

AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF FCS SOFTWARE SOLUTIONS LTD. ON THE CONSOLIDATED FINANCIAL STATEMENTS OF FCS SOFTWARE SOLUTIONS LTD. AND SUBSIDIARY

We have audited the attached consolidated Balance Sheet of FCS Software Solutions Ltd. ("the Company") and its subsidiary, as described in summary of significant accounting policies to the consolidated financial statements as at 31 March 2008, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date, annexed thereto. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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 whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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.

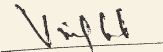
The financial statements of FCS Software Solutions America Ltd., whose financial statements reflect total assets of Rs.30,46,93,215/- as at 31 March 2008, total revenues of Rs. 1,06,56,77,782/- and total cash flows amounting to Rs 2,89,03,593/-for the year then ended have been audited by other auditors. The audit reports for the above mentioned entities have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of those subsidiaries, is based solely upon the report of the other auditors.

We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company and its subsidiaries included in the consolidated financial statements.

On the basis of the information and explanation given to us, and on consideration of the separate audit reports on individual audited financial statements of the Company and its subsidiaries, in our opinion, the consolidated financial statements give a true and fair view in conformity with accounting principles generally accepted in India:

- (i) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Company and its subsidiaries as at 31 March 2008;
- (ii) in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations of the Company and its subsidiaries for the year ended on that date; and
- (iii) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the Company and its subsidiaries for the year ended on that date.

For SPMG & Company
Chartered Accountants



Vinod Gupta
Partner

Place : New Delhi
Dated : 23rd June 2008

**FCS SOFTWARE SOLUTIONS LTD.
CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2008**

PARTICULARS	SCHEDULE	As on 31-03-2008 AMOUNT (RS)	As on 31-03-2007 AMOUNT (RS)
SOURCE OF FUNDS			
SHARE HOLDER'S FUND			
Share Capital	A	144,267,150.00	142,689,850.00
Reserve and Surplus	B	1,058,593,612.68	763,816,901.43
LOAN FUND			
Secured Loan	C	66,605,846.46	35,043,751.00
Unsecured Loan	D	2,374,463.35	2,402,793.35
DEFERRED TAX LIABILITY		16,976,437.00	8,138,617.00
TOTAL		1,288,817,509.49	952,091,912.78
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	E	532,065,026.14	218,420,611.14
Less : Depreciation		159,880,693.34	93,128,003.34
Net Block		372,184,332.80	125,292,607.80
Add: Capital Work in Progress		36,142,020.18	2,738,300.00
		408,326,352.98	128,030,907.80
INVESTMENTS			
	F	99,800.00	99,800.00
Current Assets Loan and Advances			
CURRENT ASSETS			
Cash and Bank Balance	G	411,587,630.35	171,073,322.57
Debtors	H	492,249,735.04	485,467,490.73
Work-in-Process		134,366,664.00	243,249,886.00
Loans & Advances	I	55,059,437.85	46,521,943.53
		1,093,263,467.24	946,312,642.83
Less : Current Liabilities	J	154,477,352.33	89,388,518.75
Provisions	K	63,273,896.00	40,281,625.50
		217,751,248.33	129,670,144.25
NET CURRENT ASSETS		875,512,218.91	816,642,498.58
PRELIMINARY & OTHER MISC. EXPENSES	L	4,879,137.60	7,318,706.40
		1,288,817,509.49	952,091,912.78
SIGNIFICANT ACCOUNTING POLICY & NOTES ON ACCOUNTS			
AS PER OUR REPORT OF EVEN DATE			
For SPMG & COMPANY.			
Chartered Accountants			
Sd/- Vinod Gupta (Partner)		Sd/- Dalip Kumar (CMD)	Sd/- Janak Sharma (Director)
		Sd/- Anil Sharma Vice-President (Fin.)	Sd/- Abhishek Anand (Co. Secretary)
Place : Delhi			
Date : 23rd June, 2008			

**FCS SOFTWARE SOLUTIONS LTD.
CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED
31ST MARCH 2008**

	For the Year ended on 31-03-2008	For the Year ended on 31-03-2007
INCOME		
SOFTWARE DEVELOPMENT & OTHER SERVICES	2,041,842,065.05	1,543,494,742.00
DECREASE/INCREASE IN WORK-IN-PROCESS	(108,883,222.00)	121,615,870.00
	1,932,958,843.05	1,665,110,612.00
EXPENDITURE		
FOREX FLUCTUATION ACCOUNT	54,606,372.00	5,525,137.60
SOFTWARE DEVELOPMENT EXPENSES	1,317,206,781.85	1,271,176,576.75
ADMINISTRATIVE AND OTHER EXPENSES	146,382,689.16	127,571,366.43
	1,518,195,843.01	1,404,273,080.78
OPERATING PROFIT (PBIDT)	414,763,000.04	260,837,531.22
MISC. INCOME	5,011,904.85	9,222,712.00
FINANCE CHARGES	5,510,900.00	4,597,541.04
DEPRECIATION	68,017,153.00	25,565,801.80
PRIOR PERIOD ITEMS - Income/(Expenses)	4,502,091.00	(243,251.00)
PROFIT BEFORE TAX	350,748,942.89	239,653,649.38
PROVISION FOR TAX :-		
PROVISION FOR INCOME TAX - CURRENT	13,100,000.00	6,000,000.00
PROVISION FOR FBT - CURRENT	3,787,920.00	656,555.00
DEFERRED TAX (ASSETS)/LIABILITY	8,837,820.00	2,093,636.00
INCOME TAX PAID	920,513.34	6,199.50
PROFIT AFTER TAX	324,102,689.55	230,897,258.88
Balance Brought Forward	497,379,347.43	407,702,000.05
AMOUNT TRANSFER TO GENERAL RESERVE	50,000,000.00	100,000,000.00
APPROPRIATIONS		
INTERIM DIVIDEND PAID	—	14,268,985.00
DIVIDEND TAX	—	2,001,225.00
PROPOSED DIVIDEND	36,066,788.00	21,403,477.50
PROVISION FOR TAX ON PROPOSED DIVIDEND	6,129,551.00	3,637,521.00
PROVISION WRITTEN OFF	—	91,297.00
BALANCE IN THE PROFIT & LOSS ACCOUNT	729,285,697.98	497,379,347.43
SIGNIFICANT ACCOUNTING POLICY & NOTES ON ACCOUNTS		
AS PER OUR REPORT OF EVEN DATE	For FCS SOFTWARE SOLUTIONS LTD.	
For SPMG & COMPANY.	Sd/-	Sd/-
Chartered Accountants	Dalip Kumar	Janak Sharma
	(CMD)	(Director)
Sd/-	Sd/-	Sd/-
Vinod Gupta	Anil Sharma	Abhishek Anand
(Partner)	Vice-President (Fin.)	(Co. Secretary)

Place : Delhi
Date : 23rd June, 2008

	As on 31-03-2008	As on 31-03-2007
SCHEDULE - A		
AUTHORISED CAPITAL		
2,50,00,000 EQUITY SHARES OF Rs 10/- EACH	250,000,000.00	250,000,000.00
ISSUED, SUBSCRIBED & PAIDUP		
14,426,815 EQUITY SHARES OF Rs 10/- EACH (Out of which 14,426,615 equity shares are fully paid up and 200 shares are partly paid up Rs. 5 each) [Out of the above 30,00,000 shares of Rs. 10/- each have been issued as bonus shares by capitalisation of general reserve dt. 29.9.99] [Out of the above 35,00,000 shares of Rs. 10/- each have been issued as bonus shares by capitalisation of general reserve dt. 20.4.00]	144,268,150.00	142,690,850.00
Less: Unpaid Share Capital Money	1,000.00	1,000.00
	144,267,150.00	142,689,850.00
SCHEDULE - B		
RESERVES AND SURPLUS		
PROFIT & LOSS ACCOUNT	729,285,697.98	497,379,347.43
SHARE PREMIUM ACCOUNT		
SHARE PREMIUM	160,072,824.00	
Less: Unpaid Premium	4,000.00	
Add: On conversion of Stock Option Issued to Employees	12,912,725.70	
	172,981,549.70	160,068,824.00
GENERAL RESERVE		
As per last Balance Sheet	102,130,982.00	
Add: Trf. From P&L Account	50,000,000.00	
	152,130,982.00	102,130,982.00
Foreign Currency Translation Reserve	146,097.00	144,516.00
EMPLOYEE STOCK OPTION	7,605,726.00	28,592,106.00
Less: Deferred Employee Compensation	3,556,440.00	24,498,874.00
	1,058,593,612.68	763,816,901.43
SCHEDULE - C		
SECURED LOAN		
Canara Bank-Working capital (Secured against Land & Building at Gurgaon and Export Receivables and noida land & building and other assets at noida and personal guarantee of the Directors)	50,615,363.00	35,043,751.00
ESTATE OFFICER, UNION TERRITORY OF CHANDIGARH (Secured against title of Land, to be transfer after completion of Instalment)	3,291,456.00	—
NOIDA AUTHORITY (Secured against first charge over Land situated at 1A, Sector-73, Noida)	4,205,682.00	—
SIDCUL (Secured against first charge over Land situated at SIDCUL, Dehradun)	3,266,528.11	—
Centurion Bank OD Account (Secured against fixed deposit)	5,226,817.35	—
	66,605,846.46	35,043,751.00
SCHEDULE - D		
UNSECURED LOAN		
LOAN FROM DIRECTORS & OTHERS	2,374,463.35	2,402,793.35
	2,374,463.35	2,402,793.35

SCHEDULE - E

SCHEDULE OF FIXED ASSETS

PARTICULARS	RATE %	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		ASON 01-04-2007	ADDITION DURING THE PERIOD	SALE/ADJ. DURING THE PERIOD	ASON 31-03-2008	UPTO 31-03-2007	SALE/ADJ. DURING THE PERIOD	FORTHE PERIOD	UPTO 31-03-2008	ASON 31-03-2007	ASON 31-03-2008
LAND	0	17,928,563.80	59,569,427.00	—	77,497,990.80	—	—	—	—	17,928,563.80	77,497,990.80
BUILDING	5	27,899,073.74	5,850,082.00	—	33,749,155.74	7,807,792.74	1,157,812.00	8,965,604.74	20,091,281.00	24,783,551.00	24,783,551.00
Furniture & fixture	18.1	13,759,274.26	5,724,400.00	—	19,483,674.26	8,708,341.26	1,649,640.00	10,357,981.26	5,050,933.00	9,125,693.00	9,125,693.00
Office Equipment, Electrical, AC, Genset Etc.	13.91	20,787,742.80	6,032,875.00	—	26,820,617.80	10,743,080.80	2,136,926.00	12,880,006.80	10,044,662.00	13,940,611.00	13,940,611.00
COMPUTERS & SOFTWARES	40	136,626,153.50	237,787,131.00	1,319,500.00	373,093,784.50	64,927,513.50	1,264,463.00	62,948,884.00	126,611,934.50	71,698,640.00	246,481,850.00
Vehicle	25.89	1,419,803.04	—	—	1,419,803.04	941,275.04	123,891.00	1,065,166.04	478,528.00	354,637.00	354,637.00
Capital Work in-Progress			314,963,915.00	1,319,500.00	532,065,026.14	93,128,003.34	1,264,463.00	159,880,693.34	125,292,607.80	372,184,332.80	372,184,332.80
TOTAL			33,403,720.18	—	36,142,020.18	—	—	—	2,738,300.00	36,142,020.18	36,142,020.18
Figures of the Previous Year			348,367,635.18	1,319,500.00	568,207,046.32	93,128,003.34	1,264,463.00	159,880,693.34	128,030,907.80	408,326,352.98	408,326,352.98
			73,724,534.00	—	221,158,911.14	67,562,201.54	25,565,801.80	93,128,003.34	79,872,175.60	128,030,907.80	128,030,907.80

	As on 31-03-2008	As on 31-03-2007
SCHEDULE - F		
INVESTMENTS		
A. Other than trade-unquoted		
EQUITY SHARES NON TRADED AND UNQUOTED	99,800.00	99,800.00
9980 Equity shares of Rs.10/- each fully paidup in		
M/s.Enstaserv eServices Ltd		
	99,800.00	99,800.00
SCHEDULE - G		
CASH & BANK BALANCE		
CASH IN HAND	2,042,521.00	588,704.00
<i>(Includes US\$ 5,363 (INR 214,359) inhand at US Branch</i>		
<i>& US\$45,339 (INR 18,12,200) in Subsidiary)</i>		
BALANCES WITH SCHEDULED BANKS		
Canara Bank	5,153,143.62	15,802,441.50
Canara Bank(EEFC A/C)	253,800.00	4,157,363.00
Fixed Deposits	14,992,635.00	8,258,635.00
BALANCES WITH NON-SCHEDULED BANKS		
Centurion Bank	2,615,180.73	1,913,986.15
HDFC- Bank	62,460.00	62,460.00
Wells Fargo Bank	377,406,726.00	128,763,363.00
Bank of America	2,146,164.00	5,222,357.00
Fixed Deposits (Includes overdraft facility	6,915,000.00	6,304,012.92
availed amounting to Rs.53 Lacs)		
	411,587,630.35	171,073,322.57
SCHEDULE - H		
SUNDRY DEBTORS		
(Debtors outstanding for a period exceeding		
six months)	11,276,871.04	77,989,353.00
Other debtors (Considered good)	480,972,864.00	407,478,137.73
	492,249,735.04	485,467,490.73

	As on 31-03-2008	As on 31-03-2007
SCHEDULE - I		
LOANS AND ADVANCES (Unsecured, Considered Good)		
SUNDRY SECURITY DEPOSITS	2,616,969.00	2,383,719.00
IMPREST/ADV. TO EMPLOYEES	3,854,827.40	2,515,183.95
LOANS & ADVANCES	11,695,986.00	9,713,294.00
PREPAID EXPENSES	926,449.00	2,113,265.00
T.D.S. (Includes refundable of earlier years)	12,554,339.67	4,587,116.44
ADVANCE INCOME TAX	50,000.00	200,000.00
ADVANCE FRINGE BENEFIT TAX	1,165,780.00	570,000.00
INTT. ACCRUED	1,891,454.03	135,858.39
EXCISE DEPOSIT (PLA)	5,220.00	6,070.00
ADVANCE RECOVERABLE (SERVICE TAX)	75,141.00	151,455.00
ADVANCE AGAINST PROPERTY (Rs.1,58,36,588/- against land situated at A-87, Sector-57, Noida, Rs.30,10,000/- against HSIDC at Pachkula and Rs.1,00,000/- against Greater Noida)	18,946,588.00	22,869,298.00
CONSIDERED DOUBTFUL - ADVANCES	1,276,683.75	1,276,683.75
	55,059,437.85	46,521,943.53
SCHEDULE - J		
CURRENT LIABILITIES		
SUNDRY CREDITORS	82,862,439.33	73,820,797.75
OTHER LIABILITIES	71,614,913.00	15,567,721.00
	154,477,352.33	89,388,518.75
SCHEDULE - K		
PROVISIONS		
PROVISION FOR		
- INCOME TAX	13,100,000.00	6,000,000.00
- ON CORPORATE DIVIDEND TAX	6,129,551.00	5,638,746.00
- ON FRINGE BENEFIT TAX	3,787,920.00	656,555.00
PROPOSED DIVIDEND	36,066,788.00	21,403,477.50
PROVISION FOR GRATUITY	2,017,713.00	1,514,403.00
PROVISION FOR LEAVE ENCASHMENT	2,171,924.00	5,068,444.00
	63,273,896.00	40,281,625.50
SCHEDULE - L		
PRELIMINARY & OTHE MISC. EXPENSES		
PRELIMINARY EXPENSES	—	7,482.18
IPO EXPENSES	7,318,706.40	9,758,275.20
	7,318,706.40	9,765,757.38
LESS : WRITTEN OFF DURING THE YEAR	—	7,482.18
LESS : IPO EXPENSES WRITTEN OFF	2,439,568.80	2,439,568.80
	4,879,137.60	7,318,706.40

	For the Year ended on 31-03-2008	For the Yearended on 31-03-2007
SCHEDULE-M		
MISC. INCOME		
INTEREST	1,610,589.00	9,211,147.00
RENT INCOME	3,244,395.00	—
AMOUNT W/BACK	156,920.85	11,565.00
	5,011,904.85	9,222,712.00
SCHEDULE-N		
SOFTWARE DEVELOPMENT EXPENSES		
COMPUTER CONSUMABLE STORES	242,086.00	194,453.00
SALARIES & OTHER PROJECT EXP.	1,313,515,211.85	1,261,092,809.75
EMPLOYEE COMPENSATION EXPENSES	3,449,484.00	9,889,314.00
	1,317,206,781.85	1,271,176,576.75
SCHEDULE- O		
ADMINISTRATIVE AND OTHER EXPENSES		
SALARIES & STAFF BENEFITS	62,590,671.00	63,435,551.00
EMPLOYEE COMPENSATION EXPENSES	3,149,746.00	3,346,515.00
ADVERTISEMENT EXPENSES	529,746.00	650,081.00
BANK CHARGES/INTEREST	2,405,125.11	893,366.15
BUSINESS PROMOTION	1,088,322.00	1,911,234.00
TRAVELLING & CONVEYANCE	13,807,136.10	11,805,257.00
POWER & FUEL	7,561,333.40	6,998,994.00
MEDICAL EXPENSES	—	5,358.00
RECRUITMENT EXPENSES	4,190,606.00	—
TELEPHONE,POSTAGE & TELEGRAPH	28,040,500.81	22,243,653.00
RENT	2,548,228.00	2,325,616.00
LEGAL & PROFESSIONALCHARGES	4,226,181.14	1,747,304.00
SOFTWARE CONSULTANCY CHARGES	1,116,382.00	1,173,110.00
INSURANCE CHARGES	1,411,835.00	628,715.00
DIRECTOR'S REMUNERATION	—	425,000.00
MEETING FEES	98,980.00	121,520.00
AUDITOR'S REMUNERATION		
-Audit Fees	353,934.00	224,480.00
-Tax Audit Fee	70,786.00	44,896.00
PRINTING & STATIONARY	1,450,719.50	1,560,125.50
REPAIR AND MAINTENANCE	2,256,452.30	2,300,581.30
SECURITY CHARGES	881,535.00	560,412.00
SERVICE CHARGES	250,000.00	150,000.00
MEMBERSHIP & SUBSCRIPTION	137,265.00	135,597.00
RATES & TAXES	4,632,359.00	1,425,090.00
FILING FEE/ OTHER ROC EXPENSES	3,500.00	16,260.00
NEWS PAPERS, BOOKS & PRIODICALS	68,303.00	68,913.00
CONFERENCE EXP.	244,347.00	270,606.00
OFFICE MAINTENANCE	777,506.00	596,891.50
PRELIMINARY EXPENSES	—	7,482.18
IPO EXPENSES	2,339,568.80	2,339,568.80
LOSS ON SALE OF ASSETS	49,537.00	—
AMOUNT WRITTEN OFF	696.00	26,598.00
CAPITAL ENHNCEMENT W/O	100,000.00	100,000.00
MICS. EXPENSES	1,388.00	32,591.00
	146,382,689.16	127,571,366.43

SCHEDULE - P

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

P.1 Significant Accounting Policies

P.1.1. Basis for preparation.

The Financial statements have been prepared under the historical-cost convention, in accordance with the Generally Accepted Accounting Principles (GAAP) and accounting standards issued by the Institute of Chartered Accountants of India (ICAI), the provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India (SEBI) as adopted consistently by the Company. All Income and expenditure having a material bearing on the financial statements are recognized on the accrual Basis.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Examples of such estimates include estimates of expected contract costs to be incurred to complete contracts, future obligations under employee retirement benefit plans. Actual result could differ from these estimates.

P.1.2. Revenue recognition.

Revenue from software development services and other projects on a time-and -material basis is recognized based on services rendered and billed to clients as per the terms of specific contracts. In the case of fixed-price contracts, revenue is recognized based on the milestones achieved, as specified in the contracts, on a percentage of completion basis. Interest on development of surplus funds is recognized using the time-proportion method, based on interest rates implicit in the transaction.

P.1.3. Expenditure

Expenses are accounted for on accrual basis and provisions are made for all known losses and liabilities. Company has booked sales incentive on cash basis.

P.1.4. Fixed Assets

Fixed assets are stated at the cost of acquisition including incidental costs related to acquisition and installation. All direct costs are capitalized till the assets are ready to be put to use. Fixed assets under construction, advances paid towards acquisition of fixed assets and cost of assets not put to use before the period/year end, are disclosed as capital work in progress.

P.1.5. Depreciation

Depreciation on fixed assets is provided using the written down value method, as rates specified in schedule XIV of the Companies Act, 1956. Depreciation is charged on a pro-rata basis for assets purchased/sold during the year. Individual assets costing less than Rs. 5,000/- are depreciated in full in the year of purchase.

The company has booked depreciation on building situated at NSEZ. Whereas title of land yet to be transfer in the name of the company. Till March 2008 the company had paid Rs 2,92,53,975/-, which was capitalized, against land as shown in fixed assets.

P.1.6. Work-in-Process

The value of work in process as on the date of Balance Sheet has been derived at cost. Which comprising all direct cost(s) incurred upon ongoing projects client wise up till the end of financial year. The value of such unbilled amount has been valued, taken and considered as per certificate given by the management.

P.1.7. Foreign Currency Transactions.

Foreign exchange transactions are recorded at the exchange rates prevailing at the date of transaction. Realized gains or losses on foreign exchange transactions during the period are recognized in profit and loss account. However, sundry debtors are accounted upon the prevailing rates on the date of invoice issuance. Expenditure in foreign currency is accounted at the conversion rate prevalent when such expenditure is incurred. Where realizations are deposited into, and disbursements made out of, a foreign currency bank account, all transactions during the month are reported at a rate which approximates the actual monthly rate.

In the case of current assets and current liabilities expressed in foreign currency, the exchange rate prevalent at the end of the year is taken for the purposes of transaction. Exchange differences arising on foreign currency transactions are recognized as income or expenses in the year in which they arise. In the case of forward contracts, the difference between the forward rate and the exchange rate on the date of the transaction is recognized as income or expenses over the life of the contracts.

P.1.8. Investment

Investments are accounted based on the intent of management at the time of acquisition.

P.1.9. Investment in subsidiary

The company has its 100% wholly owned subsidiary FCS Software Solutions America Ltd. U.S.A.

P.1.10. Retirement Benefits.

Contributions to provident fund are charged to the profit and loss account as incurred. Provisions for gratuity and leave encashment are accounted at the year-end and charged off to the profit and loss account.

Company is not providing for the gratuity on the basis of actuarial valuation as prescribed under AS-15 prescribed by ICAI and liability was provided only for those employees who are covered under Gratuity Act as determined by the management.

Company has changed the accounting policy for existing employees retrospectively for leave encashment and as per new policy leave encashment will be paid on the basis of basic salary only. As a result provision for leave encashment as appearing as on 31.3.2008 has been written back to the tune of Rs 45,12,381/- and accounted under prior period income in the profit and loss account.

Company does not owe any liability for bonus as no employee is covered under Payment of Bonus Act and no provision for Ex Gratia was made.

P.1.11. Employee Stock option based compensation.

The excess of market price of underlying equity shares as of the date of the grant of options over the exercise price of the options given to employees under the employee stock option plan is recognize as deferred stock compensation cost and amortized over the vesting period, on a straight line basis.

P.1.12. Earning per Share.

Basic earning per share is computed using the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed using the weighted average number of equity and diluted equity equivalent shares outstanding during the year-end, except where the results would be anti-dilutive.

P.1.13. Advances

The advances comprising an amount of Rs. 12,76,684/-, which are outstanding for a long period. Out of which an advance to the tune of Rs.3, 96,738/- is under litigation.

P.1.14. Income Tax

- a. Provision is made for income tax on a yearly basis, under the tax-payable method, based on the tax liability as computed after taking credit for allowances and exemptions as the case may be.
- b. In compliance of Accounting Standard-22 on "Accounting for taxes on Income" issued by ICAI, the company has recorded the deferred tax Liability of Rs. 88,37,820/- for the year ended March 31,2008, has been provided and the post tax profit has accordingly reduced.
- c. Company has not calculated deferred tax on timing gap of depreciation on assets utilized in Special Economic Zone and STPI in accordance with Accounting Standard Interpretation (ASI)5 issued by Institute of Chartered Accountant of India, as all these differences will be reversed within the tax holiday itself. Accordingly current year post tax Profit has been increased by Rs.1,35,55,729/-

The item-wise details of deferred tax liability are as under: -

	Year Ended 31st March 2008 (Rupees)	Year Ended 31st March 2007 (Rupees)
Deferred Tax Liability		
(1) Depreciation	1,84,00,494.00	1,03,54,403.00
Less: Deferred Tax Assets		
(2) Provision for Retirement Benefits		
- For Gratuity	6,85,821.00	5,09,748.00
- Leave Encashment	7,38,237.00	17,06,038.00
Deferred Tax Liability (Net)	1,69,76,437.00	81,38,617.00

P.1.15. Employees Stock Option Plan (ESOP).

The Securities and Exchange board of India (SEBI) has issued the (Employee Stock Option Scheme and Employee Stock Purchase Scheme) guidelines, 1999 which is effective for all stock options schemes established after 19th June 1999. In accordance with these guidelines, the access of the market price of the underlying equity shares as of the date of the grant of the options over the exercise price of the option, including upfront payments, if any is to be recognized and amortized on a straight-line basis over the vesting period.

In the fiscal 2005, the company instituted an ESPS Scheme comprising the issue of 110,000 equity shares and ESOS scheme comprising the issue of 7,53,000 equity shares having the vesting period of three years. The Board of Directors and shareholders in the meeting duly approved the scheme. Under the ESOS scheme 157,730 equity share were issued to the eligible employees.

Details of Option granted/exercised and forfeited are as follows: -

Stock Option Scheme 2005

	Year Ended 31st March 2008 (No. Of Shares)	Year Ended 31st March 2007 (No. Of Shares)
Option Outstanding at the beginning of the year	3,07,442	5,90,200
Instituted During the Year	Nil	Nil
Option Granted	172,596	Nil
Option forfeited	154,217	1,25,700
Option Exercised	157,730	1,57,058
	168,071	3,07,442

The Movement in deferred stock compensation expense during the year is as follows:-

	Year Ended 31st March 2008 (Rupees)	Year Ended 31st March 2007 (Rupees)
Balance brought forwarded	24,498,874	49,424,803
Add: Recognized during the year	Nil	Nil
Less: Amortization expenses	6,599,230	17,314,020
Less: Reversal due to forfeiture	14,343,204	76,11,909
Balance carried forward	3,556,440	24,498,874

P.1.16 Managerial Remuneration*

	Year Ended 31st March 2008 (Rupees)	Year Ended 31st March 2007 (Rupees)
A. Managing Director		
Salary and perquisites	Nil	Nil
Contribution to Provident Fund and other funds	Nil	Nil
Commission	Nil	Nil
B. Executive Directors		
Salary and perquisites	Nil	4,25,000
Contribution to Provident Fund and other funds	Nil	Nil
Commission	Nil	Nil
	Nil	4,25,000

C. Non Executive Directors

Salary and perquisites	Nil	Nil
Contribution to Provident Fund and other funds	Nil	Nil
Commission	Nil	Nil
Sitting Fee	98,980	1,21,520
	98,980	1,21,520

During the year under purview the company had paid Rs. 103,42,950/- to and received Rs. 202,72,000/- from Enstaserve Services Ltd. In which director is interested.

During the year under purview the company had paid and received Rs. 4,45,00,000/- to Prometheus e Services P LTd.. No interest was paid or received for this transaction.

P.1.17 Earning per share

	Year Ended 31st March 2008	Year Ended 31st March 2007
Profit After taxation available to equity shareholders (rupees)	324,102,690	230,897,259
Weighted average number of equity shares used in Calculating basic earning per share	14,269,085	140,73,027
Add: Effect of diluted issue of shares	157,730	196,058
Weighted average number of equity shares used in Calculating diluted earning per share	14,426,815	14,269,085
Basic earning per share (Rupees)	22.71	16.40
Diluted earning per share (Rupees)	22.47	16.18

P.1.18. Research & Development

Revenue Expenditure incurred on research and development is charged to revenue in the year it is incurred. Assets used for research and development activities are included in fixed assets.

P.1.19. Foreign Branch

All revenue and expenses transactions are during the year reported at average rate. The assets and liabilities both monetary and non-monetary are translated at the rate prevailing on the balance sheet date. All resulting exchange differences are accumulated in a foreign currency translation reserve until the disposal of the net investment. However the Balance sheet of branch as on 31st March 2008 has been considered and accounted as certified by the certified public accountant and further certified by the management.

P.1.20. Segment Reporting

The Segment reporting policy complies with the accounting policies adopted for preparation and presentation of financial statements of the Company and is in conformity with Accounting Standard -17 on "Segment Reporting", issued by ICAI. The primary segmentation is based on the Geographies in which Company operates and internal reporting system. The Company operates in two main Geographical Segments India and USA.

The Profit and Loss for reportable primary Segment is setout below: -

For the Year Ended 31st March 2008

(Amount in lacs.)

Description	India	USA	Total
Revenue from external customers	839.85	19,578.57	20,418.42
Expenses	147.77	14,659.19	14,806.96
Segment Result	692.08	4,919.38	5,611.46
Unallocated Expenses			2,144.00
Operating Profit Before Taxation			3,467.46
Other Income			50.12
Finance Charges			55.11
Profit Before Tax & Prior Period Adj.			3,462.47
Prior Period Adjustment Income/ (Expenses)			45.02
Provision for Taxation			178.08
Provision for Deferred Tax			88.38
Net Profit After Tax			3,241.03

For the Year Ended 31st March 2007

(Amount in lacs.)

Description	India	USA	Total
Revenue from external customers	585.68	14849.27	15434.95
Expenses	181.15	11369.71	11550.86
Segment Result	404.53	3479.56	388.09
Unallocated Expenses			1531.37
Operating Profit Before Taxation			2352.72
Other Income			92.23
Finance Charges			45.98
Profit Before Tax & Prior Period Adj.			2,398.97
Prior Period Adjustment			2.43
Provision for Taxation			66.63
Provision for Deferred Tax			20.94
Net Profit After Tax			2,308.97

P.1.21. Employee Benefits

Contributions to defined schemes such as provident Fund, Employees' State Insurance Schemed are charged as incurred on actual basis. The Company also provides for other retirement benefits in the form of gratuity and leave encashment based on valuation made by independent actuaries as at the balance sheet date.

P.1.22. Material Events.

Material events occurring after the Balance Sheet date taken into consideration.

P.2.1. Notes on accounts.

The previous year's figures have been recast/restated wherever necessary to confirm to the current year's classification.

P.2.2. Contingent liabilities

The company has no letters of credit outstanding issued to various vendors as at March 31, 2008. The corresponding figure for the previous year was Rs. Nil.

P.2.3. Payment to Auditors.

	Current Year	Previous Year
Audit Fee	3,53,934	2,20,400
Tax Audit Fee	70,786	44,080
In other capacity	NIL	NIL

P.2.4 Quantitative Details.

The Company is engaged in the software consultancy, technical support services, e-learning and other related allied services. These services cannot be expressed in any generic unit. Hence it is not possible to give the quantitative details of sales and the information as required under paragraphs 3, 4C and 4D of part II of Schedule VI of the Companies Act 1956.

P.2.5 Imports On CIF basis.

	<i>(Amt. in Rs.)</i>	
	Current Year	Previous Year
Capital Goods	23,08,912.00	38,00,547.00
Software Packages	21,37,34,704.00	4,25,59,026.00

P.2.6 Expenditure in Foreign Currency.

Professional Charges & Other expenditure incurred overseas For software development	119,69,26,695.00	118,68,48,115.00
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P.2.7 Earning in foreign exchange

Income from software development services and products	195,78,56,699.00	148,49,26,453.00
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AUDITOR'S REPORT

AS PER OUR REPORT OF EVEN DATE

For FCS SOFTWARE SOLUTIONS LTD.

For SPMG & COMPANY.

Chartered Accountants

**Sd/-
Dalip Kumar
(CMD)**

**Sd/-
Janak Sharma
(Director)**

**Sd/-
Vinod Gupta
(Partner)**

**Sd/-
Anil Sharma
Vice-President (Fin.)**

**Sd/-
Abhishek Anand
(Co. Secretary)**

Place : Delhi

Date : 23rd June, 2008

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED
31st MARCH,2008**

	<i>(Amount in Rs.)</i>	
	as at 31-03-08	as at 31-03-07
A CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit after tax as per Profit & Loss Account	324,102,689.55	230,897,258.88
Adjusted for:		
Deferred Tax Provision	8,837,820.00	2,093,636.00
Provision for income tax	14,020,513.34	6,006,199.50
Provision for Fringe Benefit	3,787,920.00	656,555.00
Depreciation/Preliminary Expenses written off/ Employee Stock Compensation	77,055,951.80	41,248,681.78
Prior Period Adjustments	(4,502,091.00)	243,251.00
Interst Expenses	5,510,900.00	4,597,541.04
Operating Profit before Working Capital Changes	428,813,703.69	285,743,123.20
Adjustment in Operating Profit		
Adjusted for:		
Sale of Assets Net	55,037.00	—
Trade and Other Receivables	(6,782,244.31)	(173,934,434.13)
Work in Process	108,883,222.00	(121,615,870.00)
Trade Payable	65,088,833.58	24,552,202.00
Increase in Provision	(2,393,210.00)	2,119,962.00
Loan & Advances	(8,537,494.32)	(10,294,346.89)
Net Cash From Operating Activities	585,127,847.64	6,570,636.18
B Cash Flow From Investing Activities		
Purchase of Fixed Assets	348,367,635.18	73,724,534.00
Net Cash used in Investing Activities	348,367,635.18	73,724,534.00
C CASH FLOW FROM FINANCIAL ACTIVITIES:		
Proceed from Issue of Share Capital	—	1,000.00
Proceed from Issue of Share Premium	6,269,549.70	4,000.00
Proceeds from Employee Stock Option Exercised	1,577,300.00	1,960,580.00
Proceed from Long Term Borrowings	31,562,095.46	(95,506,490.88)
Increase in Foreign Currency transaction Reserve	1,581.00	91,737.00
Repayment of Long Term Borrowings	(28,330.00)	(1,131,965.00)

Dividend Paid/Dividend Tax	(27,042,223.50)	(38,338,798.00)
Tax Paid	(7,577,068.34)	(4,314,902.50)
Prior Period Adjustments	4,502,091.00	(243,251.00)
Interest Expenses	(5,510,900.00)	(4,597,541.04)
Net Cash used in Financial Activities	3,754,095.32	(142,075,631.42)
Net Increase/ Decrease in Cash and Cash Equivalents	240,514,307.78	(209,229,529.24)
Opening Balance of Cash and Cash Equivalents	171,073,322.57	380,302,851.81
Closing Balance of Cash & Cash Equivalents	411,587,630.35	171,073,322.57

Notes:

1. The above cash flow statement has been prepared in accordance with the 'Indirect Method' as set out in the Accounting Standard 3 on "Cash Flow Statement" issued by ICAI.
2. Cash and cash equivalents consist of cash in hand and balances with scheduled/non scheduled banks.
3. The previous year's figures have been recast/restated, wherever necessary, to confirm to current year's classification

AS PER OUR REPORT OF EVEN DATE

For FCS SOFTWARE SOLUTIONS LTD.

For SPMG & COMPANY.
Chartered Accountants

Sd/-
Dalip Kumar
(CMD)

Sd/-
Janak Sharma
(Director)

Sd/-
Vinod Gupta
(Partner)

Sd/-
Anil Sharma
Vice-President (Fin.)

Sd/-
Abhishek Anand
(Co. Secretary)

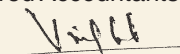
Place : Delhi
Date : 23rd June, 2008

Auditor's Report to the members FCS Software Solutions Ltd.

1. We have audited the attached Balance Sheet of FCS Software Solutions Ltd., as at 31st March 2008, the Profit and Loss Account for the year ended on that date annexed thereto and cash flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principals used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order 2003 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 hereto a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the annexure referred to in paragraph 3 above, we report that:
 - a) We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
 - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the mandatory accounting standards referred in sub-section (3C) of section 211 of the Companies Act, 1956;
 - e) On the basis of written representation received from the directors, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2007, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - f) In our opinion and to the best of our information and according to the explanation given to us, the said accounts read together with the Significant Accounting Policies and other notes thereon 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 principal generally accepted in India;
 - i) In so far as it relates to Balance- Sheet, of the state of affairs of the company as at 31st March, 2008;
 - ii) In so far as it relates to the Profit and Loss Account, of the Profit of the company for the year ended on that date; and
 - iii) In so far as it relates to the Cash Flow Statement, of the cash flows of the company for the year ended on that date.

Delhi
23rd June, 2008

for SPMG & Co.
Chartered Accountants



Vinod Gupta
Partner

Membership No. 90687

ANNEXURE TO THE AUDITOR'S REPORT

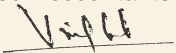
Statement referred to in paragraph above of our report of even date

1. The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets in respect of all its location.
2. The fixed assets have been physically verified by the management at all location at reasonable intervals. No material discrepancies between book records and the physical inventories have been noticed on such verification.
3. The Company has no physical inventory as such.
4. (a) The company has not taken any unsecured loan during the period from Company, Firm and other parties covered in the Register maintained under section 301 of the companies Act, 1956.
(b) The Company has not granted any unsecured loan to Company covered in the register maintained under section 301 of the Companies Act, 1956.
5. In our opinion and according to the information and explanation given to us, there is an adequate internal control procedure commensurate with the size of the company and the nature of its business for purchase of inventory and fixed assets and on the sale of goods. During the course of our audit, no major weakness has been noticed in the internal controls. We have not observed any failure on the part of the company to correct major weakness in internal controls.
6. Based on audit procedure applied by us and according to the information and explanation provided by the management, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of companies Act, 1956 have been so entered.
7. In our opinion and according to information and explanation given to us the company has no deposits as prescribed under Section 58A and 58AA of the Companies Act, 1956 and rules framed there under.
8. In our opinion the company has an internal audit system commensurate with the size and nature of its business.
9. On the basis of information and explanation given to us we are of the opinion that prima facie cost records and accounts prescribed by the Central Government under said Section 209(1) (d) of the Companies Act, 1956 in respect of products of the Company covered under the rules under said Section are not applicable to the Company.
10. According to information and explanation given to us the company is depositing with appropriate authorities undisputed statutory dues including Provident Fund, Employees State Insurance, Income Tax, Sales Tax, Custom Duty, Excise Duty, Cess and other statutory dues to the extent applicable to it.

11. Based on our examination of the records and evaluations of the related internal controls, we are of the opinion that proper records have been maintained of the transactions and contracts relating to shares, securities and other investment dealt in by company and timely entries have been made in the records. We also report that the company has held the shares, securities and other investment in its own name except for those pending transfer in company's name.
12. The company has not given guarantee for loans taken by others from banks or financial institutions, the terms and conditions thereof are not prima facie prejudicial to the interest of the company.
13. Based upon the audit procedures performed and information and explanation given by the management, we report that no fraud on or by the company has been noticed or reported during the course of our audit.
14. Other clauses of the order are not applicable to the company.

Delhi
23rd June, 2008

for SPMG & Co.
Chartered Accountants



Vinod Gupta
Partner
Membership No. 90687



**FCS SOFTWARE SOLUTIONS LTD.
BALANCE SHEET AS AT 31ST MARCH 2008**

PARTICULARS	SCHEDULE	As on 31-03-2008 AMOUNT (RS)	As on 31-03-2007 AMOUNT (RS)
SOURCE OF FUNDS			
SHARE HOLDER'S FUND			
Share Capital	A	144,267,150.00	142,689,850.00
Reserve and Surplus	B	1,062,041,791.68	764,470,272.43
LOAN FUND			
Secured Loan	C	66,605,846.46	35,043,751.00
Unsecured Loan	D	2,374,463.35	2,402,793.35
DEFERRED TAX LIABILITY		16,976,437.00	8,138,617.00
TOTAL		1,292,265,688.49	952,745,283.78
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	E	532,065,026.14	218,420,611.14
Less : Depreciation		159,880,693.34	93,128,003.34
Net Block		372,184,332.80	125,292,607.80
Add: Capital Work in Progress		36,142,020.18	2,738,300.00
		408,326,352.98	128,030,907.80
INVESTMENTS	F	103,797.00	104,159.00
Current Assets Loan and Advances			
CURRENT ASSETS			
Cash and Bank Balance	G	382,684,037.35	170,636,769.57
Debtors	H	216,671,394.04	449,688,033.73
Work-in-Process		134,366,664.00	243,249,886.00
Loans & Advances	I	338,607,457.85	44,676,168.53
		1,072,329,553.24	908,250,857.83
Less : Current Liabilities	J	130,099,256.33	50,677,721.75
Provisions	K	63,273,896.00	40,281,625.50
		193,373,152.33	90,959,347.25
NET CURRENT ASSETS		878,956,400.91	817,291,510.58
PRELIMINARY & OTHER MISC. EXPENSES	L	4,879,137.60	7,318,706.40
		1,292,265,688.49	952,745,283.78
SIGNIFICANT ACCOUNTING POLICY & NOTES ON ACCOUNTS			
AS PER OUR REPORT OF EVEN DATE		For FCS SOFTWARE SOLUTIONS LTD.	
For SPMG & COMPANY.		Sd/-	Sd/-
Chartered Accountants		Dalip Kumar	Janak Sharma
		(CMD)	(Director)
Sd/-		Sd/-	Sd/-
Vinod Gupta		Anil Sharma	Abhishek Anand
(Partner)		Vice-President (Fin.)	(Co. Secretary)
Place : Delhi			
Date : 23rd June, 2008			

**FCS SOFTWARE SOLUTIONS LTD.
PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2008**

	For the Year ended on 31-03-2008	For the Year ended on 31-03-2007
INCOME		
SOFTWARE DEVELOPMENT & OTHER SERVICES	976,164,283.05	1,312,710,763.00
DECREASE/INCREASE IN WORK-IN-PROCESS	(108,883,222.00)	121,615,870.00
	867,281,061.05	1,434,326,633.00
EXPENDITURE		
FOREX FLUCTUATION ACCOUNT	54,606,372.00	5,525,137.60
SOFTWARE DEVELOPMENT EXPENSES	304,410,494.85	1,043,515,416.75
ADMINISTRATIVE AND OTHER EXPENSES	90,638,845.16	123,786,483.43
	449,655,712.01	1,172,827,037.78
OPERATING PROFIT (PBIDT)	417,625,349.04	261,499,595.22
MISC. INCOME	5,011,904.85	9,222,712.00
FINANCE CHARGES	5,510,900.00	4,597,541.04
DEPRECIATION	68,017,153.00	25,565,801.80
PRIOR PERIOD ITEMS - Income/(Expenses)	4,502,091.00	(243,251.00)
PROFIT BEFORE TAX	353,611,291.89	240,315,713.38
PROVISION FOR TAX :-		
PROVISION FOR INCOME TAX - CURRENT	13,100,000.00	6,000,000.00
PROVISION FOR FBT - CURRENT	3,787,920.00	656,555.00
DEFERRED TAX (ASSETS)/LIABILITY	8,837,820.00	2,093,636.00
INCOME TAX PAID	920,513.34	6,199.50
PROFIT AFTER TAX	326,965,038.55	231,559,322.88
Balance Brought Forward	498,041,411.43	407,702,000.05
AMOUNT TRANSFER TO GENERAL RESERVE	50,000,000.00	100,000,000.00
APPROPRIATIONS		
INTERIM DIVIDEND PAID	—	14,268,985.00
DIVIDEND TAX	—	2,001,225.00
PROPOSED DIVIDEND	36,066,788.00	21,403,477.50
PROVISION FOR TAX ON PROPOSED DIVIDEND	6,129,551.00	3,637,521.00
PROVISION WRITTEN OFF	—	91,297.00
BALANCE IN THE PROFIT & LOSS ACCOUNT	732,810,110.98	498,041,411.43

SIGNIFICANT ACCOUNTING POLICY & NOTES ON ACCOUNTS

AS PER OUR REPORT OF EVEN DATE

For SPMG & COMPANY.
Chartered Accountants

**Sd/-
Vinod Gupta**
(Partner)

Place : Delhi
Date : 23rd June, 2008

P

For FCS SOFTWARE SOLUTIONS LTD.

**Sd/-
Dalip Kumar**
(CMD)

**Sd/-
Janak Sharma**
(Director)

**Sd/-
Anil Sharma**
Vice-President (Fin.)

**Sd/-
Abhishek Anand**
(Co. Secretary)

SCHEDULE - A	As on 31-03-2008	As on 31-03-2007
AUTHORISED CAPITAL		
2,50,00,000 EQUITY SHARES OF Rs 10/- EACH	250,000,000.00	250,000,000.00
ISSUED, SUBSCRIBED & PAIDUP		
14,426,815 EQUITY SHARES OF Rs 10/- EACH <i>(Out of which 14,426,615 equity shares are fully paid up and 200 shares are partly paid up Rs. 5 each)</i> <i>[Out of the above 30,00,000 shares of Rs. 10/- each have been issued as bonus shares by capitalisation of general reserve dt. 29.9.99]</i> <i>[Out of the above 35,00,000 shares of Rs. 10/- each have been issued as bonus shares by capitalisation of general reserve dt. 20.4.00]</i>	144,268,150.00	142,690,850.00
Less: Unpaid Share Capital Money	1,000.00	1,000.00
	144,267,150.00	142,689,850.00
SCHEDULE - B		
RESERVES AND SURPLUS		
PROFIT & LOSS ACCOUNT	732,810,110.98	498,041,411.43
SHARE PREMIUM ACCOUNT		
SHARE PREMIUM	160,072,824.00	
Less: Unpaid Premium	4,000.00	
Issued to Employees	12,912,725.70	
	172,981,549.70	160,068,824.00
GENERAL RESERVE		
As per last Balance Sheet	102,130,982.00	
Add: Trf. From P&L Account	50,000,000.00	
	152,130,982.00	102,130,982.00
Foreign Currency Translation Reserve	69,863.00	135,823.00
EMPLOYEE STOCK OPTION	7,605,726.00	28,592,106.00
Less: Deferred Employee Compensation	3,556,440.00	24,498,874.00
	1,062,041,791.68	764,470,272.43
SCHEDULE - C		
SECURED LOAN		
Canara Bank-Working capital (Secured against Land & Building at Gurgaon and Export Receivables and noida land & building and other assets at noida and personal guarantee of the Directors)	50,615,363.00	35,043,751.00
ESTATE OFFICER, UNION TERRITORY OF CHANDIGARH (Secured against title of Land, to be transfer after completion of Instalment)	3,291,456.00	—
NOIDA AUTHORITY (Secured against first charge over Land situated at 1A, Sector-73, Noida)	4,205,682.00	—
SIDCUL (Secured against first charge over Land situated at SIDCUL, Dehradun)	3,266,528.11	—
Centurion Bank OD Account (Secured against fixed deposit)	5,226,817.35	—
	66,605,846.46	35,043,751.00
SCHEDULE - D		
UNSECURED LOAN		
LOAN FROM DIRECTORS & OTHERS	2,374,463.35	2,402,793.35
	2,374,463.35	2,402,793.35

SCHEDULE - E

SCHEDULE OF FIXED ASSETS

PARTICULARS	RATE	GROSS BLOCK			DEPRECIATION			NET BLOCK		
		ASON 01-04-2007	ADDITION DURING THE PERIOD	SALE/ADJ. DURING THE PERIOD	ASON 31-03-2008	UPTO 31-03-2007	SALE/ADJ. DURING THE PERIOD	FOR THE PERIOD	UPTO 31-03-2008	ASON 31-03-2007
LAND	0	17,928,563.80	59,569,427.00	—	77,497,990.80	—	—	—	17,928,563.80	77,497,990.80
BUILDING	5	27,899,073.74	5,850,082.00	—	33,749,155.74	7,807,792.74	1,157,812.00	8,965,604.74	20,091,281.00	24,783,551.00
Furniture & fixture	18.10	13,759,274.26	5,724,400.00	—	19,483,674.26	8,708,341.26	1,649,640.00	10,357,981.26	5,050,933.00	9,125,693.00
Office Equipment, Electrical, AC, Genset Etc.	13.91	20,787,742.80	6,032,875.00	—	26,820,617.80	10,743,080.80	2,136,926.00	12,880,006.80	10,044,662.00	13,940,611.00
COMPUTERS & SOFTWARES	40	136,626,153.50	237,787,131.00	1,319,500.00	373,093,784.50	64,927,513.50	1,264,463.00	126,611,934.50	71,698,640.00	246,481,850.00
Vehicle	25.89	1,419,803.04	—	—	1,419,803.04	941,275.04	123,891.00	1,065,766.04	478,528.00	354,637.00
Capital Work-in-Progress				1,319,500.00	532,065,026.14	93,128,003.34	1,264,463.00	159,880,693.34	125,292,607.80	372,184,332.80
		2,738,300.00	33,403,720.18	—	36,142,020.18	—	—	—	2,738,300.00	36,142,020.18
TOTAL		221,158,911.14	348,367,635.18	1,319,500.00	568,207,046.32	93,128,003.34	1,264,463.00	159,880,693.34	128,030,907.80	408,326,352.98
Figures of the Previous Year		147,434,377.14	73,724,534.00	—	221,158,911.14	67,562,201.54	25,565,801.80	93,128,003.34	79,872,175.60	128,030,907.80

	As on 31-03-2008	As on 31-03-2007
SCHEDULE - F		
INVESTMENTS		
A. Other than trade-unquoted		
EQUITY SHARES NON TRADED AND UNQUOTED	99,800.00	99,800.00
9980 Equity shares of Rs.10/- each fully paidup in M/s.Enstaserv eServices Ltd		
B. In Subsidiary Compnay		
COMMON STOCK	3,997.00	4,359.00
(USD 0.01 PAR VALUE OF 10,000 COMMON STOCK SHARES (FCS Software Solutions America Ltd)		
	103,797.00	104,159.00
SCHEDULE - G		
CASH & BANK BALANCE		
CASH IN HAND	230,321.00	303,495.00
<i>(Includes US\$ 5,363 (INR 214,359) inhand at US Branch)</i>		
BALANCES WITH SCHEDULED BANKS		
Canara Bank	5,153,143.62	15,802,441.50
Canara Bank(EEFC A/C)	253,800.00	4,157,363.00
Fixed Deposits	14,992,635.00	8,258,635.00
BALANCES WITH NON-SCHEDULED BANKS		
Centurion Bank	2,615,180.73	1,913,986.15
HDFC- Bank	62,460.00	62,460.00
Wells Fargo Bank	350,315,333.00	128,763,363.00
Bank of America	2,146,164.00	5,071,013.00
Fixed Deposits (Includes overdraft facility availed amounting to Rs.53 Lacs)	6,915,000.00	6,304,012.92
	382,684,037.35	170,636,769.57
SCHEDULE - H		
SUNDRY DEBTORS		
(Debtors outstanding for a period exceeding six months considered good)	11,276,871.04	77,989,353.00
Other debtors (considered Good)	205,394,523.00	371,698,680.73
	216,671,394.04	449,688,033.73

	As on 31-03-2008	As on 31-03-2007
SCHEDULE - I		
LOANS AND ADVANCES (Unsecured, Considered Good)		
SUNDRY SECURITY DEPOSITS	2,616,969.00	2,383,719.00
IMPREST/ADV. TO EMPLOYEES	3,854,827.40	2,515,183.95
LOANS & ADVANCES(Includes Advanced to Subsidiary Company Rs. 28,37,59,301/-, Prvious Year Nil)	295,244,006.00	8,236,203.00
PREPAID EXPENSES	926,449.00	1,744,581.00
T.D.S. (Includes refundable of earlier years)	12,554,339.67	4,587,116.44
ADVANCE INCOME TAX	50,000.00	200,000.00
ADVANCE FRINGE BENEFIT TAX	1,165,780.00	570,000.00
INTT. ACCRUED	1,891,454.03	135,858.39
EXCISE DEPOSIT (PLA)	5,220.00	6,070.00
INPUT CREDIT RECOVERABLE (SERVICE TAX)	75,141.00	151,455.00
ADVANCE AGAINST PROPERTY (Rs.1,58,36,588/- against land situated at A-87, Sector-57, Noida, Rs.30,10,000/- against HSIDC at Pachkula and Rs.1,00,000/- against Greater Noida)	18,946,588.00	22,869,298.00
CONSIDERED DOUBTFUL - ADVANCES	1,276,683.75	1,276,683.75
	338,607,457.85	44,676,168.53
SCHEDULE - J		
CURRENT LIABILITIES		
SUNDRY CREDITORS	58,484,343.33	35,110,000.75
OTHER LIABILITIES	71,614,913.00	15,567,721.00
	130,099,256.33	50,677,721.75
SCHEDULE - K		
PROVISIONS		
PROVISION FOR TAXATION		
-CORPORATE TAX	13,100,000.00	6,000,000.00
-ON INTRIM/ PROPOSED DIVIDEND	6,129,551.00	5,638,746.00
-ON FRINGE BENEFIT TAX	3,787,920.00	656,555.00
PROPOSED DIVIDEND	36,066,788.00	21,403,477.50
PROVISION FOR GRATUITY	2,017,713.00	1,514,403.00
PROVISION FOR LEAVE ENCASHMENT	2,171,924.00	5,068,444.00
	63,273,896.00	40,281,625.50
SCHEDULE - L		
PRELIMINARY & OTHER MISC. EXPENSES		
PRELIMINARY EXPENSES	—	7,482.18
IPO EXPENSES	7,318,706.40	9,758,275.20
	7,318,706.40	9,765,757.38
LESS : WRITTEN OFF DURING THE YEAR	—	7,482.18
LESS : IPO EXPENSES WRITTEN OFF	2,439,568.80	2,439,568.80
	4,879,137.60	7,318,706.40

	For the Year ended on 31-03-2008	For the Yearended on 31-03-2007
SCHEDULE-M		
MISC. INCOME		
INTEREST	1,610,589.00	9,211,147.00
RENT INCOME	3,244,395.00	—
AMOUNT W/BACK	156,920.85	11,565.00
	5,011,904.85	9,222,712.00
SCHEDULE-N		
SOFTWARE DEVELOPMENT EXPENSES		
COMPUTER CONSUMABLE STORES	242,086.00	194,453.00
SALARIES & OTHER PROJECT EXP.	300,718,924.85	1,033,431,649.75
EMPLOYEE COMPENSATION EXPENSES	3,449,484.00	9,889,314.00
	304,410,494.85	1,043,515,416.75
SCHEDULE-O		
ADMINISTRATIVE AND OTHER EXPENSES		
SALARIES & STAFF BENEFITS	21,902,356.00	60,112,819.00
EMPLOYEE COMPENSATION EXPENSES	3,149,746.00	3,346,515.00
ADVERTISEMENT EXPENSES	529,746.00	650,081.00
BANK CHARGES/INTEREST	2,397,249.11	893,366.15
BUSINESS PROMOTION	1,088,322.00	1,911,234.00
TRAVELLING & CONVEYANCE	13,343,491.10	11,635,423.00
POWER & FUEL	7,561,333.40	6,998,994.00
MEDICAL EXPENSES	—	5,358.00
RECRUITMENT EXPENSES	2,059,689.00	—
TELEPHONE,POSTAGE & TELEGRAPH	17,360,233.81	22,063,042.00
RENT	2,285,705.00	2,243,725.00
LEGAL & PROFESSIONALCHARGES	3,346,268.14	1,717,489.00
SOFTWARE CONSULTANCY CHARGES	1,116,382.00	1,173,110.00
INSURANCE CHARGES	781,447.00	628,715.00
DIRECTOR'S REMUNERATION	—	425,000.00
MEETING FEES	98,980.00	121,520.00
AUDITOR'S REMUNERATION		
-Audit Fees	353,934.00	224,480.00
-Tax Audit Fee	70,786.00	44,896.00
PRINTING & STATIONARY	1,450,719.50	1,560,125.50
REPAIR AND MAINTENANCE	2,256,452.30	2,300,581.30
SECURITY CHARGES	881,535.00	560,412.00
SERVICE CHARGES	250,000.00	150,000.00
MEMBERSHIP & SUBSCRIPTION	137,265.00	135,597.00
RATES & TAXES	4,632,359.00	1,425,090.00
FILING FEE/ OTHER ROC EXPENSES	3,500.00	16,260.00
NEWS PAPERS, BOOKS & PRIODICALS	68,303.00	68,913.00
CONFERENCE EXP.	244,347.00	270,606.00
OFFICE MAINTENANCE	777,506.00	596,891.50
PRELIMINARY EXPENSES	—	7,482.18
IPO EXPENSES	2,339,568.80	2,339,568.80
LOSS ON SALE OF ASSETS	49,537.00	—
AMOUNT WRITTEN OFF	696.00	26,598.00
CAPITAL ENHNCEMENT W/O	100,000.00	100,000.00
MICS. EXPENSES	1,388.00	32,591.00
	90,638,845.16	123,786,483.43

SCHEDULE - P

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

P.1 Significant Accounting Policies

P.1.1. Basis for preparation.

The Financial statements have been prepared under the historical-cost convention, in accordance with the Generally Accepted Accounting Principles (GAAP) and accounting standards issued by the Institute of Chartered Accountants of India (ICAI), the provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India (SEBI) as adopted consistently by the Company. All Income and expenditure having a material bearing on the financial statements are recognized on the accrual Basis.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Examples of such estimates include estimates of expected contract costs to be incurred to complete contracts, future obligations under employee retirement benefit plans. Actual result could differ from these estimates.

P.1.2. Revenue recognition.

Revenue from software development services and other projects on a time-and -material basis is recognized based on services rendered and billed to clients as per the terms of specific contracts. In the case of fixed-price contracts, revenue is recognized based on the milestones achieved, as specified in the contracts, on a percentage of completion basis. Interest on development of surplus funds is recognized using the time-proportion method, based on interest rates implicit in the transaction.

P.1.3. Expenditure

Expenses are accounted for on accrual basis and provisions are made for all known losses and liabilities. Company has booked sales incentive on cash basis.

P.1.4. Fixed Assets

Fixed assets are stated at the cost of acquisition including incidental costs related to acquisition and installation. All direct costs are capitalized till the assets are ready to be put to use. Fixed assets under construction, advances paid towards acquisition of fixed assets and cost of assets not put to use before the period/year end, are disclosed as capital work in progress.

P.1.5. Depreciation

Depreciation on fixed assets is provided using the written down value method, as rates specified in schedule XIV of the Companies Act, 1956. Depreciation is charged on a pro-rata basis for assets purchased/sold during the year. Individual assets costing less than Rs. 5,000/- are depreciated in full in the year of purchase.

The company has booked depreciation on building situated at NSEZ. Whereas title of land yet to be transfer in the name of the company. Till March 2008 the company had paid Rs 2,92,53,975/-, which was capitalized, against land as shown in fixed assets.

P.1.6. Work-in-Process

The value of work in process as on the date of Balance Sheet has been derived at cost. Which comprising all direct cost(s) incurred upon ongoing projects client wise up till the end of financial year. The value of such unbilled amount has been valued, taken and considered as per certificate given by the management.

P.1.7. Foreign Currency Transactions.

Foreign exchange transactions are recorded at the exchange rates prevailing at the date of transaction. Realized gains or losses on foreign exchange transactions during the period are recognized in profit and loss account. However, sundry debtors are accounted upon the prevailing rates on the date of invoice issuance. Expenditure in foreign currency is accounted at the conversion rate prevalent when such expenditure is incurred. Where realizations are deposited into, and disbursements made out of, a foreign currency bank account, all transactions during the month are reported at a rate which approximates the actual monthly rate.

In the case of current assets and current liabilities expressed in foreign currency, the exchange rate prevalent at the end of the year is taken for the purposes of transaction. Exchange differences are arising on foreign currency transactions are recognized as income or expenses in the year in which they arise. In the case of forward contracts, the difference between the forward rate and the exchange rate on the date of the transaction is recognized as income or expenses over the life of the contracts.

P.1.8. Investment

Investments are accounted based on the intent of management at the time of acquisition.

P.1.9. Investment in subsidiary

The company has its 100% wholly owned subsidiary FCS Software Solutions America Ltd. U.S.A.

P.1.10. Retirement Benefits.

Contributions to provident fund are charged to the profit and loss account as incurred. Provisions for gratuity and leave encashment are accounted at the year-end and charged off to the profit and loss account.

Company is not providing for the gratuity on the basis of actuarial valuation as prescribed under AS-15 prescribed by ICAI and liability was provided only for those employees who are covered under Gratuity Act as determined by the management.

Company has changed the accounting policy for existing employees retrospectively for leave encashment and as per new policy leave encashment will be paid on the basis of basic salary only. As a result provision for leave encashment as appearing as on 31.3.2008 has been written back to the tune of Rs 45,12,381/- and accounted under prior period income in the profit and loss account.

Company does not owe any liability for bonus as no employee is covered under Payment of Bonus Act and no provision for Ex Gratia was made.

P.1.11. Employee Stock option based compensation.

The excess of market price of underlying equity shares as of the date of the grant of options over the exercise price of the options given to employees under the employee stock option plan is recognize as deferred stock compensation cost and amortized over the vesting period, on a straight line basis.

P.1.12. Earning per Share.

Basic earning per share is computed using the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed using the weighted average number of equity and diluted equity equivalent shares outstanding during the year-end, except where the results would be anti-dilutive.

P.1.13. Advances

The advances comprising an amount of Rs. 12,76,684/-, which are outstanding for a long period. Out of which an advance to the tune of Rs. 3, 96,738/- is under litigation.

P.1.14. Income Tax

- a. Provision is made for income tax on a yearly basis, under the tax-payable method, based on the tax liability as computed after taking credit for allowances and exemptions as the case may be.
- b. In compliance of Accounting Standard-22 on "Accounting for taxes on Income" issued by ICAI, the company has recorded the deferred tax Liability of Rs. 88,37,820/- for the year ended March 31,2008, has been provided and the post tax profit has accordingly reduced.
- c. Company has not calculated deferred tax on timing gap of depreciation on assets utilized in Special Economic Zone and STPI in accordance with Accounting Standard Interpretation (ASI)5 issued by Institute of Chartered Accountant of India, as all these differences will be reversed within the tax holiday itself. Accordingly current year post tax Profit has been increased by Rs.1,35,55,729/-

The item-wise details of deferred tax liability are as under: -

	Year Ended 31st March 2008 (Rupees)	Year Ended 31st March 2007 (Rupees)
Deferred Tax Liability		
(1) Depreciation	1,84,00,494.00	1,03,54,403.00
Less: Deferred Tax Assets		
(2) Provision for Retirement Benefits		
- For Gratuity	6,85,821.00	5,09,748.00
-Leave Encashment	7,38,237.00	17,06,038.00
Deferred Tax Liability (Net)	1,69,76,437.00	81,38,617.00

P.1.15 Employees Stock Option Plan (ESOP).

The Securities and Exchange board of India (SEBI) has issued the (Employee Stock Option Scheme and Employee Stock Purchase Scheme) guidelines, 1999 which is effective for all stock options schemes established after 19th June 1999. In accordance with these guidelines, the access of the market price of the underlying equity shares as of the date of the grant of the options over the exercise price of the option, including upfront payments, if any is to be recognized and amortized on a straight-line basis over the vesting period.

In the fiscal 2005, the company instituted an ESOS Scheme comprising the issue of 110,000 equity shares and ESOS scheme comprising the issue of 7,53,000 equity shares having the vesting period of three years. The Board of Directors and shareholders in the meeting duly approved the scheme. Under the ESOS scheme 157,730 equity shares were issued to the eligible employees.

Details of Option granted/exercised and forfeited are as follows: -

Stock Option Scheme 2005

	Year Ended 31st March 2008 (No. Of Shares)	Year Ended 31st March 2007 (No. Of Shares)
Option Outstanding at the beginning of the year	3,07,442	5,90,200
Instituted During the Year	Nil	Nil
Option Granted	172,596	Nil
Option Forfeited	154,217	1,25,700
Option Exercised	157,730	1,57,058
	168,071	3,07,442

The Movement in deferred stock compensation expense during the year is as follows:-

	Year Ended 31st March 2008 (Rupees)	Year Ended 31st March 2007 (Rupees)
Balance brought forwarded	24,498,874	49,424,803
Add: Recognised during the year	Nil	Nil
Less: Amortization expenses	6,599,230	17,314,020
Less: Reversal due to forfeiture	14,343,204	76,11,909
Balance carried forward	3,556,440	24,498,874

P.1.16 Managerial Remuneration*

	Year Ended 31st March 2008 (Rupees)	Year Ended 31st March 2007 (Rupees)
A. Managing Director		
Salary and perquisites	Nil	Nil
Contribution to Provident Fund and other funds	Nil	Nil
Commission	Nil	Nil
B. Executive Directors		
Salary and perquisites	Nil	4,25,000
Contribution to Provident Fund and other funds	Nil	Nil
Commission	Nil	Nil
	Nil	4,25,000
C. Non Executive Directors		
Salary and perquisites	Nil	Nil
Contribution to Provident Fund and other funds	Nil	Nil
Commission	Nil	Nil
Sitting Fee	98,980	1,21,520
	98,980	1,21,520

During the year under purview the company had paid Rs 103,42,950/- to and received Rs 202,72,000/- from Enstaserve Services Ltd. In which director is interested.

During the year under purview the company had paid and received Rs 4,45,00,000/- to Prometheus e Services Pvt. Ltd.. No interest was paid or received for this transaction.

P.1.17 Earning per share

	Year Ended 31st March 2008	Year Ended 31st March 2007
Profit After taxation available to equity shareholders (rupees)	326,965,039	231,559,323
Weighted average number of equity shares used in Calculating basic earning per share	14,269,085	14,073,027
Add: Effect of diluted issue of shares	157,730	196,058
Weighted average number of equity shares used in Calculating diluted earning per share	14,426,815	14,269,085
Basic earning per share (Rupees)	22.91	16.45
Diluted earning per share (Rupees)	22.66	16.23

P.1.18 Research & Development

Revenue Expenditure incurred on research and development is charged to revenue in the year it is incurred. Assets used for research and development activities are included in fixed assets.

P.1.19 Foreign Branch

All revenue and expenses transactions are during the year reported at average rate. The assets and liabilities both monetary and non-monetary are translated at the rate prevailing on the balance sheet date. All resulting exchange differences are accumulated in a foreign currency translation reserve until the disposal of the net investment. However the Balance sheet of branch as on 31st March 2008 has been considered and accounted as certified by the certified public accountant and further certified by the management.

P.1.20 Segment Reporting

The Segment reporting policy complies with the accounting policies adopted for preparation and presentation of financial statements of the Company and is in conformity with Accounting Standard -17 on "Segment Reporting", issued by ICAI. The primary segmentation is based on the Geographies in which Company operates and internal reporting system. The Company operates in two main Geographical Segments India and USA.

The Profit and Loss for reportable primary Segment is setout below: -

For the Year Ended 31st March 2008 (Amount in lacs.)

Description	India	USA	Total
Revenue from external customers	839.85	8,921.79	9,761.64
Expenses	309.09	4,369.91	4,679.00
Segment Result	530.76	4,551.88	5,082.64
Unallocated Expenses			1,586.56
Operating Profit Before Taxation			3,496.08
Other Income			50.12
Finance Charges			55.11
Profit Before Tax & Prior Period Adj.			3,491.09
Prior Period Adjustment Income/ (Expenses)			45.02
Provision for Taxation			178.08
Provision for Deferred Tax (Assets)/Liability			88.38
Net Profit After Tax			3,269.65

For the Year Ended 31st March 2007*(Amount in lacs.)*

Description	India	USA	Total
Revenue from external customers	585.68	12,541.43	13,127.11
Expenses	181.15	9,093.09	9,274.25
Segment Result	404.53	3,448.33	3,852.86
Unallocated Expenses			1,493.52
Operating Profit Before Taxation			2,359.34
Other Income			92.23
Finance Charges			45.98
Profit Before Tax & Prior Period Adj.			2,405.59
Prior Period Adjustment			2.43
Provision for Taxation			66.63
Provision for Deferred Tax			20.94
Net Profit After Tax			2,315.59

P.1.21 Employee Benefits

Contributions to defined schemes such as provident Fund, Employees' State Insurance Schemes are charged as incurred on actual basis. The Company also provides for other retirement benefits in the form of gratuity and leave encashment based on valuation made by independent actuaries as at the balance sheet date.

P.1.22 Material Events.

Material events occurring after the Balance Sheet date taken into consideration.

P.2.1 Notes on accounts.

The previous year's figures have been recast/restated wherever necessary to confirm to the current year's classification.

P.2.2 Contingent liabilities

The company has no letters of credit outstanding issued to various vendors as at March 31, 2008. The corresponding figure for the previous year was Rs. Nil.

P.2.3 Payment to Auditors.

	Current Year	Previous Year
Audit Fee	3,53,934	2,20,400
Tax Audit Fee	70,786	44,080
In other capacity	NIL	NIL

P.2.4 Quantitative Details.

The Company is engaged in the software consultancy, technical support services, e-learning and other related allied services. These services cannot be expressed in any generic unit. Hence it is not possible to give the quantitative details of sales and the information as required under paragraphs 3, 4C and 4D of part II of Schedule VI of the Companies Act 1956.

P.2.5 Imports On CIF basis.

	<i>(Amt. in Rs.)</i>	
	<u>31/03/2008</u>	<u>31/03/2007</u>
Capital Goods	23,08,912.00	38,00,547.00
Software Packages	21,37,34,704.00	4,25,59,026.00

P.2.6 Expenditure in Foreign Currency.

	<u>31/03/2008</u>	<u>31/03/2007</u>
Professional Charges & Other expenditure incurred overseas For software development	12,83,86,564.00	95,54,02,072.00

P.2.7 Earning in foreign exchange

	<u>31/03/2008</u>	<u>31/03/2007</u>
Income from software development services and products	8,92,178,917.00	125,41,42,474.00

AUDITOR'S REPORT

AS PER OUR REPORT OF EVEN DATE

For FCS SOFTWARE SOLUTIONS LTD.

For SPMG & COMPANY.

Chartered Accountants

**Sd/-
Dalip Kumar**
(CMD)

**Sd/-
Janak Sharma**
(Director)

**Sd/-
Vinod Gupta**
(Partner)

**Sd/-
Anil Sharma**
Vice-President (Fin.)

**Sd/-
Abhishek Anand**
(Co. Secretary)

Place : Delhi

Date : 23rd June, 2008

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH,2008

(Amount in Rs.)

	as at 31-03-08	as at 31-03-07
A CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit after tax as per Profit & Loss Account	326,965,038.55	231,559,322.88
Adjusted for:		
Deferred Tax Provision	8,837,820.00	2,093,636.00
Provision for income tax	14,020,513.34	6,006,199.50
Provision for Fringe Benefit	3,787,920.00	656,555.00
Depreciation/Preliminary Expenses written off/ Employee Stock Compensation	77,055,951.80	41,248,681.78
Profit on sale of Assets/(Loss)	—	0.00
Prior Period Adjustments	(4,502,091.00)	243,251.00
Amount Written Off	—	0.00
Interst Expenses	5,510,900.00	4,597,541.04
Operating Profit before Working Capital Changes	431,676,052.69	286,405,187.20
Adjustment in Operating Profit		
Adjusted for:		
Sale of Assets Net	55,037.00	0.00
Trade and Other Receivables	233,016,639.69	(138,154,977.13)
Work in Process	108,883,222.00	(121,615,870.00)
Trade Payable	79,421,534.58	(14,158,595.00)
Increase in Provision	(2,393,210.00)	2,119,962.00
Loan & Advances	(293,931,289.32)	(8,448,571.89)
Net Cash From Operating Activities	556,727,986.64	6,147,135.18
B Cash Flow From Investing Activities		
Purchase of Fixed Assets	348,367,635.18	73,724,534.00
Investment in Subsidiary	(362.00)	4,359.00
Increase in IPO Exp.	—	0.00
Net Cash used in Investing Activities	348,367,273.18	73,728,893.00
C CASH FLOW FROM FINANCIAL ACTIVITIES:		
Proceed from Issue of Share Capital	—	1,000.00
Proceed from Issue of Share Premium	6,269,549.70	4,000.00
Proceeds from Employee Stock Option Exercised	1,577,300.00	1,960,580.00

Proceed from Long Term Borrowings	31,562,095.46	(95,506,490.88)
Increase in Foreign Currency transaction Reserve	(65,960.00)	83,044.00
Repayment of Long Term Borrowings	(28,330.00)	(1,131,965.00)
Dividend Paid/Dividend Tax	(27,042,223.50)	(38,338,798.00)
Tax Paid	(7,577,068.34)	(4,314,902.50)
Prior Period Adjustments	4,502,091.00	(243,251.00)
Interest Expenses	(5,510,900.00)	(4,597,541.04)
Net Cash used in Financial Activities	3,686,554.32	(142,084,324.42)
Net Increase/ Decrease in Cash and Cash Equivalents	212,047,267.78	(209,666,082.24)
Opening Balance of Cash and Cash Equivalents	170,636,769.57	380,302,851.81
Closing Balance of Cash & Cash Equivalents	382,684,037.35	170,636,769.57

Notes:

1. The above cash flow statement has been prepared in accordance with the 'Indirect Method' as set out in the Accounting Standard 3 on "Cash Flow Statement" issued by ICAI.
2. Cash and cash equivalents consist of cash in hand and balances with scheduled/non scheduled banks.
3. The previous year's figures have been recast/restated, wherever necessary, to confirm to current year's classification

AS PER OUR REPORT OF EVEN DATE

For FCS SOFTWARE SOLUTIONS LTD.

For SPMG & COMPANY.

Chartered Accountants

**Sd/-
Dalip Kumar**
(CMD)

**Sd/-
Janak Sharma**
(Director)

**Sd/-
Vinod Gupta**
(Partner)

**Sd/-
Anil Sharma**
Vice-President (Fin.)

**Sd/-
Abhishek Anand**
(Co. Secretary)

Place : Delhi

Date : 23rd June, 2008

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

CIN:

L	7	2	1	0	D	L	1	9	9	S	G	C	1	7	9	1	5	4
---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

 State Code:

				0	5	5
--	--	--	--	---	---	---

 Balance Sheet Date:

3	1	-	0	3	-	0	8
---	---	---	---	---	---	---	---

II. Capital raised during the year (Amount Rs. Lacs)

Public Issue:

								1	5
--	--	--	--	--	--	--	--	---	---

 Right Issue:

								N	I	L
--	--	--	--	--	--	--	--	---	---	---

 Bonus Issue:

								N	I	L
--	--	--	--	--	--	--	--	---	---	---

 Private Placement:

								N	I	L
--	--	--	--	--	--	--	--	---	---	---

III. Position of Mobilisation and Deployment of Funds (Rs. in Lacs)

Total Liabilities:

				1	2	9	2	2
--	--	--	--	---	---	---	---	---

 Total Assets:

	1	2	9	2	2
--	---	---	---	---	---

Source of Funds

Paid up Capital:

						1	4	4	3
--	--	--	--	--	--	---	---	---	---

 Reserve & Surplus:

						1	0	6	2
--	--	--	--	--	--	---	---	---	---

 Secured Loans:

						6	6	6
--	--	--	--	--	--	---	---	---

 Unsecured Loans:

								2	4
--	--	--	--	--	--	--	--	---	---

 Deferred Tax Liability:

						1	6	9
--	--	--	--	--	--	---	---	---

Application of Funds

Net Fixed Assets:

						4	0	8	3
--	--	--	--	--	--	---	---	---	---

 Investments:

									1
--	--	--	--	--	--	--	--	--	---

 Net Current Assets:

						8	7	8	9
--	--	--	--	--	--	---	---	---	---

 Misc. Expenditure:

								4	9
--	--	--	--	--	--	--	--	---	---

 Accumulated Losses:

									-
--	--	--	--	--	--	--	--	--	---

IV. Performance of Company (Amount Rs. Lacs)

Turnover:

						9	7	6	1	6
--	--	--	--	--	--	---	---	---	---	---

 Total Expenditure:

						9	4	0	8	0
--	--	--	--	--	--	---	---	---	---	---

 Profit/(loss) before Tax:

						3	5	3	6
--	--	--	--	--	--	---	---	---	---

 Profit/(loss) after Tax:

						3	2	6	9
--	--	--	--	--	--	---	---	---	---

 Earnings per Share:

						2	2	.	7	1
--	--	--	--	--	--	---	---	---	---	---

 Dividend Rate %:

								2	5
--	--	--	--	--	--	--	--	---	---

 In Rs.

V. Generic Names of Three Principal Products of Company (as per monetary terms)

Item Code No. (ITC Code)	Product Description																																													
<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td>N</td><td>A</td></tr></table>							N	A	<table border="1" style="display: inline-table; border-collapse: collapse; text-align: center;"> <tr><td>S</td><td>O</td><td>F</td><td>T</td><td>W</td><td>A</td><td>R</td><td>E</td></tr> <tr><td>D</td><td>E</td><td>V</td><td>E</td><td>L</td><td>O</td><td>P</td><td>M</td><td>E</td><td>N</td><td>T</td></tr> <tr><td>&</td><td>I</td><td>T</td><td>E</td><td>N</td><td>A</td><td>B</td><td>L</td><td>E</td><td>D</td><td>S</td><td>E</td><td>R</td><td>V</td><td>I</td><td>C</td><td>E</td><td>S</td></tr> </table>	S	O	F	T	W	A	R	E	D	E	V	E	L	O	P	M	E	N	T	&	I	T	E	N	A	B	L	E	D	S	E	R	V	I	C	E	S
						N	A																																							
S	O	F	T	W	A	R	E																																							
D	E	V	E	L	O	P	M	E	N	T																																				
&	I	T	E	N	A	B	L	E	D	S	E	R	V	I	C	E	S																													

AS PER OUR REPORT OF EVEN DATE

For FCS SOFTWARE SOLUTIONS LTD.

For SPMG & COMPANY.

Chartered Accountants

**Sd/-
Vinod Gupta**
(Partner)

**Sd/-
Dalip Kumar**
(CMD)

**Sd/-
Janak Sharma**
(Director)

**Sd/-
Anil Sharma**
Vice-President (Fin.)

**Sd/-
Abhishek Anand**
(Co. Secretary)

Place : Delhi

Date : 23rd June, 2008

FCS Software Solutions Limited

Statement pursuant to Section 212 of the Companies Act 1956 relating to Subsidiary Company

Subsidiary	FCS Software Solutions America Ltd.
Financial Year of the Subsidiary Company ended on	March 31,2008
No. of shares in the Subsidiary Company	10,000 shares of US\$ 0.01each
Percentage of holding (Equity)	100%
Percentage of holding (Preference)	Nil
The net aggregate of profit/losses of the Subsidiary Company for its Financial Year so far as they concern the members of the Holding Company	
a) Dealt with in the Accounts for the period ended 31.03.2008	Nil
b) Not dealt with in the Accounts for the period ended 31.03.08	US\$ (71,280.18) (Equivalent to Rs. 28,62,349)
The net aggregate of profit/losses of the Subsidiary Company for its previous Financial Year since it became a subsidiary so far as they concern the members of the Holding Company	
a) Dealt with in the Accounts for the period ended 31.03.08	Nil
b) Not dealt with in the Accounts for the period ended 31.03.08	US\$ (14989) (Equivalent to Rs. 653371)

For FCS SOFTWARE SOLUTIONS LTD.

Sd/-
Dalip Kumar
(CMD)

Sd/-
Janak Sharma
(Director)

Sd/-
Anil Sharma
Vice-President (Fin.)

Sd/-
Abhishek Anand
(Co. Secretary)

Place : Delhi
Date : 23rd June, 2008

Director Report

To,
The Shareholders,

The board of directors of **FCS Software Solutions America Limited** (the company) presents its report in respect of the period from April 1, 2007 to March 31, 2008.

Director

The name of the director in office during or till the end of the financial year is:

Name	Position
Dalip Kumar	Director

He is the first director until the first annual general meeting of stockholders. He holds the position as a director as of the date of this report.

Principal Activity

The principal activity of the Company during the financial year was marketing software solutions in America.

Results

The turnover of the Company during the year was US\$26,533,905.46. The Company made a loss of US \$ (71,280.18)

Dividends

The Director recommended that no dividend be paid or declared, in view of the accumulated losses.

Review of Operations

The Company's focus is on the marketing of software products and rendering services related there to.

Event after Balance Sheet Date

There are no significant events to report since the book-close and balance sheet date of March 31, 2008.

Likely Developments and Future Results

The Company will continue to focus on pursuing opportunities in the IT and IT enabled Services in the local markets. The Company sees great opportunities in the Outsourcing Services. The next year will be full of challenges and our aim is to consolidate our position in the IT and ITES industry. The Company is confident of improving its financial performance in the years to come.

Director' Interests

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit, other than benefits disclosed in the financial statements as emoluments or the fixed salary of a full-time employee of the Company or a related body corporate, by reason of a contract made by the Company or a related body corporate with the director or with a firm of which the director is a member, or with a company in which the director has a substantial interest.

Indemnification of Officers

The Company has not, during or since the end of the financial year, in respect of any person who is or has been an officer or auditor of the Company:

- o Indemnified or made any relevant agreement for indemnifying against a liability, including costs and expenses in successfully defending legal proceedings; or
- o Paid or agreed to pay a premium in respect of a contract insuring against a liability for the costs or expenses to defend legal proceedings.

Directors' Responsibility Statement

Your Director confirm that -

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

This report has been made in accordance with a resolution of director.

For and on behalf of the Board of Directors

Milpitas, CA
August 4, 2008

Sd/-
Dalip Kumar
Director

Auditor's Report

The Director

FCS Software Solutions America LTD.

I have compiled the accompanying balance sheets of FCS Software Solutions America LTD as of March 31, 2008 and the related statements of income and retained earnings for the year ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

Sd/-
M. Oscar Akbar
(CPA)

Date : 16 th June, 2008
Place : California



**FCS SOFTWARE SOLUTIONS AMERICA LIMITED
BALANCE SHEET AS AT 31ST MARCH 2008**

ASSETS

	Schedule	As at Mar 31, 08 (Amt. in USD)	As at Mar 31, 08 (Amt. in Rs.)	As at Mar 31, 07 (Amt. in USD)	As at Mar 31, 07 (Amt. in Rs.)
Current assets					
Cash and Bank Balances	4	723,132.16	28,903,593.00	10,015.00	436,553.00
Sundry Debtors	3	6,894,629.49	275,578,341.00	820,818.00	35,779,457.00
Loan & advances	5	5,286.00	211,281.00	42,344.00	1,845,775.00
Total current assets		7,623,047.65	304,693,215.00	873,177.00	38,061,785.00

**LIABILITIES AND
STOCKHOLDERS' EQUITY**

Current liabilities

Accounts payables	6	513,362.83	20,519,112.00	625,846.00	27,280,627.00
Accounts payable- expenses		96,547.00	3,858,984.00	262,220.00	11,430,170.00
Total current liabilities		609,909.83	24,378,096.00	888,066.00	38,710,797.00
Accounts Payable - FCS USA		7,099,307.00	283,759,301.00	—	—
Share Capital	1	100.00	3,997.00	100.00	4,359.00
Reserves and surplus	2	(86,269.18)	(3,448,179.00)	(14,989.00)	(653,371.00)
Total liabilities and stockholder's equity		7,623,047.65	304,693,215.00	873,177.00	38,061,785.00

Significant Accounting Policies
and Notes to Accounts 9

For FCS Software Solutions America Limited

Sd/-
M. Oscar Akbar
(CPA)

Sd/-
Director

Date : 16th June, 2008
Place: California

FCS SOFTWARE SOLUTIONS AMERICA LIMITED
STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE PERIOD
ENDED 31ST MARCH 2008

	Schedule	As at Mar 31, 08 (Amt. in USD)	As at Mar 31, 08 (Amt. in Rs.)	As at Mar 31, 07 (Amt. in USD)	As at Mar 31, 07 (Amt. in Rs.)
Income					
Software Development Services		26,533,905.46	1,065,677,782.00	5,224,903.30	230,783,979.00
TOTAL		26,533,905.46	1,065,677,782.00	5,224,903.30	230,783,979.00
Expenses					
Software Development, Delivery and Support Expenses	7	25,213,760.65	1,012,796,287.00	5,149,677.30	227,461,246.00
Adminstration, Selling and Other Expenses	8	1,391,424.99	55,743,844.00	90,215.00	3,984,797.00
Total Operating Expenses		26,605,185.64	1,068,540,131.00	5,239,892.30	231,446,043.00
Income (loss) before income taxes		(71,280.18)	(2,862,349.00)	(14,989.00)	(662,064.00)
Provision for income taxes		—	—		
Net Income (loss)		(71,280.18)	(2,862,349.00)	(14,989.00)	(662,064.00)
Retained earnings, beginning of period		(14,989.00)	(662,064.00)	—	—
Distribution		—	—	—	—
Retained earnings, end of period & transferred to balance sheet		(86,269.18)	(3,524,413.00)	(14,989.00)	(662,064.00)
Significant Accounting Policies and Notes to Accounts	9				

For FCS Software Solutions America Limited

Sd/-
M. Oscar Akbar
(CPA)

Sd/-
Director

Date : 16th June, 2008
Place: California

Schedule	As at Mar 31, 08 (Amt. in USD)	As at Mar 31, 08 (Amt. in Rs.)	As at Mar 31, 07 (Amt. in USD)	As at Mar 31, 07 (Amt. in Rs.)
SCHEDULE 1 : SHARE CAPITAL				
Authorised				
10,000 common stock of par value 0.01 each	100.00	3,997.00	100.00	4,359.00
Issued, subscribed and paid up				
10,000 common stock of par value 0.01 each	100.00	3,997.00	100.00	4,359.00
Total	100.00	3,997.00	100.00	4,359.00
SCHEDULE 2: RESEVES AND SURPLUS				
Retained earnings, beginning of period	—	—	—	—
Add: During the period	(86,269.18)	(3,524,413.00)	(14,989.00)	(662,064.00)
Foreign exchange translation reserve	—	76,234.00	—	8,693.00
Total	(86,269.18)	(3,448,179.00)	(14,989.00)	(653,371.00)
SCHEDULE 3: SUNDARY DEBTORS				
Accounts receivable	6,894,629.49	275,578,341.00	820,818.00	35,779,457.00
Total	6,894,629.49	275,578,341.00	820,818.00	35,779,457.00
SCHEDULE 4: CASHAND BANK BALANCES				
Cash Balance	45,339.00	1,812,200.00	6,543.00	285,209.00
Cash with bank	677,793.16	27,091,393.00	3,472.00	151,344.00
Total	723,132.16	28,903,593.00	10,015.00	436,553.00
SCHEDULE 5: OTHER CURRENT ASSETS				
Loan & Advances	5,286.00	211,281.00	33,886.00	1,477,091.00
Prepaid expenses	—	—	8,458.00	368,684.00
Total	5,286.00	211,281.00	42,344.00	1,845,775.00
SCHEDULE 6: CURRENT LIABILITIES				
Sundry Creditors	513,362.83	20,519,112.00	625,846.00	27,280,627.00
Expenses payables	96,547.00	3,858,984.00	262,220.00	11,430,170.00
Advacnes from FCS, USA	7,099,307.00	283,759,301.00	—	—
Total	7,709,216.83	308,137,397.00	888,066.00	38,710,797.00
SCHEDULE 7: SOFTWARE DEVELOPMENT, DELIVERY AND SUPPORT EXPENSES				
Software Development expenses	14,802,790.99	593,617,104.04	3,089,885.00	134,688,087.00
Cost of Outside services	10,410,969.66	419,179,182.96	2,059,792.30	89,786,346.00
Total	25,213,760.65	1,012,796,287.00	5,149,677.30	224,474,433.00
SCHEDULE 8: ADMINISTRATION SELLING AND OTHER EXPENSES				
Office Administration Expenses	1,013,808.36	40,688,315.00	75,226.00	3,279,101.00
Traveling & entertainment Expenses	11,566.33	463,645.00	3,845.00	167,604.00
Postage and courier expenses	6,489.82	258,684.23	354.00	15,431.00
Communication Expenses	261,428.07	10,421,582.77	3,735.00	162,809.00
Recruitment Expenses	53,567.55	2,130,917.00	4,526.00	197,288.00
Rent Expenses	6,516.00	262,523.00	1,854.00	80,816.00
Accounting and Legal	22,004.00	879,913.00	675.00	29,423.00
Insurance	15,846.86	630,388.00	—	—
Bank Service Charges	198.00	7,876.00	—	—
Total	1,391,424.99	55,743,844.00	90,215.00	3,932,472.00

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2008

SCHEDULE: 9 SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

1. Significant Accounting Policies

a) Organization and Operations

The primary business activity during the financial year was IT & IT Enabled Services. The financial year ended at March 31,2008

b) Basis of Accounting

Assets, liabilities, revenue and expenses are recognized on accrual basis of accounting for both financial statement and federal income tax purposes. The accounts are prepared on a going concern basis.

2. Accounts Receivable

Management believes that USD \$ 6,894,629.49 Accounts receivable as on March 31, 2008, is fully collectable.

3. Income Taxes

The company has a net operating loss carry forwards USD (86,269.18), which are available to offset future federal and State taxable income.

4. Shareholder's Equity

The total authorized share capital of the company is 10,000 share of common stock, par value USD 0.01 per share.

10,000 share of Common Stock of USD 0.01 per share have been issued to FCS Software Solutions Ltd, (a foreign corporation), who owns 100% of the current issued share capital

5. Concentration Of Credit Risks

The company often maintains cash deposits in commercial banks in excess of the federally insured limit.

The Company's accounts receivables is subject to the general economic risk inherent in high technology companies.

6. Lines Of Credit

The Company does not have a line of Credit

For FCS Software Solutions America Limited

Sd/-
M. Oscar Akbar
(CPA)

Sd/-
Dalip Kumar
Director

Date : 16th June, 2008
Place: California

FCS SOFTWARE SOLUTIONS LIMITED

Regd. Office: 205, 2nd Floor, Agrawal Chamber IV, 27, Veer Sawarker Block,
Vikas Marg, Shakerpur, Delhi - 110 092

Corporate Office: FCS House, Plot No. 83, NSEZ, Noida-201305 (U. P.)

PROXY FORM

FOLIO NO. **NO. OF SHARES HELD**.....

DP ID No. **CLIENT ID No.**

I/Weof.....in the district of.....being member/members of the above named company hereby appoint.....of failing him/her.....of.....in the district of.....as my/our proxy to attend and vote for me/us our behalf at the 15th Annual General Meeting of the company to held on Tuesday, September 30, 2008 at The Executive Club, 439, Village Shahoorpur, Fatehpur Beri, New Delhi - 110 074, at 4.30 P.M. , and any adjournment thereof.

Signed this.....day of.....2008.

Signature.....



Note : This form should signed across the stamp as per specimen signature with the company. The proxy must reach the Registered Office of the company not less than 48 Hours before the time fixed for holding the aforesaid meeting.

FCS SOFTWARE SOLUTIONS LIMITED

Regd. Office: 205, 2nd Floor, Agrawal Chamber IV, 27, Veer Sawarker Block,
Vikas Marg, Shakerpur, Delhi - 110 092

Corporate Office: FCS House, Plot No. 83, NSEZ, Noida-201305 (U. P.)

ATTENDANCE SLIP

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

FOLIO NO. **NO. OF SHARES HELD**.....

DP ID No. **CLIENT ID No.**

NAME OF THE MEMBER.....
(in block letters)

NAME OF PROXY.....
(if any)

I hereby record my presence at the 15th Annual General Meeting of the company to held on Tuesday the September 30, 2008.

.....
Signature of the Member/Proxy