

Auditors' Certificate on Corporate Governance to the Members of FCS Software Solutions Limited

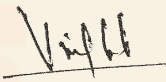
We have examined the compliance of conditions of Corporate Governance by FCS Software Solutions Limited ("the Company"), for the year ended on 31 March 2008, as stipulated in Clause 49 of the Listing Agreement of the said Company with the stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

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

for SPMG & Co.
Chartered Accountants



Vinod Gupta
Partner

Membership No. 90687

Delhi
Sep 4, 2008



REPORT ON CORPORATE GOVERNANCE

Company's Philosophy

The Company's philosophy on Corporate Governance is to practice transparency in its operations and maintain a professional approach, accountability and equity in its dealing with its employees, shareholders, government, lenders and every individual who comes in contact with the Company.

The Company's corporate governance principles are to satisfy the spirit of law and not just the letter of the law; it shall be such that it should go beyond the law.

The Company believes that fairness in corporate procedures, full disclosures in reporting system, total transparency in corporate culture, fiduciary and trustee relationship and maximization of share holder's value in the long run are the pillars on which the structure of the Corporate Governance rests.

BOARD OF DIRECTORS

The Board of the Company is comprised of five Directors and is headed by Chairman & Managing Director. In order to have an appropriate mix of executive and independent directors to maintain the independence of the Board and to separate the Board functions of governance and management, we are having two Independent Directors on our Board.

During the financial year under review, Ten Board Meetings were held on the following dates: June 25, 2007; July 25, 2007; October 29, 2007; January 04, 2008; January 30, 2008; March 18, 2008.

Constitution of Board of Directors and related information:

| Name | Category | No. of Board attended Meetings | Attendance at the last AGM | No. of Directorships in other public companies as on 31.3.2008 | No. of Committee positions held in other public companies as on 31.3.2008 |
|------------------------|-------------------------------------|--------------------------------|----------------------------|--|---|
| Mr. Dalip Kumar | Chairman & Managing Director | 2 | Yes | 1 | Nil |
| Mrs. Janak Sharma | Non-Executive Director. | 5 | Yes | 1 | Nil |
| Mr. S.S Sharma | Independent Non Executive Director. | 5 | Yes | Nil | Nil |
| Mr. S.N.Sharma | Independent Non Executive Director | 5 | Yes | 5 | 2 |
| Mr. Dhruwa Narain Rai* | Independent Non Executive Director | NA | NA | NA | NA |

* Appointed as director w.e.f. July 31, 2008

Board Committees:

Currently, the Board has three committees: the Audit Committee, the Remuneration Committee and the Investor Grievance Committee. All committees consist of non-executive and majority with independent directors. The Board is responsible for constituting, assigning, co-opting and fixing of terms of service for committee members.

The Chairperson of the Board, in consultation with the Company Secretary and the committee's Chairman, determines the frequency and duration of the committee meetings. Normally, all the committees meet four times a year except the Remuneration Committee, which meet as and when the need arises. Typically, the meetings of the audit, remuneration/ compensation committees last for the better part of a working day.

Recommendations of the committee are submitted to the full Board for approval. The quorum for meetings is either two members or one-third of the members of the committee, whichever is higher.

Audit Committee:

The Audit Committee was constituted on April 20, 2000 as required under section 292A of the Companies Act, 1956.

Four audit committee meetings were held during the year. These were held on June 18, 2007; July 25, 2007; October 29, 2007; January 30, 2008.

The constitution of the Committee is as under:

| Name of Directors | Category | No. of Meetings | |
|-------------------------|------------------------------------|-----------------|----------|
| | | Held | Attended |
| Mr. S.S Sharma | Independent Non-Executive | 4 | 4 |
| Mr. S.N Sharma* | Independent Non-Executive | 4 | 4 |
| Smt . Janak Sharma | Non - Executive Director | 4 | 4 |
| Mr. Dhruwa Narain Rai** | Independent Non Executive Director | NA | NA |

* Chairman of the Committee

** Appointed as Committee member w.e.f. July 31, 2008

The Chairman of the Audit Committee was present at the last Annual General Meeting held on July 24, 2007.

The Company Secretary acts as Secretary to the Committee.

Remuneration/Compensation Committee:

In accordance with the clause 49 of the Listing Agreement to be entered by the company, the Company is required to make compliance with all the requirements relation to payment of remunerations to the directors. The remuneration paid to the Directors of the Company has to be approved by the Remuneration Committee.

The Company has formed a Remuneration Committee by the Board of Directors vide the Board Meeting dated January 3, 2005. The constitution of the committee is as under:

| Name of Directors | Category | No. of Meetings | |
|-------------------|---------------------------|-----------------|----------|
| | | Held | Attended |
| Mr. S.S Sharma* | Independent Non-Executive | 1 | 1 |
| Mr. S N Sharma | Independent Non-Executive | 1 | 1 |

* Chairman of the Committee.

The Remuneration committee meeting was held on June, 18 2007;

The Company Secretary acts as Secretary to the Committee.

Investors / Shareholders Grievance Committee :

The Shareholders Grievance Committee was constituted on January 3,2005. The committee has the mandate to review and redress shareholder grievances.

The meetings of Committee were held on June 18, 2007, July 25 2007, October 29, 2007; January 30, 2008.

The composition of the committee is as under:

| Name of Directors | Category | Designation | No. of Meetings | |
|------------------------|---------------------------|-------------|-----------------|----------|
| | | | Held | Attended |
| Mr.S.N Sharma | Independent Non-Executive | Member | 4 | 4 |
| Smt. Janak Sharma | Non-Executive Director | Chairman | 4 | 4 |
| Mr. Dhruwa Narain Rai* | Independent Non-Executive | Member | NA | NA |

The Committee oversees redressal of shareholders Grievances/Complaints. The Company is prompt in attending to complaints/queries from shareholders/investors.

Number of Shareholder's complaints received by Company's Registrar & Share Transfer Agent, M/s Intime Spectrum Registry Ltd. during the period year ended March 31, 2008,

The Committee oversees redressal of shareholders Grievances/Complaints. The Company is prompt in attending to complaints/queries from shareholders/investors.

Number of Shareholder's complaints received by Company's Registrar & Share Transfer Agent, M/s Intime Spectrum Registry Ltd. during the period year ended March 31, 2008,

Number of Complaint received: 16

Number not solved to the satisfaction of shareholders: Nil

Number of Share Transfers pending: Nil

Details of non-compliance

There has been no non-compliance of any legal requirements nor have there been any restriction imposed by any stock exchange, SEBI, on any matters relating to the capital market over the last three years since our listing.

General Body Meetings

The last three Annual General Meetings (AGM) were held as under:

| AGM for the financial year ended | Venue | Day and Date | Time |
|----------------------------------|--|--------------------------|------------|
| 2004-05 | 54, EHTP, Sector-34, Gurgaon - 122 001 (Haryana) | Monday June 06, 2005. | 9.30 A. M. |
| 2005-06 | The Executive Club, 439, Village Shahoorpur, Fatehpur Beri, New Delhi - 110 074. | Monday July 24, 2006. | 9.30 A.M |
| 2006-07 | The Executive Club, 439, Village Shahoorpur, Fatehpur Beri, New Delhi - 110 074. | Wednesday July 25, 2007. | 9.30 A.M |

In the financial year 2004-05, the approval of the re-appointment and remuneration paid to the Managing Director of the Company was done via special resolution but no agenda item were required for the Postal ballot.

In the year 2005 -06, the resolution for the change of registered office has been passed as special resolution through postal ballot. The details of voting pattern summary of the postal ballot forms received are given below:

| Particulars | No. of Postal Ballot Forms | No. of shares | %age of Total Paid-up Equity Capital |
|--|----------------------------|---------------|--------------------------------------|
| (a) Total Ballot Forms Received | 120 | 10512187 | 75.07 |
| (b) Less: Invalid Postal Ballot Forms | 16 | 1674 | 0.01 |
| (c) Net Valid Postal Ballot Forms received (a-b) | 104 | 10510513 | 75.06 |
| (d) Postal ballot forms received with assent for the special resolution | 98 | 10508938 | 75.05 |
| (e) Postal ballot forms received with dissent for the special resolution | 6 | 1575 | 0.01 |

Mr. P. P. Agarwal, a practicing Company Secretary who conducted the postal ballot exercise and acted as a Scrutinizer.

In the year 2006-07, there was no special resolution passed by the company.

In the year 2007 -08:

Extra Ordinary General Meeting held on January 30, 2008:

- Amendment in Article of Association of the company by inserting the provisions of Warrants issue - Special Resolution;
- Increase in Borrowing limit upto Rs 500 Cr - Ordinary Resolution;
- To authorize the Board of Directors to raise fund through issue of FCCB/ GDR/ADR or any other convertible instrument upto US \$ 25 Million - Special Resolution

Extra Ordinary General Meeting held on June 19, 2008:

- a) To authorize the Board of Directors to issue warrants convertible into equity shares to Non - Promoters on preferential issue basis to an amount not exceeding Rs. 227.5 Million.

At the ensuing fifteenth Annual General Meeting there is no agenda item requiring postal ballot and neither there is any special resolution to be passed.

Auditors' certificate on corporate governance

As required by Clause 49 of the Listing Agreement, the auditor's certificate is given as an annexure to the Directors' report.

MD / VP (Finance) certification

As required by Clause 49 of the Listing Agreement, the MD/ VP (Finance) certification is provided elsewhere in the Annual Report.

Means of Communication

Half-yearly report sent to each household of shareholders: No, the abridged results of the Company are uploaded on the website of the company.

Quarterly Results: --do--

Presentation made to institutional investors or to the Analysts: No

Whether Management Discussions & Analysis is a part of annual report or not: Yes

Brand establishment

A brand is not a trademark or a logo it's much more than that. It is a 'trust mark'- a promise of quality and authenticity that clients can rely on. Brand equity is the value addition provided to a product or a company by its brand name. It can be construed as the financial premium that a buyer is willing to pay for the brand over a generic or less worthy brand. It's one of those assets, which is not created overnight. It's the result of relentless pursuit of quality in manufacturing, selling, service, advertising and marketing. It is integral to the quality of client experiences in dealing with the Company and its services over a period. It's proud for the company that's its positioned in top 50 companies of India for the IT Services Export, DATAQUEST (leading software magazine - August 2008). DALALSTREET (leading investment magazine) ranked FCS in top 250 Companies in its Mid Cap 2008.

Company continues to invest in the development of our premium brand identity in the marketplace. Our branding efforts include participating in media and industry analyst events, sponsorship of and participation in targeted industry conferences, trade shows, recruiting efforts, community outreach programs and investor relations. We believe that a strong and recognizable FCS brand will continue to facilitate the new business lead generation process, and enhance our ability to attract talented personnel globally.

SHAREHOLDERS INFORMATION

Annual General Meeting

Date and Time: Tuesday, September 30, 2008 at 4.30 P. M.
Venue: The Executive Club, 439, Village Shahoorpur, Fatehpur Beri, New Delhi - 110 074

Financial Calendar:

| Unaudited/ Audited Financial Results | Quarter / Year ended | Month of approval of Financial Results |
|---|----------------------|--|
| Unaudited financial results for the quarter ended | June 30, 2008 | July, 2008 |
| Unaudited financial results for the quarter and half year ended | September 30, 2008 | October, 2008 |
| Unaudited financial results for the quarter ended. | December 31, 2008 | January, 2008 |
| Audited financial results for the year ended. | March 31, 2008 | May/ June, 2008 |

Date of Book Closure: Monday, September 22, 2008 to Tuesday, September 30, 2008 (both days inclusive).
Dividend: On or after 30th September 2008, but within the statutory limit of 30 days, subject to shareholders approval.
Listing on Stock Exchanges:

| | | |
|---------------|---------|--------|
| | NSE | BSE |
| Exchange code | FCSSOFT | 532666 |

Listing fee for 2007-08 Paid for all the above stock exchanges.
ISIN No.: INE512B01014 (for fully paid up shares)
ISIN No.: IN9512B01012 (for partly paid up shares)

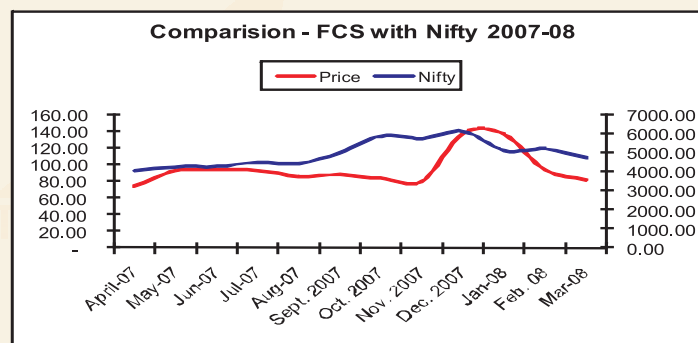
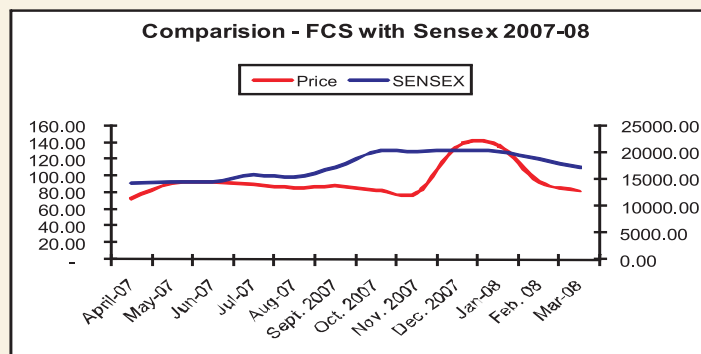
Stock Market Price Data:

| | BSE | | | NSE | | | Total Volume (Nos.) |
|--------------|------------|-----------|----------------|------------|-----------|-----------------|---------------------|
| | High (Rs.) | Low (Rs.) | Volume (Nos.) | High (Rs.) | Low (Rs.) | Volume (Nos.) | |
| April 2007 | 73.85 | 65.95 | 200711 | 74.1 | 66.05 | 323237 | 523948 |
| May | 92.00 | 74.70 | 1271296 | 93.1 | 75.3 | 1528105 | 2799401 |
| June | 93.65 | 78.00 | 818805 | 93.95 | 77.7 | 997313 | 1816118 |
| July | 90.80 | 80.20 | 1469107 | 93.45 | 81.05 | 1321625 | 2790732 |
| August | 86.60 | 77.45 | 585388 | 86.20 | 77.50 | 538961 | 1124349 |
| September | 88.70 | 82.90 | 438683 | 88.45 | 83.15 | 465920 | 904603 |
| October | 83.85 | 73.25 | 391585 | 84 | 72.9 | 334816 | 726401 |
| November | 80.50 | 73.25 | 306414 | 80.65 | 73.05 | 373349 | 679763 |
| December | 136.70 | 76.50 | 2386100 | 138.25 | 76.8 | 3230307 | 5616407 |
| January 2008 | 137.35 | 83.95 | 860141 | 137 | 82.6 | 1273242 | 2133383 |
| February | 93.65 | 77.00 | 367352 | 93.8 | 76.35 | 344228 | 711580 |
| March | 82.20 | 52.70 | 332760 | 82.05 | 53.45 | 254994 | 587754 |
| Total | | | 9428342 | | | 10986097 | 20414439 |

Liquidity

The company shares are among the most liquid and actively traded on NSE & BSE. The monthly trading volumes of the company shares on these Exchanges are given above.

Performance Comparison with Indices:



Legal Proceedings

There were certain pending cases relating to disputes over Consumer Courts, in which we had been made a party. However, these cases are not material in nature. Now the case is settled and the pecuniary value does not exceed for more than Rs. 30 lacs.

We were also party to the dispute relating to land and building lying near at our corporate office at Noida. This land & building was subject to auction and your company was the highest bidder in the auction conducted by the Official Liquidator. The sale was confirmed by the High Court and we paid the full amount for the land & building as directed by the Hon'ble High Court. This case is now settled by Supreme Court & Honble Court has awarded us the compensation of Rs.30 Lacs.

Share Transfer System:

M/s Intime Spectrum Registry Ltd. are the Registrar and Share Transfer Agents for processing transfers, sub-division, consolidation, splitting of shares and for rendering depository services such as Dematerialization and Rematerialization of the Company's shares.

Share transfers in physical form

Shares sent for physical transfer are effected after giving a notice of 15 days to the seller for sale confirmation. Our share transfer committee meets as often as required.

The total number of shares transferred in physical form during the year was Nil.

As the Company's shares are compulsorily to be traded in dematerialized form, members are requested to send the shares if held in physical form, directly to the Registrars and Transfer Agents for dematerialization. Members have the option to open their accounts either with National Securities Depository Limited or Central Depository Services (India) Limited as the Company has entered into Agreements with both the Depositories.

All physical share transfers are returned within 30 days of lodgment subject to the documents being in order.

ECS mandate

We have received complaints regarding non-receipt of dividend warrants from shareholders who have not updated their bank account details with the depository participants. In order to enable us to serve our investors better, we request shareholders to update their bank accounts with their respective depository participants.

Distribution of Shareholding (As on March 31, 2008)

| Shareholding of Nominal Value (Rs.) | No. of Shareholders | % of Total | No. of Shares held | % of Total |
|-------------------------------------|---------------------|----------------|--------------------|----------------|
| 1-5000 | 8445 | 89.669 | 1063540 | 7.372 |
| 5001-10000 | 453 | 4.810 | 369642 | 2.562 |
| 10001-20000 | 226 | 2.400 | 345123 | 2.392 |
| 20001-30000 | 108 | 1.147 | 272948 | 1.892 |
| 30001-40000 | 46 | 0.488 | 166825 | 1.156 |
| 40001-50000 | 29 | 0.308 | 139079 | 0.964 |
| 50001-100000 | 59 | 0.626 | 426346 | 2.955 |
| 100001 and above | 52 | 0.552 | 11643312 | 80.706 |
| TOTAL | 9418 | 100.000 | 14426815 | 100.000 |

Shareholding Pattern as on March 31, 2008

| Categories | No. of Shares held | % of holding |
|--|--------------------|---------------|
| Promoters- | | |
| o Indian | 97,98,428 | 67.92 |
| o Foreign | 0 | 0 |
| Mutual Funds & UTI | 0 | 0 |
| Banks, Financial Institutions and Insurance Companies | 2,00,100 | 1.39 |
| Foreign Institutional Investors | 0 | 0 |
| Private Corporate Bodies | 14,79,908 | 10.26 |
| Indian Public | 25,74,426 | 17.85 |
| NRI / OCB's | 2,06,767 | 1.43 |
| Others (Directors & their relatives, HUF, Clearing Members) | 1,67,186 | 1.15 |
| TOTAL | 1,44,26,815 | 100.00 |

Dematerialization of the shares and liquidity:

Trading in company's shares is permitted only in dematerialized form as per notifications issued by Securities Exchange Board of India. The Company has entered into agreements with National Securities Depository Ltd. & Central Depository Services (India) Ltd., whereby the investors have the options to dematerialize their shares with either of the depositories. The status of Dematerialisation as on March 31, 2008 is as under:

| Segment | No. of Shareholders | % | No. of Shares | % |
|----------|---------------------|--------|---------------|--------|
| Physical | 95 | 1.01 | 90,434 | 0.60 |
| Demat | 9,324 | 98.99 | 1,43,36,381 | 99.40 |
| Total | 9,419 | 100.00 | 1,44,26,815 | 100.00 |