Key Management Personnel
Sonata Information Technology Limited	India	Enterprises significantly influenced by key management personnel or their relatives.
P.C Reddy Trust	India	Enterprises significantly influenced by key management personnel or their relatives.

\* w.e.f. September 30, 2008

The details of the related party transactions entered into by the Company during the year ended March 31, 2009 are as follows:

Particulars	Year ended March 31,	
	2009 (Rs)	2008 (Rs)
<b>KEY MANAGEMENT PERSONNEL</b>		
<b>Palem Srikanth Reddy</b>		
Remuneration including commission	<b>960,622</b>	618,769
<b>Biju Nair</b>		
a) Remuneration	<b>1,524,796</b>	1,658,703
b) Incentive	<b>817,369</b>	582,988
<b>Raj Shekhar Roy</b>		
a) Remuneration	<b>1,263,850</b>	Nil
b) Incentive	<b>1,320,764</b>	Nil
<b>As at March 31,</b>		
	2009 (Rs)	2008 (Rs)
<b>ENTERPRISES SIGNIFICANTLY INFLUENCED BY RELATIVES OF KEY MANAGEMENT PERSONNEL:</b>		
Sonata Information Technology Limited		
a) Purchase and implementation of enterprise resource program	<b>Nil</b>	1,208,838
b) Purchase of Software licenses	<b>2,473,653</b>	424,485
<b>P.C. Reddy Trust</b>		
Donation of assets	<b>255,210</b>	—
<b>Debit/(Credit) Balance Outstanding</b>		
Loans and advances		
Four Soft Employee Welfare Trust	<b>1,255,520</b>	1,241,645
<b>Amounts payable</b>		
Sonata Information Technology Limited	<b>Nil</b>	(191,615)
Key Management Personnel	<b>(3,058,722)</b>	(2,199,558)

## 8. Leases

### Finance Leases

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

	Year ended March 31,	
	2009 (Rs)	2008 (Rs)
Total minimum lease payments at the year end	<b>214,159</b>	1,307,412
Less : Amount representing finance charges	<b>25,905</b>	156,816
Present value of minimum lease payments	<b>188,254</b>	1,150,596
Minimum Lease Payments :		
Not later than one year [Present value Rs 53,796 as on March 31, 2009] (Previous year Rs 988,897 )	<b>42,069</b>	1,141,583
Later than one year but not later than five years [Present value Rs 134,458 as on March 31, 2009] (Previous year Rs 161,699)	<b>172,090</b>	165,829
Later than 5 years	<b>Nil</b>	Nil

**Operating Leases**

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

	Year ended March 31,	
	2009 (Rs)	2008 (Rs)
<b>Lease payments for the year</b>	<b>74,364,543</b>	91,832,921
Minimum Lease Payments:		
Not later than one year	74,797,372	57,563,337
Later than one year but not later than five years	166,972,196	133,501,881
Later than five years	191,380,065	243,831,954

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

**9. Deferred tax**

	Year ended March 31,	
	2009 (Rs)	2008 (Rs)
<b>A) Deferred Tax Liability</b>		
<b>Parent Company</b>		
Deferred tax Liability		
Difference in depreciation in block of assets	6,912,217	5,340,353
<b>Total Deferred tax liability</b>	<b>6,912,217</b>	5,340,353
<b>Deferred tax Assets</b>		
Provision for gratuity	1,853,487	–
Provision for compensated absences	498,556	–
Provision for doubtful debts	2,502,443	–
<b>Total Deferred tax assets</b>	<b>4,854,496</b>	5,340,353
<b>Net deferred tax liability (a)</b>	<b>2,057,721</b>	5,340,353
<b>Transaxiom UK Ltd.</b>		
Difference in depreciation in block of assets (b)	8,455	6,489
<b>Total Deferred Tax Liability (a+b)</b>	<b>2,066,176</b>	5,346,842
<b>B) Deferred Tax Assets:</b>		
<b>Four Soft UK Ltd</b>		
Difference in depreciation in block of assets (A)	2,978,989	3,224,476
<b>Four Soft Nordic A/s</b>		
Difference in depreciation in block of assets (B)	8,943,683	12,384,473
<b>Transaxiom (USA) Inc.</b>		
Difference in depreciation in block of assets (C)	–	1,239,693
<b>Total deferred tax assets (A+B+C)</b>	<b>11,922,672</b>	16,848,642

**10. Secured Loan****Term loan of the Parent company is secured by:**

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

**Term loan of the subsidiary company is secured by:**

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

- c. Guarantee by Parent Company; all the movable fixed assets of the Company have been hypothecated with Unit Trust of India Investment Advisory services, who are acting as onshore security trustee for ICICI Bank Plc.
- d. Pledge of shares held by Four Soft B.V. Netherlands of Four Soft NL BV, Four Soft UK Limited and Four Soft USA Inc.
- e. Pledge in respect of Four Soft Limited's investment in the share capital of Four Soft B.V.

## 11. Research and development

During the year ended March 31, 2009 the Company has incurred expenses amounting to Rs.59,608,490 (Previous Year Rs.78,820,744) towards research and development included under various heads of expenses.

## 12. Un-hedged Foreign Currency Exposure

Particulars	Year ending March 31, 2009				Year ended March 31, 2008		
	Foreign Currency	Foreign Currency Amount	Closing Exchange Rate	Rs.	Foreign Currency	Closing Exchange Rate	Rs.
Sundry debtors	USD	123,703	51.76	6,402,844	299,724	39.90	11,958,988
	SGD	3,803	34.04	129,454	3,803	28.88	109,831
	EUR	3,006,584	68.35	205,500,016	6,584	63.04	415,055
	MYR	121,500	14.18	1,721,655	121,500	12.26	1,489,627
	JPY	2,500,000	0.532	1,330,000	Nil	Nil	Nil
Sundry creditors	USD	219,657	51.76	11,369,470	352,512	39.90	14,065,247
Secured loans	GBP	2,196,754	73.54	161,549,297	4,675,000	79.57	371,989,750

## 13. Contingent Liabilities not provided for

	As at March 31,	
	2009 (Rs)	2008 (Rs)
a. Guarantees given by the Group	644,010,142	372,152,908
b. Income tax demand in respect of which the Company has gone on appeal. Management is of the opinion that appeal is likely to be accepted by appellate authority.	2,625,937	26,25,937
c. In Four Soft Malaysia Sdn. Bhd., a client has instituted a legal suit against the Company for damages amounting to Ringgit 526,600 arising from defective software sold. The Company is denying the basis of the claims.	7,464,924	6,454,589
c. In Four Soft Malaysia Sdn. Bhd., an ex-employee instituted Industrial Court proceedings against the company during the year, contending wrongful dismissal and seeking reinstatement of employment without loss of wages and perquisites from 9 May 2002 of approximately Ringgit 539,000. Management, in consultation with legal counsel, are of the opinion that the company has a fair chance of prevailing and accordingly, no provision has been made in the financial statements to cover such eventuality.	7,640,702	6,606,577
d. Contingent liability in respect of additional purchase consideration payable to erstwhile shareholders of Transaxiom Holding A/S (subsequently renamed as Four Soft Nordic A/S), Denmark, the financial effect of which is not measurable. The outcome is dependent on uncertain future events. Hence, no liability is considered as at Balance Sheet date.		

**14. Prior Year Items**

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

	Year ended March 31,	
	2009 (Rs)	2008 (Rs)
Legal charges	Nil	290,017
Payroll expenses	Nil	(10,357,207)
Service revenue	Nil	3,423,380
Bad debts	Nil	16,688,406
General expenses	Nil	(1,724,759)
<b>Total</b>	<b>Nil</b>	<b>8,319,837</b>

**15. Earnings Per share**

	Year ended March 31,	
	2009 (Rs)	2008 (Rs)
Net Consolidated profit as per consolidated profit and loss account (for calculation of basic and dilutive EPS)	<b>447,246,360</b>	50,485,235
Weighted average number of equity shares in calculating basic EPS (number)	<b>38,493,426</b>	38,402,888
Effect of dilutive equity shares (number)	<b>53,157</b>	105,374
Weighted average number of equity shares in calculating diluted EPS (number)	<b>38,546,583</b>	38,508,262

The Institute of Chartered Accountants of India has issued guidance note on "Accounting for Employees Share Based Payments" applicable to employee based share plan the grant date in respect of which falls on or after April 1, 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. Segment reporting**

The Company has adopted Accounting Standard 17, Segment Reporting, notified by Companies (Accounting Standards) Rules, 2006, (as amended) which requires disclosure of financial and descriptive information about the Company's segments. The operations of the Company 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:

For the Year Ended March 31, 2009

(Amount in Rs.)

Particulars	India	Europe	USA	Rest of the world	Total	Eliminations	Consolidated
<b>REVENUE:</b>							
External sales	57,343,064	1,609,348,986	179,531,174	99,708,552	1,945,931,776	–	1,945,931,776
Inter-segment sales	243,484,159	4,884,074	4,330,176	24,002,491	276,700,900	276,700,900	–
Total revenue	300,827,223	1,614,233,060	183,861,350	123,711,043	2,222,632,676	276,700,900	1,945,931,776
<b>RESULT:</b>							
Segment result	11,090,649	491,533,419	(15,149,397)	(29,690,955)	457,783,716	–	457,783,716
Unallocated Items:							
Interest expense					53,143,288	16,633,708	36,509,580
Other Income					375,970,564	201,561,213	174,409,351
Income taxes					145,939,974	–	145,939,974
Deferred taxes					2,497,153	–	2,497,153
Net profit							447,246,360

Other Information as at March 31, 2009

Segment assets	283,836,492	3,052,678,022	165,084,584	132,991,888	3,634,590,986	1,209,411,896	2,425,179,090
Unallocated corporate assets						11,922,672	
Total							2,437,101,762
Segment liabilities	167,241,407	1,264,273,858	105,181,044	210,254,442	1,746,950,751	1,209,411,896	537,538,855
Unallocated corporate liabilities				298,784,503		298,784,503	
Total							836,323,357
Capital expenditure (including CWIP)	866,701	130,925,169	129,658	98,641	132,020,169		132,020,169
Depreciation and amortization	22,415,255	18,493,014	644,421	565,789	42,118,479		42,118,479
Impairment loss recognized	–	–	–	–	–		36,396,093
Non-cash expenses other than depreciation, amortization and impairment loss	3,902,826	2,922,650	6,111,850	965,474	13,902,800		13,902,800

For the Year Ended March 31, 2008

Particulars	India	Europe	USA	Rest of the world	Total	Eliminations	Consolidated
<b>REVENUE:</b>							
External sales	127,678,266	1,275,149,966	209,993,561	102,507,235	1,715,329,028	–	1,715,329,028
Inter-segment sales	243,676,449	27,783,118	39,531,534	15,836,453	326,827,553	326,827,553	–
Total revenue	371,354,715	1,302,933,084	249,525,095	118,343,688	2,042,156,581	326,827,553	1,715,329,028
<b>RESULT:</b>							
Segment result	39,403,636	6,916,819	34,531,225	12,958,009	93,809,689	–	93,809,689
Interest expense					58,105,210	6,949,794	51,155,416
Other Income					77,043,965	23,475,449	53,568,516
Income taxes					45,462,194		45,462,194
Deferred taxes					275,360		275,360
Net profit							50,485,235

Other Information as at March 31, 2008

Segment assets	440,946,069	2,668,590,583	174,355,540	179,644,484	3,463,536,676	1,392,469,742	2,071,066,934
Unallocated assets							16,848,642
Total							2,087,915,576
Segment liabilities	356,457,262	1,721,516,696	122,260,637	149,483,240	2,349,717,835	1,392,469,742	957,248,093
Unallocated liabilities							32,198,759
Total							989,446,852
Capital expenditure (incl. CWIP)	36,342,594	231,014,562	352,266	260,199	267,969,621		267,969,621
Depreciation	25,277,331	19,607,274	1,040,877	206,884	46,132,365		46,132,365
Non-cash expenses other than depreciation, amortization and impairment loss	5,831,791	48,631,475	2,867,513	2,826,149	60,156,928		60,156,928

**17.** 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 March 31, 2009.

**18. Previous Year Comparatives**

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

As per our report of even date

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

Per  
**Ali Nyaz**  
Partner  
Membership No.: 200427

Place : Hyderabad  
Date : June 19, 2009

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

Sd/-  
**Palem Srikanth Reddy**  
Managing Director

Sd/-  
**Seena Sankar**  
Company Secretary

Sd/-  
**P. Mangamma**  
Director

Sd/-  
**Biju S. Nair**  
Chief Financial Officer

Place : Hyderabad  
Date : June 19, 2009

## FOUR SOFT B.V. NETHERLANDS

(a wholly owned subsidiary of Four Soft Ltd.)

### Financial Year

1st April'2008 - 31st March'2009

### Board of Directors

Palem Srikanth Reddy  
Rajshekhar Roy

### Regd. Office:

Four Soft B.V.  
Meerwal 21, 3432 ZV  
Nieuwegein, Netherlands

### Bankers

ABN Amro Bank  
Citi Group

## DIRECTORS' REPORT

The Board of Directors of your Company are pleased to place the Annual Report for the year ended 31st March, 2009.

### Business Overview

The Board of Directors of your Company are pleased to inform you that the company during the financial year 1st April 2008 to 31st March' 2009 has a Profit before tax of € 5,851,067.

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

**For and on behalf of Board of Directors**

Dated : 10<sup>th</sup> July, 2009  
Place : Dordrecht

Sd/-  
**Palem Srikanth Reddy**  
Director

## PRINCIPLES OF FINANCIAL REPORTING

### FINANCIAL YEAR

The financial year started on April 1, 2008 and ended on March 31, 2009. The previous financial year started on April 1, 2007 and ended on March 31, 2008.

### PARENT COMPANY

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

### CONSOLIDATION PRINCIPLES

The Consolidated Annual Accounts reflect all the assets, liabilities and result 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 the 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 the values at which they were acquired or incurred.

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

The financial information relating to Four Soft B.V. is presented in the consolidated financial statements. Accordingly, in accordance with article 2:402 of the Netherlands Civil Code, the company financial statements only contain an abridged profit and loss account.

### 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 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 5%.

### 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.

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

### Accounts receivable

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

## ACCOUNTING POLICIES - PROFIT AND LOSS ACCOUNT

### Net sales

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

### Costs 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 fixed assets

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

### Operating expenses and financial income and expenses

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

### Taxation

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 insofar as their realization is likely.

## AUDITOR'S REPORT

### Report on the financial statements

We have audited the accompanying financial statement for the year ended March 31, 2009 of Four Soft B.V. Nieuwegein which comprise the balance sheet as at March 31, 2009, the profit and loss account for the year then ended and the notes. The financial statements for the year ended March 31, 2008 are unaudited. The amounts included for comparative purposes in the profit and loss account have therefore not been audited.

### Managements' responsibility

The board of directors is responsible for the preparation and fair presentation of the financial statements and for the preparation of the Director's 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 circumstance.

### Auditors' 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 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 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 March 31, 2009, 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.

Sliedrecht, July 10, 2009

### Hoek en Blok

Accountants Belastingadviseurs en Juristen B.V.

J.H. Hempel RA

**FOUR SOFT B.V.****2 CONSOLIDATED BALANCE SHEET AT MARCH 31, 2009**

(after profit appropriation)

		As at March 31, 2009 €	As at March 31, 2008 €
<b>ASSETS</b>			
<b>Fixed assets</b>			
Intangible fixed assets	(1)	760,408	942,438
Tangible fixed assets	(2)	207,929	329,743
		<u>968,337</u>	<u>1,272,181</u>
<b>Current assets</b>			
Work in progress		11,606	47,204
<b>Accounts receivable</b>			
Trade debtors		6,160,895	3,801,889
Receivables from group companies		81,795	108,560
Taxes and social security premiums		137,860	105,855
Other receivables and prepaid expenses		<u>695,224</u>	<u>987,789</u>
		<u>7,075,774</u>	<u>5,004,093</u>
<b>Liquid funds</b>			
		<u>692,034</u>	<u>604,749</u>
	<b>TOTAL</b>	<b><u>8,747,751</u></b>	<b><u>6,928,227</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
	(3)	-354,646	-5,889,339
<b>Long-term liabilities</b>			
	(4)		
Amount due to financial institution		2,363,268	5,907,564
<b>Current liabilities</b>			
Trade creditors		655,962	517,741
Amounts due to group companies		1,236,922	2,428,673
Taxes and social security premiums		1,832,500	380,198
Other liabilities and accrued expenses		<u>3,013,745</u>	<u>3,583,390</u>
		<u>6,739,129</u>	<u>6,910,002</u>
	<b>TOTAL</b>	<b><u>8,747,751</u></b>	<b><u>6,928,227</u></b>

**FOUR SOFT B.V.****3 CONSOLIDATED PROFIT AND LOSS ACCOUNT 2008/2009**

		Year ended 2008-09	Year ended 2007-08
		€	€
<b>OPERATING INCOME</b>			
Net sales	(5,6)	<b>22.206.661</b>	21.456.117
Cost of sales		<b>3.531.728</b>	4.986.584
<b>Gross margin</b>		<b>18.674.933</b>	16.469.533
<b>OPERATING EXPENSES</b>			
Staff expenses	(7)	<b>8.053.207</b>	11.836.173
Depreciation	(8)	<b>226.425</b>	347.909
Housing expenses		<b>846.013</b>	1.035.175
Costs of assets		<b>541.139</b>	560.942
Selling expenses		<b>147.155</b>	615.731
General expenses		<b>1.816.880</b>	1.658.220
<b>Total operating expenses</b>		<b>11.630.819</b>	16.054.150
<b>Operating result</b>		<b>7.044.114</b>	415.383
Interest benefits and similar returns		<b>1.185.354</b>	1.404.151
Interest charges and similar expenses		<b>-384.259</b>	-687.040
<b>Financial income and charges</b>		<b>801.095</b>	717.111
<b>Profit before taxes</b>		<b>7.845.209</b>	1.132.494
Corporation tax		<b>-1.903.092</b>	-369.124
<b>Profit after taxes</b>		<b>5.942.117</b>	763.370

**FOUR SOFT B.V.****4 CONSOLIDATED CASH FLOW STATEMENT 2008/2009**

The cash flow statement is prepared following the indirect method.

	Year ended 2008-09	€	€
<b>Cash flow from operating activities</b>			
Operating result	7.044.114		
Adjustments for:			
Depreciation	225.667		
Movement in working capital:			
Accounts receivable	-2.071.681		
Stocks and work in progress	35.598		
Current liabilities	-170.873		
	<hr/>	<hr/>	<hr/>
Interest benefits	801.095		
Corporation tax	-1.903.092		
	<hr/>	<hr/>	<hr/>
<b>Net cash flow from operating activities</b>	3.960.828		
Cash flow from investing activities			
Acquisitions of tangible fixed assets	-65.557		
Exchange difference intangible fixed assets	133.569		
Exchange difference tangible fixed assets	-6.304		
Disinvestments of tangible fixed assets	16.469		
<b>Net cash used for investing activities</b>	78.177		
<b>Cash flow from financing activities</b>			
Movements in statutory reserve	-407.424		
Movement in long-term liabilities	-3.544.296		
<b>Cash flow from investment activities</b>	-3.951.720		
<b>Movement liquid funds</b>	<hr/>	<hr/>	<hr/>
	87.285		

## FOUR SOFT B.V.

### 5 NOTES TO THE CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2009

#### ASSETS

##### Fixed assets

###### (1) Intangible fixed assets

	Good will
	€
Book value at March 31, 2008	942.438
Exchange difference	-133.569
Depreciations	-48.461
Book value at March 31, 2009	<b>760.408</b>
 Purchase value	942.438
Accumulated depreciations	-182.030
Book value at March 31, 2009	<b>760.408</b>

###### (2) Tangible fixed assets

	Other fixed assets
	€
Book value at March 31, 2008	329.743
Investments	65.557
Depreciation	-177.206
Purchase value disinvestments	-50.311
Accumulated depreciation disinvestments	33.842
Exchange difference	6.304
Book value at March 31, 2009	<b>207.929</b>
 Purchase value	
Accumulated depreciations	1.060.272
Bookvalue at March 31, 2009	<b>-852.343</b>
	207.929

###### (3) Equity

Reference is made to the note on shareholders' equity in the (company) financial statements.

**(4) Long-term liabilities**

Amounts due to financial institutions

Concerns a long-term loan. The interest is Libor plus 2,5%. The loan applies for a period of 5 years and must be redeemed on or by the latest at September 2, 2010.

**Commitments not mentioned in the balance sheet****Guarantees**

Guarantees 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 € 832.500. Of this amount is € 225.000 due within one year.

**Rent agreements**

Four Soft B.V. has a contract regarding the rent of the building. The total contractual litigation concerning the rent amounts up to approx € 812.000. Of this amount is € 184.000 due within one year.

Four Soft B.V. has a contract regarding the rent of hard - and software. The total contractual litigation concerning the rent amounts up to approx € 70.000. Of this amount is € 33.000 due within one year.

## 6 NOTES TO CONSOLIDATED PROFIT AND LOSS ACCOUNT 2008/09

**(5) Net sales**

The net sales decreased with 3,5% compared to last year.

**(6) Net sales**

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

Thirty two staff were transferred to Kuehne & Negel under a TUPE arrangement as part of the transaction. In light of this development the Company reassessed its staffing levels during the year, which gave rise to a charge of € 80k for redundancy costs.

	2008-2009	2007-2008
	€	€
<b>(7) Staff expenses</b>		
Wages and salaries	6.305.561	9.507.647
Social security charges	850.693	1.259.704
Pension premiums	292.604	247.793
Other staff expenses	604.349	821.029
	<b>8.053.207</b>	<b>11.836.173</b>

**Average number of employees**

In 2008/2009, 133 persons were employed at the company (2007/2008: 183).

**Subdivided in:**

Production	103	156
Management	2	2
Administration	23	19
Sales	5	6
	<b>133</b>	<b>183</b>

45 persons operated abroad (2007/2008: 49).

	2008-2009 €	2007-2008 €
<b>(8) Depreciation</b>		
Intangible fixed assets	48.461	57.104
Tangible fixed assets	177.206	285.126
Loss on tangible fixed assets	758	5.679
	<b>226.425</b>	<b>347.909</b>

## 7 COMPANY BALANCE SHEET AT MARCH 31,2009

(after profit appropriation)

### Assets

	March 31, 2009 €	March 31, 2008 €
<b>Fixed assets</b>		
<b>Financial fixed assets</b>	(9)	
Participations in group companies	4.679.483	2.316.405
Receivable from group companies	1.409.000	1.409.000
	<b>6.088.483</b>	<b>3.725.405</b>
<b>Current assets</b>		
Accounts receivable		
Receivables from group companies	646.006	–
Taxes and social security premiums	1.692	1.042
Other receivables and prepaid expenses	–	147
	<b>647.698</b>	<b>1.189</b>
Liquid funds	14.650	11.960
	<b>6.750.831</b>	<b>3.738.554</b>

### Equity

	(10)	
Share capital	66.245	66.245
Share premium	9.545.733	9.545.733
Statutory reserve	-780.271	-327.847
General reserve	-9.186.353	-14.770.857
	<b>-354.646</b>	<b>-5.531.744</b>

### Provisions

	(11)	
Other	1.965.926	1.615.823

### Long-term liabilities

	(12)	
Amounts due to financial institutions	2.363.268	5.907.564

### Current liabilities

	(12)	
Amounts due to group companies	2.200.665	1.685.440
Other liabilities and accrued expenses	575.618	61.471
	<b>2.776.283</b>	<b>1.746.911</b>
	<b>6.750.831</b>	<b>3.738.554</b>

## 8 COMPANY PROFIT AND LOSS ACCOUNT 2008/2009

	2008-2009 €	2007-2008 €
<b>Share in result of participations</b>	<b>4.917.975</b>	-191.405
Other income and expense after taxation	<b>666.547</b>	478.156
Result after taxation	<b>5.584.522</b>	286.751

## 9 NOTES TO COMPANY BALANCE SHEET AS AT MARCH 31, 2009

### Assets

#### Fixed assets

##### (9) Financial fixed assets

	March 31, 2009 €	March 31, 2008 €
Participation in group companies	—	—
Four Soft Netherlands B.V.	—	—
Four Soft UK Ltd.	<b>3.909.964</b>	1.613.937
Four Soft USA Inc.	<b>769.519</b>	702.468
	<b>4.679.483</b>	2.316.405

	Four Soft Netherlands B.V. €	Four Soft UK Ltd. €	Four Soft USA Inc. €	Total €
Book value as of April 1, 2008	-1.615.823	1.613.937	702.468	700.582
Share in result of group companies	-350.103	5.333.925	-65.847	4.917.975
Dividends	—	-2.497.576	—	-2.497.576
Exchange difference	—	-540.322	132.898	-407.424
Provision	<b>1.965.926</b>	—	—	1.965.926
<b>Bookvalue as of March 31, 2009</b>	<b>—</b>	<b>3.909.964</b>	<b>769.519</b>	<b>4.679.483</b>

##### (10) Equity

	March 31, 2009 €	March 31, 2008 €
<b>Share capital</b>		
66.245 ordinary shares with a par value of € 1,00	<b>66.245</b>	66.245

The authorized share capital has a par value of € 90.000,00.

	2008-2009 €	2007-2008 €
<b>Share in result of participations</b>	<b>4.917.975</b>	-191.405
Share premium		
Balance at April 1	<b>9.545.733</b>	5.197.026
Addition	-	4.348.707
Balance at March 31	<b>9.545.733</b>	9.545.733
<b>Statutory reserve</b>		
<b>Statutory reserve exchange difference</b>		
Balance at April 1	<b>-372.847</b>	-
Other movement	<b>-407.424</b>	-372.847
Balance at March 31	<b>-780.271</b>	-372.847
<b>General reserve</b>		
Balance at April 1	<b>-14.770.875</b>	-15.057.625
Addition 2007/2008	-	286.750
Addition 2008/2009	<b>5.584.522</b>	-
Balance at March 31	<b>-9.186.353</b>	-14.770.875

In September, 2005 Four Soft B.V. acquired Four Soft Netherlands B.V., Four Soft UK Limited and Four Soft USA Inc. The goodwill of approx €15m was directly charge to the equity.

#### (11) Provisions

	March 31, 2009 €	March 31, 2008 €
<b>Other</b>		
Provision subsidiaries	<b>1.965.926</b>	1.615.823

#### (12) Long-term liabilities

##### Amounts due to financial institutions

Concerns a long-term loan. The interest is Libor plus 2,5%. The loan applies for a period of 5 years and must be redeemed on or by the latest at September 2, 2010.

## 10 NOTES TO COMPANY PROFIT AND LOSS ACCOUNT 2008/2009

#### Average number of employees

In 2008/2009, 0 persons were employed at the company (2007/2008: 0).

Dordrecht, July 10, 2009

Four Soft Ltd.

R. Roy

P.S. Reddy

#### OTHER INFORMATION

##### I 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.

##### 2 Appropriation of result

It is proposed that the General Meeting the profit of € 5.942.117 at 2008/2009 adds to the general reserve. This proposed profit appropriation has been incorporated in the accounts.

## FOUR SOFT SINGAPORE PTE LTD

(Incorporated in the Republic of Singapore)  
FINANCIAL STATEMENTS - 31 MARCH 2009

### 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 2009.

#### 1. DIRECTORS

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

PALEM SRIKANTH REDDY  
LEE YEW CHEUNG  
RAKESH KUMAR MUNIGALA  
BIJU SIVARAMAN  
RAJSHEKHAR ROY (Appointed on 3 July 2008)

#### 2. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

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

#### 3. DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

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

Shares of Rs 5/- each		
Names of Directors	At the beginning of the year	At end of the year
SHARES IN HOLDING COMPANY FOUR SOFT LIMITED, INDIA		
Palem Srikanth Reddy	8,258,279	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 2009.

#### 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,

Sd/-  
PALEM SRIKANTH REDDY

Sd/-  
RAKESH KUMAR MUNIGALA

SINGAPORE  
DATE: 15th May, 2009

### STATEMENT BY DIRECTORS

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

- (a) the accompanying balance sheet, profit and loss account and statement of changes in equity and cash flow statement together with the notes thereto are drawn up so as to give a true and fair view of the state of affairs of the company for the year ended 31 March 2009 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

Sd/-  
PALEM SRIKANTH REDDY  
Sd/-  
RAKESH KUMAR MUNIGALA

SINGAPORE  
DATE: 15th May, 2009

**INDEPENDENT AUDITORS' REPORT TO  
THE MEMBER 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 - 21, which comprise the Balance Sheet as at 31 March 2009, the Income Statement, Statement of changes in equity and Cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**Management's Responsibility for the Financial Statements**

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

- a) devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets;
- b) selecting and applying appropriate accounting policies; and
- c) making accounting estimates that are reasonable in the circumstances.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

**In our opinion,**

- (a) the financial statements are properly drawn up in accordance with the provisions of 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 2009 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: 15th May, 2009

## FOUR SOFT SINGAPORE PTE LTD

(Incorporated in the Republic of Singapore)

### BALANCE SHEET AS AT 31 MARCH 2009

	Notes	2009 S\$	2008 S\$
<b>Non-current assets</b>			
Property, plant and equipment	6	7,553	14,339
Investment in subsidiary	7	1,166,436	41,632
<b>Total non-current assets</b>		<b>1,173,989</b>	<b>55,971</b>
<b>Current assets</b>			
Cash and cash equivalents	8	54,970	89,232
Trade receivables	9	608,200	375,177
Other receivables	10	53,818	55,437
Loan to a subsidiary	7	500,760	510,047
Amounts due from related companies (trade)	11	352,375	274,603
Amounts due from related companies (non-trade)	12	59,574	6,381
Amounts due from holding company (trade)	11	13,812	103,009
Amounts due from holding company (non-trade)	12	219,204	303,929
<b>Total current assets</b>		<b>1,862,713</b>	<b>1,717,815</b>
<b>TOTAL ASSETS</b>		<b>3,036,702</b>	<b>1,773,786</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Non-Current Liability</b>			
Interest bearing Loans & Borrowings	13	3,950	5,263
<b>Current Liabilities</b>			
Trade payables		25,094	20,648
Other payables and accruals	14	425,106	701,531
Interest bearing Loans & Borrowings	13	1,580	1,505
Amount due to holding company (trade)	15	1,109,237	802,716
Amount due to holding company (non-trade)	16	606,368	539,225
Amounts due to related companies (trade)	15	250,067	350,615
Amounts due to related companies (non-trade)	16	1,695,747	642,501
<b>Total current liabilities</b>		<b>4,113,199</b>	<b>3,058,741</b>
<b>Share capital and reserves</b>			
Share capital	17	1,130,200	1,130,200
Accumulated (losses)		(2,210,647)	(2,420,418)
		<b>(1,080,447)</b>	<b>(1,290,218)</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,036,702</b>	<b>1,773,786</b>

## FOUR SOFT SINGAPORE PTE LTD

(Incorporated in the Republic of Singapore)

### PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009

	NOTE	Year ended 31.03.09 S\$	Period ended 31.03.08 S\$
<b>REVENUE</b>			
Sale of goods		1,562,402	1,660,594
Less: costs of sales		1,184,075	1,151,037
<b>Gross profit</b>		378,327	509,557
<b>Add: Other operating income</b>	3	355,365	174,325
		733,692	683,882
<b>Less: Operating expenses</b>			
Administration & Other operating expenses		356,423	532,013
Sales and Distribution expenses		90,950	92,322
<b>TOTAL EXPENSES</b>		447,373	624,335
<b>Profit / (Loss) before finance cost</b>		286,319	59,547
Less : Finance cost	5	76,548	90,194
Profit / (Loss) after finance cost		209,771	(30,648)
<b>Profit / (Loss) before tax</b>		209,771	(30,648)
Less : Tax expense		—	—
<b>Profit / (Loss) after tax</b>		209,771	(30,648)

## FOUR SOFT SINGAPORE PTE LTD

(Incorporated in the Republic of Singapore)

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2009

	Issued Capital S\$	(Accumulated loss) S\$	Total S\$
<b>Balance as at 31 March 2007</b>	1,130,200	(2,389,770)	(1,259,570)
Issuance of ordinary shares	—	—	—
(Loss )for the year	—	(30,648)	(30,648)
<b>Balance as at 31 March 2008</b>	1,130,200	(2,420,418)	(1,290,218)
<b>Issuance of ordinary shares</b>	—	—	—
Profit for the year	—	209,771	209,771
<b>Balance as at 31 March 2009</b>	1,130,200	(2,210,647)	(1,080,447)

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

## FOUR SOFT SINGAPORE PTE LTD

(Incorporated in the Republic of Singapore)

### CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

	NOTE	Year ended 31.03.09 S\$	Period ended 31.03.08 S\$
<b>Cash flows from operating activities</b>			
Profit /(Loss) for the year before tax		209,771	(30,648)
Adjustment for:			
Depreciation on fixed assets		6,786	9,874
Interest paid		72,795	87,366
Provision for doubtful debts		27,141	90,138
Gain on exchange		(142,752)	(90,126)
<b>Operating profit / (loss) before reinvestment of capital</b>		173,741	66,604
(Increase)/Decrease in trade receivables		(260,164)	22,703
(Increase)/Decrease in other receivables		1,619	5,547
Increase/(Decrease) in trade payables		4,446	2,355
Increase/(Decrease) in other payables		(276,425)	38,919
Increase/ (Decrease) in finance lease creditor		(1,238)	6,767
(Increase)/Decrease in related party(receivables)		(130,965)	(7,876)
Increase/(Decrease) in related party(payables)		952,698	707,171
(Increase)/Decrease in due from holding Co.		173,922	(2,100)
Increase/(Decrease) in due to holding Co.		300,869	(609,672)
<b>Cash generated from / (used in) operations</b>		938,503	230,418
FD interest		—	—
Gain on exchange		142,752	90,126
<b>Net cash flows from operating activities</b>		1,081,255	320,544
<b>Cash flows from investing activities:</b>			
Acquisition of fixed assets		—	(9,010)
Investments in subsidiary		(1,124,804)	—
<b>Net cash flows from/(used in) investing activities</b>		(1,124,804)	(9,010)
<b>Cash flows from financing activities</b>			
Loan from holding company		—	—
Loan to a subsidiary		9,287	(356,424)
<b>Net Cash flows from financing activities</b>		9,287	(356,424)
Net Increase/(decrease) in cash & cash equivalents		(34,262)	(44,889)
Cash & cash equivalents at the beginning of the year		89,232	134,121
<b>Cash &amp; Cash equivalents at end of the year</b>	8	54,970	89,232

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

# FOUR SOFT SINGAPORE PTE LTD

(Incorporated in Republic of Singapore)

## NOTES TO THE FINANCIAL STATEMENTS - 31 MARCH 2009

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

### I. 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 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 years beginning on or after 1 January 2008. The Company's assessment of the impact of adopting those standards, amendments and interpretations that are relevant to the Company is set out below:

The Company has adopted FRS 107 Financial instruments: Disclosures and Amendments to FRS 1 presentation of Financial Statements-Capital Disclosures on 1 January 2008.

FRS 107 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including minimum disclosures about credit risk, liquidity risk and market risk (including sensitivity analysis to market risk). It replaces the disclosure requirements in FRS 32: Financial instruments: Disclosure and Presentation. The amendment to FRS 1 introduces disclosures about the level of an entity's capital and how it manages capital.

The Company has assessed the impact of FRS 107 and the amendments to FRS 1 and concluded that the main additional disclosures will be the credit risks disclosures required by FRS 107, as well as the capital disclosures required by the amendment to FRS 1.

New Accounting Standards and FRS Interpretations not yet adopted

The Company has not applied the following accounting standards which are relevant (including their consequential amendments) and interpretations that have been issued as of the balance sheet date but are not yet effective:

Reference	Description	Effective for annual years beginning on or after
FRS 1	Presentation of Financial Statements-Revised presentation	1 January 2009
FRS 23	Borrowing costs	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.

#### 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 if, 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 liabilities**

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**

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

#### **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\$ 2,210,647/. The financial statements have been prepared on the basis that the company is a going concern as the immediate holding company has given assurance of its continued financial support to the company as and when required.

**3. OTHER OPERATING INCOME**

	<b>31.03.09</b> S\$	31.03.08 S\$
Bank Interest	54	19
Gain on exchange	142,752	90,126
Royalty received	207,720	–
Other receivables written back	–	84,000
Others	4,839	180
	<b>355,365</b>	<b>174,325</b>

**4. PROFIT BEFORE TAX****The above is arrived after charging:**

Depreciation	6,786	9,874
<b>Provision for doubtful debts:</b>		
Trade	27,141	90,138
<b>And crediting</b>		
Bank interest	54	19
Gain on exchange	142,752	90,126
Royalty received	207,720	–
Other creditors written back	–	84,000
Others	4,839	180

**5. FINANCE COST**

Interest paid to holding company	71,991	87,243
Bank charges	3,753	2,829
Other interest	804	123
	<b>76,548</b>	<b>90,194</b>

**6. PROPERTY, PLANT AND EQUIPMENT**

	Computers S\$	Office Equipment S\$	Computer Software S\$	Total S\$
<b>At Cost</b>				
Beginning of year	100,264	16,020	34,359	150,643
Additions	–	–	–	–
At end of year	<b>100,264</b>	<b>16,020</b>	<b>34,359</b>	<b>150,643</b>
<b>Accumulated Depreciation</b>				
At beginning of year	96,046	7,197	33,061	136,303
Charge for the year	2,895	2,593	1,298	6,786
At end of the year	<b>98,941</b>	<b>9,790</b>	<b>34,359</b>	<b>143,090</b>
<b>Net book value</b>				
At 31.03.09	1,323	6,229	1	7,553
At 31.03.08	<b>4,218</b>	<b>8,823</b>	<b>1,298</b>	<b>14,339</b>

## 7. INVESTMENT IN SUBSIDIARY

	2009 S\$	2008 S\$
Investments in unquoted equity shares, at cost	1,166,436	41,632
Advances *	500,760	510,047

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

## Details of investments in subsidiaries are as follows:

Subsidiary company	Principal activities	Country of incorporation	Equity Holding	Cost of 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.

## 8. CASH &amp; CASH EQUIVALENTS

	31.03.2009 S\$	31.03.2008 S\$
Cash on hand	23	250
Cash at banks	54,947	88,982
	<b>54,970</b>	<b>89,232</b>

Cash and cash equivalents denominated in the following currencies

United States Dollar	3,079	1,510
Singapore Dollar	51,891	87,722

## 9. TRADE RECEIVABLES

Trade debtors( net of provision)	608,200	375,177
	<b>608,200</b>	<b>375,177</b>

## Movements of provision

Balance at the beginning of the year	319,603	289,465
(Written off)	(33,121)	(60,000)
Provision for the year	27,141	90,138
Balance at the end of the year	<b>313,623</b>	<b>319,603</b>

Trade and other receivables are denominated in the following currencies

United States Dollar	98,175	36,215
Singapore Dollar	510,025	338,962
	<b>608,200</b>	<b>375,177</b>

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\$ 451,469/- (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:**

	2009 S\$	2008 S\$
0 – 60 days	356,459	55,922
60 - 90 days	93,854	27,066
90 - 365 days	1,156	32,501

**10. OTHER RECEIVABLES**

	31.3.2009 S\$	31.3.2008 S\$
Other debtors	35,484	35,484
Deposit	15,772	15,452
Prepayments	2,562	4,500
	<b>53,818</b>	<b>55,437</b>

**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

	2009 S\$	2008 S\$
Australian dollar	207,720	–
Singapore Dollar	158,466	324,419
United States Dollar	–	53,193

**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**

	31.03.2009 S\$	31.03.2008 S\$
<b>Interest Bearing Loan</b>		
Obligations under finance lease - Unsecured	5,531	6,768
	<b>5,531</b>	<b>6,768</b>
Due within 12 months	1,580	1,505
Due beyond 12 months	3,950	5,263
	<b>5,531</b>	<b>6,768</b>

**14. OTHER PAYABLES**

Other creditors	80,025	88,589
Unearned revenue	332,672	589,686
Accrued liabilities	12,409	23,256
	<b>425,106</b>	<b>701,531</b>

**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

	2009 S\$	2008 S\$
GBP	250,067	346,576
Euro	–	4,039
United States Dollar	1,109,237	802,716

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

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

These are denominated in the following currencies

	2009 S\$	2008 S\$
Australian Dollar	1,695,747	642,501
Indian Rupees	–	539,225
Singapore Dollar	549,730	–
United States Dollar	1,109,237	802,716

**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
	<b>1,130,200</b>	<b>1,130,200</b>

**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.

	2009 S\$	2008 S\$
Net debt	4,062,179	2,974,772
Total equity	(1,080,447)	(1,290,218)
Total Capital	<b>2,981,732</b>	<b>1,684,554</b>

## 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\$1,624,995/. 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

	31.03.09 S\$	31.03.08 S\$
Net Profit / (Loss) as per accounts	<b>209,771</b>	(30,648)
Tax at 18%	<b>37,759</b>	(5,517)
Expenses not deductible/taxable to tax	<b>(17,612)</b>	–
Others	<b>(14,630)</b>	–
Unrecognized deferred tax asset	<b>(5517)</b>	5,517

## 19. STAFF COSTS

Staff – Gross Salary	248,898	417,485
Staff - Employer contribution to CPF	21,415	32,510
Employee Medical Reimbursement	1,936	1,484
Employee welfare expenses	2,640	1,551
Relocation cost	4,264	–
Staff Training and Recruitment	–	476
	<b>279,153</b>	453,506

## 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

			2009 S\$	2008 S\$
			Profit/(loss) net of tax	Profit/(loss) net of tax
GBP	- strengthened	5%(2008:5%)	(10,262)	(13,964)
	- weakened	5%(2008: 5%)	10,262	10,262
JPY	- strengthened	5%(2008:5%)	20,531	24,071
	- weakened	5%(2008:5%)	(20,531)	(24,071)
AUD	- strengthened	5%(2008:5%)	(15,026)	–
	- weakened	5%(2008:5%)	15,026	–
USD	-strengthened	5%(2008:5%)	(43,015)	(28,575)
	-weakened	5%(2008 :5%)	43,015	28,575

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

(ii) **Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The company has no interest-bearing financial instruments, hence, is not exposed to any movements in market interest rates.

(iii) **Market risk**

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

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

**b) Credit risk**

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

The company has no significant concentrations of credit risk.

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

**(c) Liquidity risk**

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

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

**(d) Cash flow risk**

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

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

**21. Fair value of financial assets and financial liabilities**

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

**22. TRANSACTION WITH RELATED PARTIES AND HOLDING COMPANY**

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

	31.03.2009	31.03.2008
	S\$	S\$
Purchases from holding company	1,184,075	1,151,037
Travel Expenses – Holding Company	41,227	49,504

**23. COMPARATIVE FIGURES**

Certain comparative figures have been restated to conform to current year's presentation.

	Restated	As stated
Salaries – Administration expenses	S\$ 243,169	S\$ 417,485
Cost of Sales	S\$ 1,151,037	S\$ 976,721

## FOUR SOFT AUSTRALIA PTY LIMITED

### DIRECTORS' REPORT

The Directors submit the Annual Report of the Company together with the statement of accounts for the year ended March 31, 2009.

#### 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 AU\$ 1,402k. Your company made a pre tax profit of AU\$ 332k and net profits during the year were AU\$ 232k. 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:

Rajshelkar Roy  
Peter Jackson  
Palem Srikanth Reddy  
Biju S Nair

The Management of the Company will continue to receive full support from parent Company Four Soft Singapore 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 2009.

#### Donations

During the period, no donations for charitable or other purposes have been made by the company.

#### 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

Sd/-  
**Palem Srikanth Reddy**  
Chairman

Australia  
Date: 15 May 2009

## FOUR SOFT AUSTRALIA PTY LIMITED

(All amounts are in AU\$)

### BALANCE SHEET AS AT MARCH 31, 2009

	Schedules	As at March 31, 2009 AU\$	As at March 31, 2008 AU\$
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Capital	1	500	500
Reserves and surplus	2	387,919	156,088
<b>TOTAL</b>		<b>388,419</b>	<b>156,588</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross block		319,109	316,320
Less : Accumulated depreciation		304,180	295,369
Net block		14,929	20,951
<b>Current Assets, Loans and Advances</b>			
Sundry debtors	4	242,592	353,344
Cash and bank balances	5	265,840	70,785
Loans and advances	6	788,644	699,582
		<b>1,297,076</b>	<b>1,123,711</b>
<b>Less: Current Liabilities and Provisions</b>			
Liabilities	7	705,112	782,259
Provisions	8	218,474	205,815
		<b>923,586</b>	<b>988,074</b>
<b>Net Current Assets</b>			
<b>TOTAL</b>		<b>373,490</b>	<b>135,637</b>
Notes to Accounts	13	<b>388,419</b>	<b>156,588</b>

*For and on behalf of the Board of Directors of Four Soft Australia Pty Limited*

Sd/-

**Palem Srikanth Reddy**  
Managing Director

Place: Australia  
Date: 15 May, 2009

## FOUR SOFT AUSTRALIA PTY LIMITED

(All amounts are in AU\$)

### PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2009

	Schedules	For the year ended March 31, 2009 AU\$	For the year ended March 31, 2008 AU\$
<b>INCOME</b>			
Revenue from software services and products	9	<b>1,328,865</b>	1,399,948
Other income	10	<b>73,070</b>	47,847
<b>TOTAL</b>		<b><u>1,401,935</u></b>	<b><u>1,447,795</u></b>
<b>EXPENDITURE</b>			
Personnel expenses	11	<b>623,620</b>	622,165
Operating and other expenses	12	<b>437,672</b>	410,212
Depreciation and amortisation	3	<b>8,812</b>	(2,082)
<b>TOTAL</b>		<b><u>1,070,104</u></b>	<b><u>1,030,295</u></b>
<b>Profit before tax</b>		<b>331,831</b>	417,500
Provision for current tax		<b>100,000</b>	93,644
Fringe benefit tax		—	(1,319)
		<b><u>100,000</u></b>	<b><u>92,325</u></b>
<b>Net profit</b>		<b>231,831</b>	325,175
Balance brought forward from previous year		<b>156,088</b>	(169,087)
Surplus carried to Balance Sheet		<b>387,919</b>	156,088
Notes to Accounts	13		

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

Sd/-

**Palem Srikanth Reddy**  
Managing Director

Place: Australia  
Date: 15 May, 2009

## FOUR SOFT AUSTRALIA PTY LIMITED

(All amounts are in AU\$)

### SCHEDULES TO THE ACCOUNTS

	As at March 31, 2009 AU\$	As at March 31, 2008 AU\$
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#### Schedule 1: Capital

Opning Balance of Share Capital	500	500
500 shares of AU\$ 1 each fully paid-up Total	<u>500</u>	<u>500</u>

#### Schedule 2: Reserves and surplus

Profit and Loss Account	387,919	156,088
<b>TOTAL</b>	<u>387,919</u>	<u>156,088</u>

#### Schedule 3: Fixed Assets

Particulars	Gross Block				Depreciation/Amortisation				Net Block	
	At April 1, 2008	Additions	Deletions/ Adjustments	At March 31, 2009	At April 1, 2008	For the year March 31, 2009	Deletions/ Adjustments	At March 31, 2009	At March 31, 2009	At March 31, 2009
Fixed Assets										
Computers	276,248	2,789	–	279,038	255,297	8,812	–	264,109	14,929	20,951
Furniture and fittings	40,072	–	–	40,072	40,072	–	–	40,072	–	–
<b>TOTAL</b>	<b>316,320</b>	<b>2,789</b>	<b>–</b>	<b>319,109</b>	<b>295,369</b>	<b>8,812</b>	<b>–</b>	<b>304,180</b>	<b>14,929</b>	<b>20,951</b>
Previous Year	312,215	31,502	27,397	316,320	297,451	18,383	20,465	295,369	20,951	–

## FOUR SOFT AUSTRALIA PTY LIMITED

(All amounts are in AU\$)

### SCHEDULES TO THE ACCOUNTS

	As at March 31, 2009 AU\$	As at March 31, 2008 AU\$
<b>Schedule 4: Sundry debtors</b>		
Unsecured, considered good	242,592	353,344
	<u>242,592</u>	<u>353,344</u>
Less : Provision for doubtful debts	–	–
<b>TOTAL</b>	<u><u>242,592</u></u>	<u><u>353,344</u></u>
<b>Schedule 5: Cash and bank balances</b>		
Cash on hand	–	329
Balances with banks on:		
Current accounts	265,840	70,456
<b>TOTAL</b>	<u><u>265,840</u></u>	<u><u>70,785</u></u>
<b>Schedule 6: Loans and advances</b>		
Unsecured, considered good		
Advances and loans to related parties	784,728	699,025
Advances recoverable in cash or in kind or for value to be received	2,759	–
Deposits	1,157	557
<b>TOTAL</b>	<u><u>788,644</u></u>	<u><u>699,582</u></u>
<b>Schedule 7: Liabilities</b>		
Sundry creditors	15,411	14,457
Related party payables	481,526	444,874
Advance from customers	190,904	301,195
Other liabilities	17,271	21,733
<b>TOTAL</b>	<u><u>705,112</u></u>	<u><u>782,259</u></u>
<b>Schedule 8: Provisions</b>		
For retirement benefits	123,024	113,146
For income tax (net of advance payments)	95,450	92,669
<b>TOTAL</b>	<u><u>218,474</u></u>	<u><u>205,815</u></u>

## FOUR SOFT AUSTRALIA PTY LIMITED

(All amounts are in AU\$)

### SCHEDULES TO THE ACCOUNTS

	For the year ended March 31, 2009 AU\$	For the year ended March 31, 2008 AU\$
<b>Schedule 9: Revenue from software services and products</b>		
Customisation and Implementation services	459,118	311,911
Annual maintenance services	869,747	1,088,037
<b>TOTAL</b>	<b>1,328,865</b>	<b>1,399,948</b>
<b>Schedule 10: Other income</b>		
Interest income	72,755	47,847
Miscellaneous Income	315	
<b>TOTAL</b>	<b>73,070</b>	<b>47,847</b>
<b>Schedule 11: Personnel expenses</b>		
Salaries, wages and bonus	450,592	536,433
Retirement benefits	167,428	75,531
Staff welfare expenses	5,600	10,201
<b>TOTAL</b>	<b>623,620</b>	<b>622,165</b>
<b>Schedule 12: Operating and other expenses</b>		
Rent	64,177	58,490
Fee, rates and taxes	212	1,720
Office maintenance	8,381	4,685
Implementation expenses	232,911	210,561
Exchange difference (net)	25,368	(615)
Advertisement and recruitment	6,180	195
Communication costs	18,868	20,872
Postage and courier	116	288
Insurance	1,685	1,048
Travelling and conveyance	27,617	67,942
Legal and professional fees	51,837	35,881
Bank charges	320	2,213
Loss on sale of fixed asset	—	6,932
<b>TOTAL</b>	<b>437,672</b>	<b>410,212</b>

# FOUR SOFT AUSTRALIA PTY LIMITED

## 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 Line 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 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 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.

## 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, 2009.

#### 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 ¥47 million (2008: ¥45 million). Cost rationalization initiatives taken during the year saw the total expenses come down to ¥44 million (2008: ¥53 million). Your company made a post tax profit of ¥3 million (2008: loss ¥8 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:

Rajshekhar Roy  
Hideki Yamamoto  
Palem Srikanth Reddy  
Biju S Nair  
Rakesh Kumar Munigala

The Management of the Company will continue to receive full support from parent Company Four Soft Singapore 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 2009.

#### Donations

During the period, no donations for charitable or other purposes have been made by the company.

#### 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

Sd/-  
**Palem Srikanth Reddy**  
Chairman

Date: 15 May 2009

**FOUR SOFT JAPAN KK**

(All amounts are in JPY)

**BALANCE SHEET AS AT MARCH 31, 2009**

	Schedules	As at March 31, 2009 JPY	As at March 31, 2008 JPY
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Capital	1	3,000,000	3,000,000
Reserves and surplus	2	(15,516,003)	(18,646,263)
<b>TOTAL</b>		<b>(12,516,003)</b>	<b>(15,646,263)</b>
<b>APPLICATION OF FUNDS</b>			
Fixed Assets	3		
Gross block		170,500	170,500
Less : Accumulated depreciation		132,608	75,776
Net block		37,892	94,724
<b>Current Assets, Loans and Advances</b>			
Sundry debtors	4	47,605,680	49,884,376
Cash and bank balances	5	1,750,773	1,429,985
Loans and advances	6	796,798	832,695
		<b>50,153,251</b>	<b>52,147,056</b>
<b>Less: Current Liabilities and Provisions</b>			
Liabilities	7	62,637,146	67,818,043
Provisions	8	70,000	70,000
		<b>62,707,146</b>	<b>67,888,043</b>
Net Current Assets		(12,553,895)	(15,740,987)
<b>TOTAL</b>		<b>(12,516,003)</b>	<b>(15,646,263)</b>
Notes to Accounts	13		

*For and on behalf of the Board of Directors of Four Soft Japan KK, Japan*

Sd/-  
**Palem Srikanth Reddy**  
 Managing Director

Place: Japan  
 Date: 15 May, 2009

## FOUR SOFT JAPAN KK

(All amounts are in JPY)

### PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2009

	Schedules	For the Year ended March 31, 2009 JPY	For the Year ended March 31, 2008 JPY
<b>INCOME</b>			
Revenue from software services and products	9	<b>44,052,011</b>	44,802,818
Other income	10	<b>3,147,490</b>	1,965
<b>TOTAL</b>		<b>47,199,501</b>	<b>44,804,783</b>
<b>EXPENDITURE</b>			
Personnel expenses	11	<b>27,479,934</b>	14,168,814
Operating and other expenses	12	<b>16,463,065</b>	38,666,186
Depreciation and amortisation	3	<b>56,832</b>	28,415
<b>TOTAL</b>		<b>43,999,831</b>	<b>52,863,415</b>
<b>Profit before tax</b>		<b>3,199,670</b>	(8,058,632)
Provision for current tax		<b>69,410</b>	70,000
		<b>69,410</b>	<b>70,000</b>
<b>Net profit</b>		<b>3,130,260</b>	(8,128,632)
Balance brought forward from previous year		<b>(18,646,263)</b>	(10,517,631)
Surplus carried to Balance Sheet		<b>(15,516,003)</b>	(18,646,263)
Notes to Accounts	13		

For and on behalf of the Board of Directors of Four Soft Japan KK, Japan

Sd/-

**Palem Srikanth Reddy**  
Managing Director

Place: Japan  
Date: 15 May, 2009

## FOUR SOFT JAPAN KK

(All amounts are in JP¥)

### SCHEDULES TO THE ACCOUNTS

	As at March 31, 2009 JP¥	As at March 31, 2008 JP¥
<b>Schedule 1: Capital</b>		
Opning Balance of Share Capital	3,000,000	3,000,000
3,000,000 shares of JP¥ 1 each fully paid-up		
<b>TOTAL</b>	<b>3,000,000</b>	<b>3,000,000</b>
<b>Schedule 2: Reserves and surplus</b>		
Profit and Loss Account	(15,516,003)	(18,646,263)
<b>TOTAL</b>	<b>(15,516,003)</b>	<b>(18,646,263)</b>

### Schedule 3: Fixed Assets

Particulars	Gross Block			Depreciation/Amortisation			Net Block	
	At April 1, 2008	Additions	At March 31, 2009	At April 1, 2008	For the year March 31, 2009	At March 31, 2009	At March 31, 2009	At March 31, 2008
Office equipment	170,500	-	170,500	75,776	56,832	132,608	37,892	94,724
Total	170,500	-	170,500	75,776	56,832	132,608	37,892	94,724
Previou Year	170,500	-	170,500	47,361	28,415	75,776	94,724	123,139

## FOUR SOFT JAPAN KK

(All amounts are in JP¥)

### SCHEDULES TO THE ACCOUNTS

	As at March 31, 2009 JP¥	As at March 31, 2008 JP¥
<b>Schedule 4: Sundry debtors</b>		
Unsecured, considered good	47,605,680	49,884,376
	<u>47,605,680</u>	<u>49,884,376</u>
Less : Provision for doubtful debts	-	-
<b>TOTAL</b>	<b><u>47,605,680</u></b>	<b><u>49,884,376</u></b>
<b>Schedule 5: Cash and bank balances</b>		
Balances with banks on:		
Current accounts	1,750,773	1,429,985
<b>TOTAL</b>	<b><u>1,750,773</u></b>	<b><u>1,429,985</u></b>
<b>Schedule 6: Loans and advances</b>		
Unsecured, considered good		
Advances recoverable in cash or in kind or for value to be received	446,798	482,695
Deposits	350,000	350,000
<b>TOTAL</b>	<b><u>796,798</u></b>	<b><u>832,695</u></b>
<b>Schedule 7: Liabilities</b>		
Sundry creditors	1,375,423	1,355,051
Hodling company	60,989,444	66,354,850
Other liabilities	272,279	108,142
<b>TOTAL</b>	<b><u>62,637,146</u></b>	<b><u>67,818,043</u></b>
<b>Schedule 8: Provisions</b>		
For income tax (net of advance payments)	70,000	70,000
<b>TOTAL</b>	<b><u>70,000</u></b>	<b><u>70,000</u></b>

## FOUR SOFT JAPAN KK

(All amounts are in JP¥)

### SCHEDULES TO THE ACCOUNTS

	Schedules	For the Year ended March 31, 2009 JP¥	For the Year ended March 31, 2008 JP¥
<b>Schedule 9: Revenue from software services and products</b>			
Customisation and Implementation services		<b>17,158,259</b>	44,802,818
Annual maintenance services		<b>23,598,662</b>	—
Sale of licenses		<b>3,295,090</b>	—
<b>TOTAL</b>		<b>44,052,011</b>	<b>44,802,818</b>
<b>Schedule 10: Other income</b>			
Interest income		<b>5,368</b>	1,965
Exchange difference (net)		<b>2,917,872</b>	
Liability no longer required written back		<b>224,250</b>	
<b>TOTAL</b>		<b>3,147,490</b>	<b>1,965</b>
<b>Schedule 11: Personnel expenses</b>			
Salaries, wages and bonus		<b>24,999,996</b>	12,999,996
Retirement benefits		<b>2,471,817</b>	1,168,818
Staff welfare expenses		<b>8,121</b>	
<b>TOTAL</b>		<b>27,479,934</b>	<b>14,168,814</b>
<b>Schedule 12: Operating and other expenses</b>			
Rent		<b>4,828,329</b>	3,929,100
Fee, rates and taxes		<b>1,000</b>	113,604
Office maintenance		<b>482,177</b>	132,605
Implementation expenses		<b>484,050</b>	27,918,205
Business promotion		<b>2,341,142</b>	420,772
Communication costs		<b>1,563,217</b>	652,959
Postage and courier		<b>4,208</b>	—
Insurance		<b>7,140</b>	—
Travelling and conveyance		<b>5,034,587</b>	5,068,763
Legal and professional fees		<b>1,576,050</b>	131,250
Bank charges		<b>141,165</b>	298,928
<b>TOTAL</b>		<b>16,463,065</b>	<b>38,666,186</b>

## FOUR SOFT JAPAN KK

### 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 Line 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 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 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.

# FOUR SOFT MALAYSIA SDN BHD

(Incorporated in Malaysia)

## DIRECTORS' REPORT

31 MARCH 2009

The directors have pleasure in presenting their Ninth Annual Report on the affairs of the company together with the audited financial statements for the financial year ended 31 March 2009.

### 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	68,798
Tax expense	2,233
Profit after tax	71,031
Accumulated losses at beginning of year, as previously reported	(10,209,939)
Prior year adjustments	(29,414)
Accumulated losses at beginning of year	(10,239,353)
Accumulated losses at end of year	(10,168,322)

### 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.

### BAD AND DOUBTFUL DEBTS

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

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

### CURRENT ASSETS

Before the financial statements of the company were made out, the directors took reasonable steps to ensure that any current

assets which were unlikely to be realised in the ordinary course of business, including their values as shown in the accounting records of the company, have been written down to an amount which they might be expected so to realise.

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

### VALUATION METHODS

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

### CONTINGENT AND OTHER LIABILITIES

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

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

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

### CHANGE OF CIRCUMSTANCES

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

### ITEMS OF AN UNUSUAL NATURE

In the opinion of the directors, the results of the operations of the company for the financial year ended 31 March 2009 have not been substantially affected by any item, transaction or event of a material and unusual nature nor have there been any occurrences of such an item, transaction or event in the interval between the end of the financial year and the date of this report which will substantially affect the results of operations of the company for the financial year in which this report is made.

### ISSUE OF SHARES OR DEBENTURES

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

### SHARE OPTIONS

During the financial year, no share options have been granted by the company and no shares have been issued by virtue of the

exercise of any options to take up unissued shares of the company.

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

### DIRECTORS AND THEIR INTEREST IN SHARES

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

Ba-azlan bin Che' Wan Ibrahim

Lee Siak Liang

Palem Srikanth Reddy

Rakesh Kumar Munigala

Rajshekhar Roy

Lo Tuck Choy (resigned on 3 March 2009)

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

Number of ordinary shares of Rs.5 each					
	As at 01/04/08		As at 31/03/09		
	Bought	Sold			
Four Soft Limited					
Palem Srikanth Reddy	8,258,279	398,178	(5,700)	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, Lee Siak Liang and Palem Srikanth Reddy shall retire at the forthcoming Annual General Meeting and being eligible, shall offer themselves for re-election.

### DIRECTORS' BENEFITS

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

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

### DIRECTORS' RESPONSIBILITIES

Company law requires directors to maintain proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and attribute responsibility to directors 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

Sd/-

Lee Siak Liang

Sd/-

Ba-azlan bin Che' Wan Ibrahim

Johor Bahru

12 May 2009

### 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 2009 and of the state of affairs of the company as at the end of that date.

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

Sd/-

Lee Siak Liang

Sd/-

Ba-azlan bin Che' Wan Ibrahim

Johor Bahru

12 May 2009

### 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 2009, 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 12 May 2009) Sd/-

Lee Siak Liang

Before me:  
Commissioner for Oaths

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FOUR SOFT MALAYSIA SDN. BHD. FOR THE FINANCIAL YEAR ENDED 31 MARCH 2009

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 2009. 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 2009 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 2009, the company has accumulated losses of RM10,168,322 and a negative equity of RM168,322. Continuation of the company as a going concern is dependent upon the satisfactory outcome from litigation proceedings as disclosed in Note 7 to the financial statements and continuing financial support of the holding company and its related companies to evolve new business models, rationalise business plans and provide funding, technical innovations and marketing resources to deliver adequate and reliable earnings and positive cashflows to revitalise its operations. The financial statements do not include any adjustments to recorded amounts that might become necessary should the company be unable to continue as a going concern.

Sd/-

TLH Associates  
No. AF 1009  
Chartered Accountants (M)

Johor Bahru  
12 May 2009

Sd/-

Teoh Lye Huat  
No. 1616/07/09 (J/PH)  
Sole Practitioner

## FOUR SOFT MALAYSIA SDN BHD

### INCOME STATEMENT 31 MARCH 2009

	Note	2009 RM	2008 RM
<b>Operating revenue</b>	2(b)	<b>329,372</b>	341,214
<b>Costs and expenses</b>			
Cost of services provided and purchases		—	56,068
Staff costs		<b>205,074</b>	389,140
Other operating expenses		<b>55,500</b>	78,692
Total costs and expenses		<b>260,574</b>	523,900
Profit/(loss) before tax		<b>68,798</b>	(182,686)
Tax expense	3	<b>2,233</b>	—
Profit/(loss) after tax		<b>71,031</b>	(182,686)
<b>Profit before tax is arrived at after charging/(crediting) :</b>			
Auditor's remuneration		<b>2,000</b>	3,000
Bad and doubtful debts		<b>6,702</b>	30,409
Defined contribution post-employment benefits plan costs		<b>21,792</b>	41,568
Foreign currency alignment adjustments		<b>13,305</b>	7,201
Other income		<b>(3,485)</b>	—

## BALANCE SHEET 31 MARCH 2009

	Note	2009 RM	2008 RM
<b>Current Assets</b>			
Trade debtors		<b>3,000</b>	95,013
Other debtors, deposits and prepayments		<b>1,200</b>	1,800
Cash and bank balances		<b>12,262</b>	58,475
		<b>16,462</b>	155,288
<b>Current Liabilities</b>			
Other creditors and accruals		<b>9,505</b>	18,522
Amount owing to related companies	5	<b>171,502</b>	318,044
Deferred income		<b>3,777</b>	55,842
Income tax payable		<b>—</b>	2,233
		<b>184,784</b>	394,641
<b>NET CURRENT LIABILITIES</b>		<b>(168,322)</b>	(239,353)
Financed by :			
Share capital		<b>10,000,000</b>	10,000,000
Accumulated losses		<b>(10,168,322)</b>	(10,239,353)
<b>NEGATIVE EQUITY</b>		<b>(168,322)</b>	(239,353)

Movements in the share capital are disclosed in the statement of changes in equity.  
 The notes on pages 11 to 16 form an integral part of the financial statements

## FOUR SOFT MALAYSIA SDN BHD

(Incorporated in Malaysia)

### STATEMENT OF CHANGES IN EQUITY 31 MARCH 2009

	Note	2009 RM	2008 RM
<b>Share capital - ordinary shares at par value of RM1 each:</b>			
<b>Authorised share capital</b>			
At beginning and end of year :			
10,000,000 ordinary shares at RM1 each		<u>10,000,000</u>	<u>10,000,000</u>
<b>Issued and fully paid share capital</b>			
At beginning and end of year :			
10,000,000 ordinary shares at RM1 each		<u>10,000,000</u>	<u>10,000,000</u>
<b>Income statement</b>			
At beginning of year, as previously reported	4	(10,209,939)	(10,053,993)
Errors and omissions		<u>(29,414)</u>	<u>(2,674)</u>
At beginning of year, as restated		<u>(10,239,353)</u>	<u>(10,056,667)</u>
Profit/(loss) for the year		<u>71,031</u>	<u>(182,686)</u>
At end of year		<u>(10,168,322)</u>	<u>(10,239,353)</u>
Negative equity		<u>(168,322)</u>	<u>(239,353)</u>
Net change in equity other than from the income statement and capital transactions with owners		<u>—</u>	<u>—</u>

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

### STATEMENT OF CASH FLOWS 31 MARCH 2009

	Note	2009 RM	2008 RM
<b>Cash flows from operating activities</b>			
Profit/(loss) before tax		<u>68,798</u>	<u>(182,686)</u>
Operating profit/(loss) before working capital changes			
Debtors		<u>68,798</u>	<u>(182,686)</u>
Creditors (including related companies)		<u>92,613</u>	<u>170,532</u>
Net cash used in operating activities		<u>(207,624)</u>	<u>(32,343)</u>
<b>Cash flows from investing activities</b>			
Net cash from investing activities		<u>—</u>	<u>—</u>
<b>Cash flows from financing activities</b>			
Net cash from financing activities		<u>—</u>	<u>—</u>
Net decrease in cash		<u>(46,213)</u>	<u>(44,497)</u>
Cash at beginning of year		<u>58,475</u>	<u>102,972</u>
Cash at end of year		<u>12,262</u>	<u>58,475</u>

## FOUR SOFT MALAYSIA SDN BHD

(Incorporated in Malaysia)

## NOTES TO FINANCIAL STATEMENTS 31 MARCH 2009

### I. CORPORATE INFORMATION

The financial statements of the company for the financial year ended 31 March 2009 have been authorised for issue in accordance with a resolution of the directors on 12 May 2009.

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

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

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

As at the end of the financial year, the company has 1 full-time employee (2008: 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 2009, the company has accumulated losses of RM10,168,322 and a negative equity of RM168,322. The efficacy of the going concern basis is dependent upon the satisfactory outcome from litigation proceedings as disclosed in Note 6 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) Revenue Recognition

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

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

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

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

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

**(c) Foreign Currency Transactions**

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

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

	2009	2008
Singapore Dollar	2.40	2.31

**(d) Employee Benefits**

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

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

**(e) Income tax expenses**

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.

**(f) 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

	2009 RM	2008 RM
Current tax charge	—	—
Deferred tax change on temporary differences	—	—
Tax charge based on the results for the year	—	—
Over provision of income tax in prior years	<b>2,233</b>	—
Tax expense for the year	<b>2,233</b>	—
	%	%
Effective tax rate of tax charge to results for the year	—	—
<b>Reconciliation of effective tax rate</b>		
Statutory tax rate	<b>28</b>	(28)
<b>Tax effect of permanent differences :</b>		
Exempt income and tax incentives	—	—
Non-deductible expenses	<b>2</b>	1
<b>Other tax effects :</b>		
Unrelieved tax allowances not recognised in the financial statements for which credit was taken in the year	(30)	1
Unrelieved tax losses and allowances not recognised in the financial statements	—	26
	—	—
	—	—

Tax savings resulting from the utilisation of tax losses brought forward from previous years for which credit was taken during the year amounted to RM20,000 (2008 : RM Nil).

Subject to the agreement with the Inland Revenue Board, unrelieved tax losses and allowances of RM3,362,000 (2008 : RM3,435,000 as restated) are available for offset against future taxable earnings provided that conditions regulating substantial ownership changes have been complied. Deferred tax assets amounting to RM941,000 (2008 : RM961,000) are not recognised in the financial statements as the company has a history of recurring losses from its operations and there are no indications that sufficient taxable earnings shall be available against which the timing differences can be utilised.

## 4. PRIOR YEAR ADJUSTMENTS

This represents errors in the recognition of revenue and related costs by related companies in previous years and for which the financial impact was effected by a restatement of reported accumulated losses retrospectively.

## 5. AMOUNT OWING TO RELATED COMPANIES

	2009 RM	2008 RM
Amount owing to a fellow subsidiary	<b>207,217</b>	353,759
Amount owing by holding company	<b>(35,715)</b>	(35,715)
	<b>171,502</b>	318,044

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 :

	2009 RM	2008 RM
Services rendered to fellow subsidiary	254,627	–
Project and reimbursable costs to fellow subsidiary	–	56,068

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.

## 6. CONTINGENT ASSETS AND LIABILITIES

An ex-employee instituted Industrial Court proceedings against the company contending wrongful dismissal and seeking reinstatement of employment without loss of wages and perquisites from 9 May 2002 of approximately RM539,000. The directors, in consultation with legal counsel, are of the opinion that the company has a fair chance of prevailing and accordingly, no provision has been made in the financial statements to cover such 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 have not advanced to a stage where the outcome is predictable or significant litigation costs have been incurred or where reimbursement of party-to-party costs can be ascertained. The directors are of the opinion that it may be too early to assess such liabilities and costs and accordingly, no provision for future litigation costs has been made in the financial statements.

## 7. COMPARATIVE FIGURES

Certain comparative figure have been restated to effect the retrospective prior year adjustments indicated in Note 4 and these are analysed as follows :

	As Previously reported RM	Adjustments RM	As Currently restated RM
<b>Income Statement</b>			
Operating revenue	367.954	(26,740)	341,214
Loss before and after tax	155.946	26,740	182,686
	<u>0</u>		
<b>Current Assets and Liabilities</b>			
Trade debtors	148,494	(53,481)	95,013
Amount owing to related companies	(342,111)	24,067	(318,044)
Accumulated losses	10,209,939	29,414	10,239,353
	<u>0</u>		
Note to financial statements			
Amount owing to a fellow subsidiary (Note 5)	377,826	(24,067)	353,759
	<u>0</u>		

## 8. FINANCIAL INSTRUMENTS

### (a) Financial Risk Management Objectives and Policies

Transactions in financial instruments give rise to a variety of financial risks as described below which is or may be assumed by the company in the ordinary course of its business dealings. The company's overall financial risk management objectives and policies is to strike a prudent balance between value creation and managing financial risks by ensuring that adequate resources are available to develop overall business strategies, risk tolerance profiles and to establish general guidelines and business processes for control and monitoring purposes. It is the company's policy not to engage in speculative transactions or use derivative financial instruments.

**(b) Price Risks**

The company has limited exposure to currency risks as its operating cash flows are primarily denominated in the functional currency. Financial liabilities accruing from 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

### *Company details*

#### **Four Soft Nordic A/S**

Bizonvej 12  
8464 Galten  
www.four-soft.com  
Tel: +4586945099  
Fax: +4586945447

### *Supervisory Board*

**Jørgen Winther Nielsen**, formand/Chairman

**Srikanth Reddy Palem**,

**Biju Sivaraman**

**Frank Holmstrup**

**Rajsekhar Roy**

**Per Villefrance**

**Ulrik Henriksen Damm** (medarbejderrepræsentant / employee bord member)

**Soren Borresen** (medarbejderrepræsentant / employee bord member)

### *Executive Board*

**Rajsekhar Roy**

**Per Villefrance**

**Kim Friedrichsen**

**Sharad Mishra**

### *Parent*

Four Soft Ltd., 5Q1 A2-A3, Cyber Towers, Hitec City, Madhapur, Hyderabad, India

### *Group enterprises*

Transaxiom US Inc., 707 Whitlock, Building D, Ste 34, Marietta 30064, ejerandel/interest: 100%

Transaxiom HK Limited, Level 2, Suite 5, 56 Berry St., North Sydney, ejerandel/interest: 100%

### *Auditors*

Ernst & Young Statsautoriseret Revisionsaktieselskab  
Søren Frichs Vej 38 A, 8230 Åbyhøj - Århus, Denmark

### *Bankers*

Nordea

## Four Soft Nordic A/S

### Statement by the Supervisory and Executive Boards on the Annual Report

The supervisory executive boards have prepared the Annual Report for the year ended 31 March 2009. The Annual Report was discussed and approved on today's date.

The Annual Report has been prepared in accordance with the Danish Financial Statement Act.

We consider the accounting policies used appropriate and the accounting estimates made reasonable. To the best of our belief, the Annual Report includes the information which is relevant for an assessment of the Company's financial position. Against this background, it is our opinion that the Annual Report gives a true and fair view of the Company's assets and liabilities, financial position and results of operations for the year ended 31 March 2009.

We recommend that the Annual Report is approved by the Annual General Meeting of shareholders.

*Skovby, 15 May 2009*

Executive Board:

*Rajshekhar Roy*

*Per Villefrance*

*Kim Friedrichsen*

*Sharad Mishra*

*Supervisory Board:*

*Jørgen Winther Nielsen  
formand/Chairman*

*Srikanth Reddy Palem*

*Biju Sivaraman.*

*Frank Holmstrup*

*Rajshekhar Roy*

*Per Villefrance*

*Ulrik Henriksen Damm*

*Søren Borresen*

## Four Soft Nordic A/S

### Independent Auditors' Report

#### To the Shareholders of Four Soft Nordic A/S

We have audited the Annual Report of Four Soft Nordic A/S for the financial year ended 31 March 2009, which comprises the Statement of the Supervisory and Executive Boards on the Annual Report, the Management's Review, a summary of significant accounting policies, the income statement, balance sheet and notes. The Annual Report has been prepared in accordance with the Danish Financial Statements Act.

#### The Supervisory and Executive Boards' Responsibility for the Annual Report

The Supervisory and Executive Boards are responsible for the preparation and fair presentation of this Annual Report in accordance with the Danish Financial Statements Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of an Annual Report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### Auditor's Responsibility and Basis of Opinion

Our responsibility is to express an opinion on this Annual Report based on our audit. We conducted our audit in accordance with Danish Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Annual Report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Annual Report. The procedures selected depend on the auditors' judgments, including the assessment of the risks of material misstatement of the Annual Report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Annual Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Supervisory and Executive Boards, as well as evaluating the overall presentation of the Annual Report.

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

The audit did not result in any qualification.

#### Opinion

In our opinion, the Annual Report gives a true and fair view of the Company's financial position at 31 March 2009 and of the results of its operations in accordance with the Danish Financial Statements Act.

Aarhus, 15 May, 2009

**Ernst & Young**  
**Hans A. Nielsen**  
**statsautoriseret revisor**  
 State Authorised Public Accountant

#### Management's Review

##### Business activities and mission

The Company's most important business activity is development and servicing of IT-solutions to the global transport and logistic industry.

##### Business review

The Company's income statement for the year ended 31 March 2009 shows a net profit of DKK 9,231,617 and the balance sheet at 31 March 2009 shows shareholders' equity of DKK 20,659,214.

During the year the Company sold the subsidiary Four Soft Australia Pty Ltd. And There by realized a profit of DKK 3,540,354.

##### 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 last year.

**Amendment to the Danish Financial Statements Act** The amendment of the Danish Financial Statements Act, adopted on 3 June 2008, has been implemented early as far as the following changes in both parent financial statements and consolidated financial statements are concerned.

Cancellation of the disclosure requirement relating to the average number of employees

### Consolidated financial statements

No consolidated financial statements have been prepared, as the Group is a small group, cf. section 110 of the Danish Financial Statements Act.

### Foreign currency translation

Transactions denominated in foreign currencies are translated into Danish kroner at the exchange rates at the date of the transaction.

Monetary items denominated in foreign currencies are translated into Danish kroner at the exchange rates at the balance sheet date. Realized and unrealized exchange gains and losses are recognized in the income statements as financial income/expenses.

### Foreign group enterprises

As for foreign entities, financial statement items are translated using the following principles:

- Balance sheet items are translated at closing rates.
- Items in the income statement are translated at the rate at the date of the transaction/
- Any exchange differences resulting from the translation of the opening equity at the closing rate and the exchange adjustment of the items in the income statement from the rate at the date of the transaction to the closing rate are taken directly to equity.

### Income statement

#### Revenue

Income from the sale of goods held for sale and finished goods is recognized in revenue at the time of delivery and when the risk passes to the buyer, provided that the income can be made up reliably. VAT, indirect taxes and discounts are excluded from the revenue.

Income from the supply of services is recognized as revenue with reference to the stage of completion.

#### Other external expenses

Other external expenses include expenses related to distribution, sale, advertising, administration, premises, bad debts, lease payments under operating leases, etc.

#### Gross margin

With reference to section 32 of the Danish Financial Statements Act, the items 'Revenue' to and including 'Other external expenses' are consolidated into one item designated 'Gross margin'.

Amortization/depreciation and write-downs

Amortization/depreciation and write-downs include amortization/depreciation and write-downs of intangible assets and property, plant and equipment. Fixed assets are amortized/ depreciated using the straight-line method, based on the cost, measured by reference to the below assessment of the useful life of the assets:

	Useful life
Software	4 years
Other fixtures and fittings, tools and equipments	2-5 years
Gains or losses on the sale of fixed assets	are recognized in the income statement under 'Amortization/depreciation'.

#### Income from investment 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 recognized in the income statement at the amounts that relate to the reporting period. Net financials include interest income and expenses, realized and unrealized capital and exchange gains and losses on securities and foreign currency transactions and surcharges and allowances under the advance-payments-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 recognized directly in equity are taken directly to equity.

#### Balance sheet

#### Intangible assets

Intangible assets comprise software.

Intangible assets are measured at cost less accumulated amortization 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 comprises 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 individual contracts, less prepayments, is classified under 'Receivable' 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 amortized cost, which usually corresponds to the nominal value. The value is reduced by write-downs for bad debts.

### **Prepayments**

Prepayments recognized under 'Assets' comprise prepaid expenses regarding subsequent reporting years.

### **Shareholder's equity**

Dividends proposed for the reporting period are presented as a separate item under 'Shareholders' equity'.

### **Income tax**

Current tax changes 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 result of operations nor the taxable income, and temporary differences on non-amortisable goodwill.

Deferred tax concerning investments in group enterprises and associates is disclosed in the notes only, as the investments are expected to be held for more than three years, after which time there will be no tax liability.

Deferred tax assets are recognized at the value at which they are expected to be utilized, either through elimination against tax on future earnings or a set-off against deferred tax liabilities.

### **Financial liabilities**

Financial liabilities are recognized 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 amortized cost corresponding to the nominal unpaid debt.

### **Deferred income**

Deferred income recognized as a liability comprises payments received concerning income in subsequent reporting years.

## Four Soft Nordic A/S

### Income statements

For the year ended 31 March 2009

	Notes	2008/09 DKK	2007/08 DKK'000
Gross Margin		<b>28,915,500</b>	27,866
Staff costs	1	<b>20,199,367</b>	21,277
Amortization /depreciation and write-downs of intangible assets and property, plant and equipment	2	<b>116,405</b>	139
Profit before net financial		<b>8,599,728</b>	6,450
Income from investments in Group enterprises	6	<b>3,372,317</b>	2,281
Other Financial Income		<b>448,886</b>	120
Other financial Expenses		<b>1,227,926</b>	168
Profit before Tax		<b>11,193,005</b>	8,683
Tax for the year	3	<b>1,961,388</b>	1,769
<b>Net Profit for the year</b>		<b>9,231,617</b>	6,914
Appropriation of Profit			
Profit to be appropriated			
Retained Earnings		<b>5,177,756</b>	545
Net Profit for the year		<b>9,231,617</b>	6,914
Available for appropriation		<b>14,409,373</b>	7,459
The supervisory board recommends the following appropriation of the profit			
Reserve for net revaluation according to the equity method		<b>-3,410,839</b>	2,281
Retained Earnings		<b>17,820,212</b>	5,178
Total Appropriation		<b>14,409,373</b>	7,459

## Four Soft Nordic A/S

### Balance Sheet as at 31 March

31 March 2009

	Notes	2009 DKK	2008 DKK'000
<b>Assets</b>			
<b>Fixed assets</b>			
Software		<u>266,189</u>	0
Intangible assets	4	<u>266,189</u>	0
Other fixtures and fittings, tools and equipments		<u>163,426</u>	88
Property, plant and equipment	5	<u>163,426</u>	88
Investments in group enterprises	6	<u>2,629,204</u>	5,237
Receivables from group enterprises		<u>2,926,872</u>	0
Deposits		<u>404,463</u>	510
Investments		<u>5,960,539</u>	5,747
Total fixed assets		<u>6,390,154</u>	5,835
<b>Assets - continued</b>			
<b>Current assets</b>			
Goods for resale		<u>432,112</u>	480
Inventories		<u>432,112</u>	480
Trade debtors		<u>10,503,134</u>	9,731
Work in progress for third parties		<u>61,999</u>	241
Receivables from group enterprises		<u>9,606,512</u>	4,816
Other receivables		<u>131,707</u>	29
Deferred tax asset		<u>976,683</u>	1,465
Prepayments		<u>395,966</u>	403
Receivables		<u>21,676,001</u>	16,685
Cash		<u>3,642,735</u>	1,903
Total current assets		<u>25,750,848</u>	19,068
Total assets		<u>32,141,002</u>	24,903
<b>Equity and liabilities</b>			
<b>Shareholders' equity</b>			
<b>Share capital</b>			
Reserve for net revaluation according to the equity method		<u>1,000,000</u>	1,000
Retained earnings		<u>1,839,002</u>	5,108
Total shareholders' equity	7	<u>17,820,212</u>	5,178
		<u>20,659,214</u>	11,286
<b>Liabilities other than provisions</b>			
Trade payables		<u>1,121,079</u>	942
Payables to group enterprises		<u>2,753,961</u>	3,721
Income taxes		<u>1,558,862</u>	1,905
Other payables		<u>6,047,886</u>	4,194
Deferred income		<u>0</u>	2,855
Short - term liabilities		<u>11,481,788</u>	13,617
Total liabilities other than provision		<u>11,481,788</u>	13,617
Total equity and liabilities		<u>32,141,002</u>	24,903
Security for loans	8		
Other financial obligations	9		

## Four Soft Nordic A/S

### Notes

31 March 2009

	Notes	2008/09 DKK	2007/08 DKK'000
<b>Note 1</b>			
<b>Staff Costs</b>			
Analysis of staff costs			
Wages and salaries		17,153,395	19,153
Pension Costs		2,370,294	1,472
Other Social Security Costs		269,652	319
Other Staff Costs		406,026	333
		<b>20,199,367</b>	<b>21,277</b>
<b>Note 2</b>			
<b>Amortisation/depreciation and write downs of intangible assets and property, plant and equipment</b>			
Software		24,199	0
Other fixtures and fittings, tools and equipment		92,206	149
		<b>116,405</b>	<b>149</b>
		<b>0</b>	<b>-10</b>
Profit/loss on the sale of property, plant and equipment		<b>116,405</b>	<b>139</b>
<b>Note 3</b>			
<b>Tax for the year</b>			
Estimated income tax charge, excl, interest surcharges		1,466,475	1,217
Change in provision for deferred tax		488,207	685
		<b>1,954,682</b>	<b>1,902</b>
Prior year adjustments		<b>6,706</b>	<b>-133</b>
		<b>1,961,388</b>	<b>1,769</b>
Analyzed as follows:			
Tax for the year		<b>1,961,388</b>	<b>1,769</b>
Total		<b>1,961,388</b>	<b>1,769</b>

## Four Soft Nordic A/S

### Notes

31 March 2009

	Software DKK
<b>Note 4</b>	
<b>Intangible Assets</b>	
Cost	
Balance at 1 / 4 2008	0
Additions in the year	<b>290,388</b>
Disposals in the year	0
Cost at 31 March 2009	<b>290,388</b>
Amortisation and write downs	
Balance at 1st April 2008	0
Amortisation in the year	<b>24,199</b>
Amortisation and write downs at 31 March 2009	<b>24,199</b>
Carrying amount at 31 March 2009	<b>266,189</b>
 <hr/>	
<b>Other fixtures and fittings, tools and equipment</b>	
<b>Note 5</b>	
<b>Property, plant and equipment</b>	
Cost	
Balance at 1/4 2008	<b>2,285,776</b>
Addition in the year	<b>167,537</b>
Disposals in the year	<b>1,607,114</b>
Cost at 31/3 2009	<b>846,199</b>
Depreciation and write-downs	
Balance at 1/4 2008	<b>2,197,680</b>
Depreciation in the year	<b>92,207</b>
Accumulated depreciation and write-downs of disposals	<b>1,607,114</b>
Depreciation and write-downs at 31/3 2009	<b>682,773</b>
Carrying amount at 31/3 2009	<b>163,426</b>

## Four Soft Nordic A/S

### Notes

31 March 2009

	Group Enterprises DKK
<b>Note 6</b>	
<b>Investments in group enterprises</b>	
Cost	
Balance at 1/4 2008	2,227,200
Disposals of enterprises	1,272,677
Cost at 31/3 2009	<u>954,523</u>
Adjustments	
Balance at: 1/4/2008	3,009,340
Exchange adjustment	141,797
Share of net profit or loss for the year	3,372,317
Disposals of enterprises	-4,848,773
Adjustments at 31/3 2009	<u>1,674,681</u>
Carrying amount at 31/3 2009	<u>2,629,204</u>
Analysis of the Company's share of the net profit/loss for the year:	
Share of the pre-tax profit/loss for the year	-168,037
Profit from sale or investments in group enterprises	<u>3,540,354</u>
	<u>3,372,317</u>
Share of tax on profit/loss from ordinary activities	0
	<u>3,372,317</u>

## Four Soft Nordic A/S

### Notes

#### Notes

#### Note 7. Statement of changes in equity

	Share capital	Equity method transfer to net revaluation reserve	Retained earnings/-Accumulated loss	DKK Total
Shareholders equity at 1st April 2008	1,000,000	5,108,021	5,177,756	11,285,777
Exchange adjustment	–	141,820	–	141,820
Revaluations in the year	–	-3,410,839	–	-3,410,839
Transfer in the year	–	–	12,642,456	12,642,456
Shareholders equity at 31 March 2009	1,000,000	1,839,002	17,820,212	20,659,214

#### Note 8

##### Security for loans

No security for loans had been placed at 31 March 2009

#### Note 9

##### Other Financial Obligations

	2009 DKK	2008 DKK'000
Payments under operating leases and rent contract	2,264,484	3,227
The remaining terms are 0-3 years		

## FOUR SOFT (HK) LTD

### DIRECTORS' REPORT

The Directors have pleasure in submitting Annual Report of the Company together with the statement of accounts for the year ended March 31, 2009.

#### 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.

The company is a wholly owned subsidiary of Four Soft Nordic A/S, a company incorporated in Denmark.

Pursuant to a special resolution passed at an extraordinary general meeting held on 19th February 2008, the name of the company was changed from Transaxiom (HK) Ltd to Four Soft (HK) Limited. The company obtained the Certificate of Incorporation on Change of Name from the Registry of Companies in Hong Kong on 25th February 2008.

The company previously prepared its financial statements to 31st December annually. Commencing from 2007, the directors have decided to prepare the financial statements to 31st March annually in order to coincide with the financial accounting date of its holding company.

#### Principal Activity

The principal activity of the company during the period is the provision of computer system analysis and programming services.

#### Share Capital

Details of the share capital are set out in the notes to Financial Statements

#### Result

The profit of the company for the period ended 31st March 2009 and the state of Company's affairs at that date are set out in the financial statements.

#### Directors

Following directors held office during the year and up to the date of this report:

Rajshekhar Roy  
Srikanth Reddy Palem  
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 period ended 31st March 2009.

#### Reserves

During the period, no appropriations to reserves have been made in the financial statements.

#### Donations

During the period, no donations for charitable or other purposes have been made by the company.

#### Fixed Assets

Movements in fixed assets during the period are set out in Notes to financial statements.

#### Directors' Interest in Contracts

There is no contracts 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 period or at any time during the period.

#### Arrangements to acquire shares or debentures

At no time during the period 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 or debentures of the company or any other body corporate.

#### Auditors

Messrs. Oliver Wong & Co, CPA 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 statements misleading.

#### For & on behalf of the Board

Sd/-

**Srikanth Reddy Palem**  
**Chairman**

Hong Kong  
Date: 15 May 2009

**FOUR SOFT (HK) LTD**

(All amounts are in HK\$)

**BALANCE SHEET AS AT MARCH 31, 2009**

	Schedules	As at March 31, 2009 HK\$	As at March 31, 2008 HK\$
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Capital	1	1,000,000	1,000,000
Reserves and surplus	2	1,715,741	1,979,250
<b>TOTAL</b>		<b>2,715,741</b>	<b>2,979,250</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross block		408,853	408,853
Less : Accumulated depreciation		408,853	408,853
Net block		—	—
<b>Current Assets, Loans and Advances</b>			
Sundry debtors	3	3,356,888	3,428,785
Cash and bank balances	4	39,302	203,991
Loans and advances	5	198,767	198,767
		<b>3,594,957</b>	<b>3,831,543</b>
<b>Less: Current Liabilities and Provisions</b>			
Liabilities	6	877,950	851,027
Provisions	7	1,266	1,266
		<b>879,216</b>	<b>852,293</b>
<b>Net Current Assets</b>		<b>2,715,741</b>	<b>2,979,250</b>
<b>TOTAL</b>		<b>2,715,741</b>	<b>2,979,250</b>
Notes to Accounts	11		

*For and on behalf of the Board of Directors of Four Soft (HK) Ltd*

Sd/-

**Srikanth Reddy Palem**  
Managing Director

Place: Hongkong  
Date: 15 May, 2009

**FOUR SOFT (HK) LTD**

(All amounts are in HK\$)

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2009**

	Schedules	For the Year ended March 31, 2009 HK\$	For the Year ended March 31, 2008 HK\$
<b>INCOME</b>			
Revenue from software services and products	8	–	757,059
Other income	9	–	13,753
<b>TOTAL</b>		<u>–</u>	<u>770,812</u>
<b>EXPENDITURE</b>			
Operating and other expenses	10	<b>263,509</b>	213,025
<b>TOTAL</b>		<b>263,509</b>	<u>213,025</u>
<b>Profit before tax</b>		<b>(263,509)</b>	557,787
Provision for current tax		–	20,051
		<u>–</u>	<u>20,051</u>
<b>Net profit</b>		<b>(263,509)</b>	537,736
Balance brought forward from previous year		<b>1,979,250</b>	1,441,514
Surplus carried to Balance Sheet		<b>1,715,741</b>	1,979,250
Notes to Accounts	11		

*For and on behalf of the Board of Directors of Four Soft (HK) Ltd*

Sd/-

**Srikanth Reddy Palem**  
Managing Director

Place: Hongkong  
Date: 15 May, 2009

## FOUR SOFT (HK) LTD

(All amounts are in HK\$)

### SCHEDULES TO THE ACCOUNTS

	Schedules	As at March 31, 2009 HK\$	As at March 31, 2008 HK\$
<b>Schedule 1: Capital</b>			
Opning Balance of Share Capital		1,000,000	1,000,000
1,000,000 shares of HK\$ 1 each fully paid-up			
<b>TOTAL</b>		<u>1,000,000</u>	<u>1,000,000</u>
<b>Schedule 2: Reserves and surplus</b>			
Profit and Loss Account		1,715,741	1,979,250
<b>TOTAL</b>		<u>1,715,741</u>	<u>1,979,250</u>
<b>Schedule 3: Sundry debtors</b>			
Unsecured, considered good		3,356,888	3,428,785
		<u>3,356,888</u>	<u>3,428,785</u>
Less : Provision for doubtful debts		—	—
<b>TOTAL</b>		<u>3,356,888</u>	<u>3,428,785</u>
<b>Schedule 4: Cash and bank balances</b>			
Cash on hand		363	363
Balances with banks on:			
Current accounts		38,939	203,628
<b>TOTAL</b>		<u>39,302</u>	<u>203,991</u>
<b>Schedule 5: Loans and advances</b>			
Unsecured, considered good			
Advance income tax (net of provision)		198,767	198,767
<b>TOTAL</b>		<u>198,767</u>	<u>198,767</u>
<b>Schedule 6: Liabilities</b>			
Sundry creditors		57,773	57,773
Hodling company		820,177	793,254
<b>TOTAL</b>		<u>877,950</u>	<u>851,027</u>
<b>Schedule 7: Liabilities</b>			
For income tax (net of advance payments)		1,266	1,266
<b>TOTAL</b>		<u>1,266</u>	<u>1,266</u>

## FOUR SOFT (HK) LTD

(All amounts are in HK\$)

### SCHEDULES TO THE ACCOUNTS

Schedules	For the Year ended March 31, 2009 HK\$	For the Year ended March 31, 2008 HK\$
<b>Schedule 8: Revenue from software services and products</b>		
Customisation and Implementation services	–	77,251
Annual maintenance services	–	513,439
Income from sale of third party products (net)	–	166,369
<b>TOTAL</b>	<hr/> <hr/> <hr/>	<hr/> <hr/> <hr/>
	<hr/> <hr/> <hr/>	<hr/> <hr/> <hr/>
<b>Schedule 9: Other income</b>		
Interest income	–	13,753
<b>TOTAL</b>	<hr/> <hr/> <hr/>	<hr/> <hr/> <hr/>
	<hr/> <hr/> <hr/>	<hr/> <hr/> <hr/>
<b>Schedule 10: Operating and other expenses</b>		
Office maintenance	–	15,398
Implementation expenses	–	152,174
Business promotion	–	375
Legal and professional fees	9,500	43,510
Exchange difference (net)	254,009	824
Bank charges	–	744
<b>TOTAL</b>	<hr/> <hr/> <hr/>	<hr/> <hr/> <hr/>
	<hr/> <hr/> <hr/>	<hr/> <hr/> <hr/>

## FOUR SOFT (HK) LTD

### SCHEDULES TO THE ACCOUNTS

#### Schedule 11: 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 Line 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 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 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.

##### 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.

## STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

(Amounts in Rs.)

Sl. No.	Particulars	Four Soft BV	Four Soft Singapore Pte Ltd	Four Soft Malaysia Sdn Bhd.	Four Soft Nordic A/S
1	Financial Year ending of the Subsidiary	31.03.2009	31.03.2009	31.03.2009	31.03.2009
2	Shares of Subsidiary Company held on the above date and extend of holding				
	i) Number of Shares held	66,245	1,000,000	10,000,000	1,000
	ii) Extend of holding	100%	100%	100%	100%
3	Net aggregate amount of profits/losses of the subsidiary for the above financial year so far as they concern members of Four Soft Limited				
	i) dealt with in the accounts of Four Soft Limited	Nil	Nil	Nil	Nil
	ii) not dealt with in the accounts of Four Soft Limited	390,569,824	16,643,131	963,158	79,710,472
4	Net aggregate amount of profits/loss for previous financial years of the subsidiary so far as they concern members of Four Soft Limited				
	i) dealt with in the accounts of Four Soft Limited	Nil	Nil	Nil	Nil
	ii) not dealt with in the accounts of Four Soft Limited	209,809,570	(37,900,188)	2,716,305	59,326,073

For and on behalf of the Board of Directors

Sd/-

**Palem Srikanth Reddy**  
Chairman & Managing Director

Place : Hyderabad  
Date : 19<sup>th</sup> June, 2009

## FOUR SOFT LIMITED

Registered Office: 5Q1 A3, 5th Floor, Cyber Towers, Hitech City, Madhapur, Hyderabad - 500 081 India.

### ATTENDANCE SLIP

10<sup>th</sup> Annual General Meeting 25<sup>th</sup> September, 2009

**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 10<sup>th</sup> Annual General Meeting of the Company, at The Chip Auditorium, Cyber Towers, HITEC City, Madhapur, Hyderabad, A.P at 11.00 A.M on Friday, the 25th September 2009.

### 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

10<sup>th</sup> Annual General Meeting 25<sup>th</sup> September, 2009

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 10th Annual General Meeting of the Company, at The Chip Auditorium, Cyber Towers, HITEC City, Madhapur, Hyderabad, A.P at 11.00 A.M on Friday, the 25<sup>th</sup> September 2009 and at every adjournment thereof.

Signed this ..... day of ..... 2009.

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.

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Hyderabad - 500 081 India.  
Web : [www.four-soft.com](http://www.four-soft.com)