

## **Chairman's Communiqué**

*"Our focus has been on using our industry experience, innovative thinking and technology to partner with our customers to achieve optimum business results."*



### ***My Dear fellow Stakeholders,***

It is a matter of satisfaction for your Company to report yet another year of robust growth and strong performance encompassing all the business segments of your Company. Although the clouds of economic slowdown have started clearing off, another threatening challenge is the competition in the market, which is getting stiffer day by day. However, despite the cut throat competition in the market, your Company has managed to record a robust growth of 42% in revenues, which rose from ₹ 190.25 in year 2008-09 to ₹ 271.05 crores in year 2009-10 on the dint of its expertise in providing the best services and talented human resource, coupled with the optimal management of the costs and operations, and keeping its focus on fulfillment of needs of its clients. Likewise, the bottom line of the Company increased 24.39 %. Due to tough competition, the Company could not pass the burden of increase in costs of providing the services to its clients, which resulted in relatively low growth in its net profits as compared to its gross revenues.

We have, over the years, pursued relentless innovation to forge unique business models that synergise long-term shareholder value enhancement with the superordinate purpose of creating greater societal capital. It has been the urge of the Company since beginning to emphasize on wealth maximization of its shareholders. Thus, as a result of remarkable recovery and growth in Company's business operations, the management of your Company took the opportunity to announce bonus shares to its shareholders in the ratio of 1:1, which further resulted in the expansion of the equity base of the Company, increasing the resources of the Company for its business operations, leading to the expectations of much better business performance in future.

The Company is spreading its wings swiftly so as to become one of biggest IT Services Company in India. During the year, the Company started operations of its fourth unit in India at Dehradun to get the benefit of low cost manpower and other tax incentives of Uttaranchal government. In line with its expansion plans, the Company also forayed in new segment and launched mobile application division for providing mobile application services, as there are vast opportunities in this field.

The Company, along with the need of business development to grow in the market, also understands and assumes its responsibility towards the society, in which the Company is existing and flourishing. At FCS, Corporate Social Responsibility (CSR) has been the cornerstone of success right from inception. We at FCS have defined a set of core values for ourselves - Care, Innovation, Passion and Trust - to guide us in all we do. We take pride in being able to claim all our countrymen as our customers. Corporates like FCS are deploying significant public resources, and therefore, we are aware of the need to work beyond financial considerations and put in that little extra to ensure that we are perceived not just as corporate behemoths that exist for profits, but as wholesome entities created for the good of the society and for improving the quality of life of the communities we serve. FCS has been taking concrete action to realise its social responsibility objectives, thereby building value for its shareholders and customers. FCS respects human rights, values its employees, and invests in innovative technologies and solutions for sustainable energy flow and economic growth. In the past few years, FCS has supported innumerable social and community initiatives in India. FCS has touched the lives of millions of people positively by supporting environmental and health-care projects and social, cultural and educational programmes.

I would like to thank, fellow stakeholders, for your interest and constant support in FCS's progress and the faith you have reposed in the future of your Company.

At the end, I would like to cordially invite you all the shareholders of the Company to attend the Seventeenth Annual General Meeting (AGM) on Monday, 10.30 AM, September 27, 2010 at The Executive Club, 439, Village Shahoorpur, Fatehpur Beri, New Delhi - 110 074.



**Dalip Kumar**  
*Chairman & Managing Director*

## NOTICE

Notice is hereby given that the 17th Annual General Meeting of the Members of the Company will be held on Monday, September 27, 2010 at the Executive Club, 439, Village Shahoorpur, Fatehpur Beri, New Delhi - 110074, at 10.30 A.M. for transacting the following business:

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended March 31, 2010 and the Balance Sheet as on that date, together with the Reports of the Board of Directors and Auditors thereon.
2. To re-appoint Statutory Auditors in place of M/s. SPMG & Co., Chartered Accountants, who retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment as Statutory Auditors of the Company, and to authorize the Board to fix their remuneration.
3. To consider re-appointment of Mr. Shiv Nandan Sharma as Director, who retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment as Non-Executive, Independent Director.

### SPECIAL BUSINESS:

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

**"RESOLVED THAT** pursuant to Section 31, and other applicable provisions, if any, of the Companies Act, 1956 ( including any statutory modification or re-enactment thereof for the time being in force ) the Articles of Association of the Company be and are hereby altered by substituting the existing articles no. 113 of the Article of Association of the Company by the following new article:

113. "The Directors shall provide for the safe custody of the Seal and the Seal shall never be used except by the authority of the Directors or a Committee of the Directors previously given and at least one Director, or Company Secretary of the Company, or any other officer of the Company authorised by the Board, shall sign every instrument to which the Seal is affixed provided nevertheless that any instrument bearing the Seal of the Company and issued for valuable consideration shall be binding on the Company notwithstanding any irregularity touching the authority of the directors to issue the same."

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

**"RESOLVED THAT** pursuant to the provisions of sections 198, 269, 302 and 309, read with Schedule XIII of the Companies Act, 1956, and other applicable provisions of the Act, if any, Mr. Dalip Kumar be and is hereby reappointed as the Managing Director of the Company w.e.f. 1st April, 2010, for a further period of 5 years, i.e. upto 31st March, 2015, on the remuneration and other terms & conditions, as recommended and placed by the Remuneration Committee before the Board and which are hereby approved by the Board, as reproduced below:

1. Salary: upto ₹ 1,00,000/- per month.

2. Commission: upto 3% of the net profits calculated in the manner laid down under sections 198 & 309 of the Companies Act, 1956.

**CATEGORY (A)**

**I. Housing:**

- In case of furnished accommodation provided by the Company, such expenditure not exceeding 60% of the salary.
- In case no accommodation is provided by the Company, he shall be entitled to House Rent Allowance subject to the ceiling laid under the provisions of Income Tax Act, 1961.
- In case accommodation is owned by the Company, a deduction of 10% of the salary of the Managing Director shall be made by the Company.
- The expenditure incurred by the Company on gas, electricity, water & furnishing shall be valued as per the Income Tax Rules, 1962 which shall, however, be subject to a ceiling of 10% of the salary.

**II. Medical Reimbursement:**

Medical Reimbursement of the expenses incurred by Mr. Dalip Kumar for self and his family subject to a ceiling of one month's salary in a year or 5 months' salary over a period of 5 years.

**III. Leave Travel Concession:**

Leave Travel Concession for him and his family once in a year in accordance with the rules of the Company.

**IV. Club Fees :**

Fees of the clubs subject to a maximum of two clubs. This will not include admission and life membership fees.

**V. Personal Accident Insurance:**

Personal Accident Insurance of an amount not exceeding ₹ 10,000/- (Rupees Ten Thousand only)

**CATEGORY (B)**

Contribution to the Provident Fund, Superannuation Fund or Annuity Fund as per the rules of the Company to the extent these, either singly or put together, are not taxable under Income Tax Act, 1961.

**CATEGORY (C)**

The Company shall provide a car with a driver and two telephones and a fax at his residence. Personal long distance calls and use of car for private purpose shall be billed by the Company to him. All official calls made by him from his Cell Phone will also be reimbursed by the Company.

## **TERMINATION**

The appointment of the Managing Director shall be terminable by either party giving to the other, six calendar months' notice in writing.

In the event of termination of the appointment of Managing Director by the Company, he shall be entitled to receive compensation in accordance with the provisions of Section 318 of the Companies Act, 1956.

## **CEILING ON REMUNERATION:**

The aggregate remuneration shall not exceed the limits provided in Sections 198 and 309 of the Companies Act, 1956.

The shareholders' approval may be sought for authorisation to increase, vary or amend the remuneration including salary, perquisites and benefits, minimum remuneration and other terms of appointment of the Managing Director from time to time, as deemed expedient or necessary during the tenure of his appointment.

**RESOLVED FURTHER THAT** Mr. Gagan Kaushik, Company Secretary of the Company, be and is hereby authorised to take all necessary steps on behalf of the Company to give effect to the above resolution."

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

**"RESOLVED THAT** pursuant to Section 16, 94 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof for the time being in force ) and in accordance with the provisions of the Articles of Association of the Company, the consent of the members be and is hereby accorded for increasing the Authorised Share Capital of Company from ₹ 1,25,00,00,000/- (Rupees One Hundred and Twenty Five Crores) divided into 1,25,00,00,000 ( One Hundred and Twenty Five Crores) Equity Shares of the face value of ₹ 1/- (Rupee One) each to ₹ 1,50,00,00,000/- (Rupees one Hundred and Fifty Crores) divided into 1,50,00,00,000 (One Hundred and Fifty Crores) Equity Shares of the face value of ₹ 1/- (Rupee One) each, and accordingly existing Clause V of the Memorandum of Association of the Company be deleted and the following new Clause V be substituted there for:

**V. The Authorised Share Capital of the Company is ₹ 1,50,00,00,000/- (Rupees One Hundred and Fifty Crores) divided into 1,50,00,00,000 ( One Hundred and Fifty Crores) Equity Shares of ₹ 1/- (Rupee One) each."**

**RESOLVED FURTHER THAT** for the purpose of giving effect to this resolution, the Board of Directors of the Company be and is hereby authorised to take all such steps and actions and give such directions as the Board may in its absolute discretion deem necessary and to settle any question that may arise in this regard."

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

**"RESOLVED THAT** pursuant to the provisions of section 81 (1A) and all other applicable provisions, if any, of the Companies Act, 1956 including any statutory modification(s) or re-enactment thereof for the time being in force and enabling provisions in the Memorandum and Articles of Association of the Company, the listing agreement entered into by the Company with the Stock Exchanges where the shares of the Company are listed, and in accordance with the guidelines issued by the Securities and Exchange Board of India (SEBI), and clarifications thereon issued from time to time and subject to the approval(s), consent(s), permission(s), and/ or sanction(s), if any, of appropriate authorities, institutions or bodies as may be required, and subject to such conditions and modifications, as may be prescribed or imposed by any of them while granting such approvals, permissions and sanctions, which may be agreed to, by the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any duly authorized committee thereof for the time being exercising the powers conferred on the Board by this Resolution), the Board be and is hereby authorized on behalf of the Company to create, issue/offer and allot 18 Crores Convertible Warrants on Preferential Placement basis through offer letter and/or circular and/or information memorandum and/or private placement memorandum and/or such other documents/writings, in such form, manner and upon such terms and conditions as may be determined by the Board in its absolute discretion, provided that the aggregate number of resultant equity shares of the Company to be issued against such warrants shall not exceed 18 crores fully paid up equity shares of the face value of ₹ 1/- each at a premium of ₹ 3.18/- each against the Convertible Warrant of ₹ 4.18/- each, being not less than the price calculated in accordance with the subsisting SEBI (DIP) Guidelines and SEBI (ICDR) Guidelines, as applicable in this behalf, aggregating up to ₹ 75.24 Crores, and which shall be convertible into equity shares with in a period not exceeding eighteen months (18 months) from the date of allotment of Equity Warrants in accordance with SEBI (ICDR) Guidelines to the following allottees as detailed herein below:

Name of the Allottee	Category	No. of Warrants to be allotted
M/s. Zero Time Constructions Pvt. Ltd.	Non promoter	18,00,00,000

**RESOLVED FURTHER THAT** the equity shares to be issued on conversion of the warrants shall rank pari passu with the existing equity shares of the Company in all respects including payment of dividend.

**RESOLVED FURTHER THAT** an amount equivalent to 20% of the Conversion Price or such higher percentage as board may decide, shall be payable at the time of making application for the warrants, which shall be adjusted and appropriated against the Conversion Price payable by the warrant holders at the time of exercising the option to convert the warrants into equity shares, and that in the event the option for such conversion is not exercised within the prescribed time, the warrants shall lapse, and the amount so paid on the allotment of the Warrants shall stand forfeited.

**RESOLVED FURTHER THAT** the Board be and is hereby authorized to take necessary steps for listing of the above mentioned Convertible Warrants upon conversion, on the stock exchanges where the Company's shares are listed, as per the terms and conditions of the listing and other applicable guidelines, rules and regulations.

**RESOLVED FURTHER THAT** the 'Relevant date' as per the SEBI (ICDR) Guidelines, 2009 as applicable from time to time for the determination of applicable price for issue of Convertible Warrants is August 28, 2010.

**RESOLVED FURTHER THAT** for the purpose of giving effect to this Resolution, the Board is hereby authorized to issue and allot such number of equity shares, as may be required to be issued and allotted upon conversion of Warrants in accordance with the terms of the offer and subject to the provisions of the Company's Memorandum and Articles of Association.

**RESOLVED FURTHER THAT** for the purpose of giving effect to the above Resolution, the Board be and is hereby authorized to do all such acts, deeds, matters and things and resolve any doubts or questions that may arise in the issue and allotment of said Warrants and equity shares arising there from, including utilizations of the proceeds, without being required to seek any further consent or approval of members or otherwise to the end and intent that members shall be deemed to have given their approval thereto expressly by the authority of this resolution."

**By the order of the Board of Directors  
For FCS Software Solutions Limited**



Gagan Kaushik  
**Company Secretary**

Noida  
September 01, 2010

**NOTES:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND THE MEETING AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXIES IN ORDER TO BE EFFECTIVE MUST BE LODGED AT THE REGISTERED OFFICE OF THE COMPANY AT LEAST 48 HOURS BEFORE THE TIME FIXED FOR COMMENCEMENT OF THE MEETING. UNDER THE COMPANIES ACT 1956, VOTING IS BY SHOW OF HANDS, UNLESS A POLL IS DEMANDED BY A MEMBER OR MEMBERS PRESENT IN PERSON OR BY PROXY ENTITLED TO VOTE ON THE RESOLUTIONS HOLDING AT LEAST ONE-TENTH OF THE TOTAL VOTING POWER, OR BY THOSE HOLDING IN AGGREGATE, PAID UP SHARE CAPITAL OF AT LEAST ₹ 50,000/-. A PROXY SHALL NOT VOTE EXCEPT ON A POLL.
2. The Register of Members and Shares Transfer Books of the Company shall remain closed from September 23, 2010 to September 27, 2010 (both days inclusive) for the purpose of Annual General Meeting.
3. Members/Proxy holders are requested to produce at the entrance, the enclosed admission slip duly completed and signed, for admission to the meeting.
4. The Register of Directors' shareholding maintained under Section 307 of the Companies Act, 1956 will be available for inspection by the members at the AGM.
5. The Register of Contracts, maintained under Section 301 of the Companies Act, 1956 will be available for inspection by the members at the registered office of the Company.

**By the order of the Board of Directors  
For FCS Software Solutions Limited**



**Gagan Kaushik  
Company Secretary**

Noida  
September 01, 2010



## **Explanatory Statement under section 173(2) of the Companies Act, 1956**

### **Item No. 4**

The existing Article No. 113 of the Article of Association of the Company provides that the Common Seal of the Company shall never be used except by the authority of the Director or a Committee of the Directors previously given and one Director at least shall sign every instrument to which the Seal is affixed. Due to busy schedule and foreign trips of the Directors of the Company for the business purpose, it is not always possible for the Directors to sign within requisite time, the instruments on which the Seal is affixed, which causes delay in day to day business operations of the Company. To deal with such circumstances, the Board of Directors of the Company has decided to alter the said clause in order to authorize Company Secretary of the Company, and enable itself to authorise other competent person(s) from time to time, to sign such instruments. For enabling the above provision, the Articles of Association of the Company need to be altered as per provisions of Section 31 of the Companies Act, 1956, which requires your prior approval by way of Special Resolution.

Hence the Board of Directors recommend this resolution for your approval.

None of the Directors of the Company are concerned or interested in the resolution.

### **Item No. 5**

Shri Dalip Kumar was appointed as the Managing Director of the Company w.e.f. 1st April, 2005 for a period of 5 years i.e. 31st March, 2010. The Company had hit the securities market in 2005 by way of its initial public offer (IPO) in his guidance and leadership, which was a great success. And even thereafter, under his supervision, the Company has progressed by leaps and bounds, and has become the leading IT services provider across the globe.

Shri Dalip Kumar, M.S. ( Computer Engineering ) from Rutgers University, New Jersey, USA, and B.S. ( Electronics Engineering ), from Punjab Engineering College, Chandigarh, has over 25 years of experience. He has worked on large projects in implementing paper less offices, office automation and workflow management for clients in government, banking, infrastructure and private sector. He has been working on Web based projects and ERP centric projects for many years. His special expertise area now is to build e-business and implement e-services. He has managed various projects starting from microprocessors to mainframes in terms of technology and man management.

The Board of Directors believes that the Company will be greatly benefited by his valuable services for the Company's day to day operations and smooth functioning of the business. Shri Dalip Kumar is technically qualified and has expertise in the field of business in which your Company is presently engaged, and the positive results of his efforts have also been proven by the accelerating growth chart of the Company. His engagement will not only add to the enhancement of the business opportunities of your Company but will also enhance the profits of your Company.

Your Directors recommend the passing of this resolution as Ordinary Resolution.

Except Mr. Dalip Kumar, none of the Directors of your Company is interested or concerned in the aforesaid resolution.

**Item No. 6**

The existing Authorised Share Capital of the Company is ₹ 1,25,00,00,000 (Rupees One Hundred and Twenty Five Crores) divided into 1,25,00,00,000 (One Hundred and Twenty Five Crores) Equity Shares of ₹ 1/- (Rupee One) each and the Company has already issued 1,02,95,53,100 (One Hundred Two Crores Ninety Five Lacs Fifty Three Thousand One Hundred only) shares of ₹ 1/- (Rupee One) each. Your Company is contemplating the issue of fresh equity shares for the purpose of expansion of its business, and in view thereof, the Company needs to have enough unissued Authorised Share Capital, so that requisite number of fresh equity shares may be issued for the purpose of raising the sufficient funds. For this purpose, the Company needs to increase its Authorised Share Capital.

The proposal for increase in the Authorised Share Capital and alteration in the Capital Clause of the Memorandum and Articles of Association of the Company requires approval of members in the General Meeting. Therefore, the Board recommends for passing necessary Ordinary Resolution as set out in the Item No. 7 of the notice convening the Annual General Meeting. The draft amended copy of the Memorandum of Association and Articles of Association of the Company is available for inspection at the Registered Office of the Company during the business hours till the conclusion of the Annual General Meeting.

None of the Directors of the Company are concerned or interested in the above said resolutions, except as a member of the Company.

**Item No. 7**

For the purpose of funding its expansion plans, the Company proposes to issue 18 crores Convertible Warrants at a price of ₹ 4.18/- each per warrant (including premium of ₹ 3.18/- per warrant) to the M/s. Zero Time Constructions Pvt. Limited belonging to Non-Promoter category on preferential basis.

The aggregate amount of the issue of share warrants will be up to ₹ 75.24 Crores.

Each warrant shall give a right to the holder to apply for an equivalent number of fully paid-up equity shares of ₹ 1/- each of the Company at a price of ₹ 4.18/- per share at any time during 18 months from the date of Issue.

**As per chapter VII of the SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 the required details are furnished as under:**

**a) Object of the issue:**

With a view to augment the long term resources of the Company for meeting the fund requirements of growth and diversification plans and for general corporate purposes, it is proposed to issue convertible warrants to the tune of ₹ 75.24 Crores on preferential basis in accordance with the 'Guidelines for Preferential Issues' contained in Chapter VII of the Securities and Exchange Board of India (issue of capital and disclosure requirements) regulations, 2009 (hereinafter referred to as "SEBI (ICDR) Guidelines"), entitling the warrant holders to apply for equivalent number of fully paid equity shares of the Company.

**b) Pricing:**

The pricing of equity warrants is done in accordance with the guidelines stipulated under SEBI (ICDR) Guidelines, 2009 as applicable from time to time in respect of the pricing of the issues.

**c) Payment & Conversion Terms:**

20% or such higher percentage, as decided by the board for the value of the warrants is to be paid together at the time of application. The balance is payable at the time of conversion. In case the option is not exercised within a period of 18 months from the date of allotment, the application money will be forfeited by the Company. The warrants are converted at the option of the allottee on payment of the balance amount of the issue price at any time during the period of 18 months. The amount received from the allottees can be adjusted towards outstanding dues if any, payable by the Company on such terms and conditions and in such manner as the Board may think fit.

**d) Intention of Promoters / Directors / Key Management Persons to subscribe to the offer:**

None of the Promoter/ Director/Key Management person is interested in the said transaction and they do not intend to subscribe the offer.

**e) Relevant Date:**

"Relevant Date" for this purpose is, as per the Regulation 71 of SEBI (ICDR) Guidelines 2009, the date thirty days prior to the date on which the meeting of shareholders is held to consider the proposed preferential issue. That means for this relevant date is August 28, 2010.

**Shareholding pattern before and after the issue:**

The Shareholding pattern before and one likely to emerge after the proposed allotment of Equity Warrants upon conversion would be as under:

Name	Pre Issue		Post Issue*	
	No. of Shares	% of Holding	No. of Shares	% of Holding
<b>(A) Shareholding of Promoter and Promoter Group</b>				
<b>(1) Indian</b>				
(a) Promoters	135968560	13.21	135968560	11.24
<b>(2) Foreign</b>	NIL	NIL	NIL	NIL
<b>Total Shareholding of Promoter and Promoter Group</b>	<b>135968560</b>	<b>13.21</b>	<b>135968560</b>	<b>11.24</b>
<b>(B) Public Shareholding</b>				
<b>(1) Institutions</b>				
(a) Mutual Funds/UTI	NIL	NIL	NIL	NIL
(b) Financial Institutions/Banks	1027800	00.10	1027800	00.09
(c) Venture Capital Funds	NIL	NIL	NIL	NIL
(d) Foreign Institutional Investors	NIL	NIL	NIL	NIL
<b>Sub - Total (B)(1)</b>		<b>00.10</b>		<b>00.09</b>
<b>(2) Non Institutions</b>				
(a) Bodies Corporate	188438619	18.30	368438619	30.46
(b) Individuals	469273322	45.58	469273322	38.80
(c) Others	27348919	02.66	27348919	02.26
<b>Sub - Total (B)(2)</b>	<b>685060860</b>	<b>66.54</b>	<b>865060860</b>	<b>71.52</b>
<b>Total Public Shareholding (B)=(B)(1)+(B)(2)</b>	<b>686088660</b>	<b>66.64</b>	<b>866088660</b>	<b>71.61</b>
<b>TOTAL (A) + (B)</b>	<b>822057220</b>	<b>79.85</b>	<b>1002057220</b>	<b>82.85</b>
<b>(C) Shares held by Custodians and against which Depository Receipts have been issued.</b>				
	<b>207496180</b>	<b>20.15</b>	<b>207496180</b>	<b>17.15</b>
<b>GRAND TOTAL(A)+(B)+(C)</b>	<b>1029553400</b>	<b>100.00</b>	<b>1209553400</b>	<b>100.00</b>

\*The percentage etc. has been worked out after assuming that all warrants are converted into shares.

**g) Proposed time within which the allotment shall be complete:**

The Board proposes to allot the Warrants within a period of 15 days from the date of this Annual General Meeting. As per the said SEBI (ICDR) Guidelines 2009 the warrant holders have the option to subscribe for one equity share of ₹1 each per warrant upon the fulfillment of certain identified financial parameters at any time within 18 months from the date of allotment of the warrants. The warrants may be converted into equity shares of the Company in one or more tranches.

**h) The identity of the proposed allottee and the percentage of the preferential issue that may be held by the allottee:**

Name of the Allottee	Category	Pre Issue Holding	% to Equity Total	Post - Issue Holding	% to Total Equity
M/s. Zero Time Constructions Pvt. Limited	Non promoter	NIL	NIL	14.88%	14.88%

**i) Auditor's Certificate:**

A certificate as required under SEBI Guidelines certifying that the proposed issue is being made in accordance therewith. The Board proposes to allot the Warrants within a period of 15 days from the date of this Annual General Meeting. As per the said SEBI Guidelines, the warrant holders have the option to subscribe for one equity share of ₹ 1/- each per warrant upon the fulfillment of certain identified financial parameters at any time within 18 months from the date of allotment of the warrants. The warrants may be converted into equity shares of the Company in one or more tranches.

**j) Lock-In:**

The share warrants to be allotted on preferential basis or shares on conversion thereof shall be subject to lock-in as per applicable SEBI (ICDR) Guidelines 2009 in this behalf.

**k) Change in Management:**

The issue of Equity Shares will not result in any change in the management or control of the Company.

The consent of the members is being sought under Section 81(1A) of the Companies Act, 1956, and other applicable provisions of the Companies Act, 1956, if any and in terms of the provisions of the Listing Agreements executed by the Company with the Stock Exchanges where the Company's shares are listed.

None of the Directors of the Company are concerned or interested in the said resolution. The Board of Directors recommends the resolution for the approval of members

**By the order of the Board of Directors  
For FCS Software Solutions Limited**



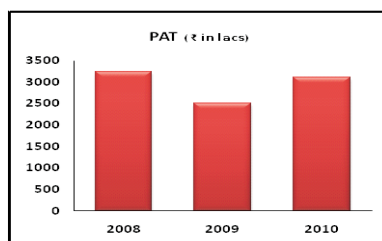
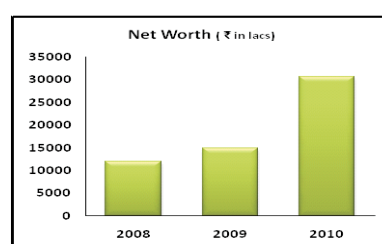
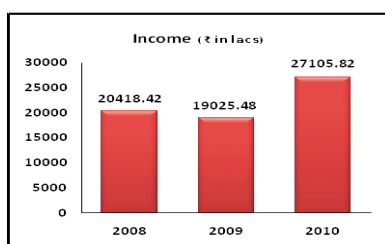
Gagan Kaushik  
**Company Secretary**

Noida  
September 01, 2010

**Year at a glance :**

**( ₹ in Lacs)**

<b>For the year</b>	<b>2010</b>	<b>2009</b>
Income	27105.83	19025.48
Operating profit (PBIDTA)	4414.98	4147.81
Operating profit/Total income (%)	16.29	21.80
PAT	3116.36	2505.21
PAT/Total income (%)	11.50	16.67
<b>EPS (par value of ₹ 1 each)</b>		
Basic	0.59	1.74
Diluted	0.59	1.74
<b>Dividend</b>		
Per share (in ₹ )	Nil	0.50
Amount	Nil	72.13
Return on average net worth (%)	10.18	16.76
<b>At the end of the year</b>		
Fixed assets - net	10368.54	10661.57
Net current assets	22612.48	5540.77
Total assets	33054.04	16227.74
Debt	2277.40	1004.65
Equity	5295.53	1442.67
Net worth	30602.83	15043.14
Market Capitalization	28066.00	3210.00



### **Chairman & Managing Director and Chief Financial Officer Certification**

We, Dalip Kumar, Chairman & Managing Director, and Anil Sharma, Chief Financial Officer of FCS Software Solutions Limited, to the best of our knowledge and belief, certify that:

1. We have reviewed the Balance Sheet and Profit and Loss Account and all its schedules and notes on accounts, as well as the Cash Flow Statements and the Directors' Report;
2. Based on our knowledge and information, these statements do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the statements made;
3. Based on our knowledge and information, the financial statements, and other financial information included in this report, present in all material respects, a true and fair view of, the Company's affairs, the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report, and are in compliance with the existing accounting standards and / or applicable laws and regulations;
4. To the best of our knowledge and belief, no transactions entered into by the Company during the year are fraudulent, illegal or violative of the Company's code of conduct;
5. We are responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting for the Company, and we have:
  - a) Designed such disclosure controls and procedures to ensure that material information relating to the Company is made known to us, particularly during the period in which this report is being prepared;
  - b) Designed such internal controls over financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the Company's disclosures, controls and procedures; and
  - d) Disclosed in this report any change in the Company's internal controls over financial reporting that occurred during the Company's most recent fiscal year that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting
6. We have disclosed based on our most recent evaluation, wherever applicable, to the Company's auditors and the Audit Committee of the Company's Board of Directors (and persons performing the equivalent functions):

- a) All deficiencies in the design or operation of internal controls, which could adversely affect the Company's ability to record, process, summarize and report financial data, and have identified for the Company's auditors, any material weaknesses in internal controls over financial reporting including any corrective actions with regard to deficiencies;
  - b) Significant changes in internal controls during the year covered by this report;
  - c) All significant changes in accounting policies during the year, if any, and that the same have been disclosed in the notes to the financial statements.
  - d) Instances of significant fraud of which we are aware, that involves management or other employees who have a significant role in the Company's internal controls system;
6. In the event of any materially significant misstatements or omissions, we will return to the Company that part of any bonus or incentive or equity-based compensation, which was inflated on account of such errors, as decided by the Audit Committee;
7. We affirm that we have not denied any personnel, access to the Audit Committee of the Company (in respect of matters involving alleged misconduct) and we have provided protection to 'whistle blowers' from unfair termination and other unfair or prejudicial employment practices; and
8. We further declare that all board members and senior managerial personnel have affirmed compliance with the code of conduct for the current year.

**For FCS Software Solutions Ltd.**



Dalip Kumar

**Chairman & Managing Director**



Anil Sharma

**CFO**

Noida  
September 01, 2010



## Directors' Report

(for the Year 2009-2010)

Dear Shareholders,

We are delighted to present the Report on our business and operations for the year ended March 31, 2010.

### Financial Highlights

( ₹ in Lacs)

	Year ended March 31,	
	2010	2009
Gross Income	27105.83	19025.48
Profit/(Loss) before Depreciation, Interest & Tax (PBDIT)	4414.98	4147.80
Misc. Income	171.00	78.76
Depreciation	1301.42	1496.06
Interest	89.65	103.19
Profit/(Loss) before Extra ordinary items	3194.91	2627.30
Profit before tax (PBT)	3184.60	2626.97
Profit after tax (PAT)	3116.36	2505.21
<b>Appropriation:</b>		
Dividend recommended - Final	Nil	72.13
Tax on distributed profits	Nil	12.25
Transferred to General Reserve	1000.00	375.00
Balance with General Reserve	2896.31	1896.31
Balance Brought Forward	9600.80	7292.86
Transferred to Balance Sheet	11780.46	9600.80

The Board of Directors has made conscious efforts for drawing the financial statements on the basis of sound, accepted and conservative accounting principles. The revenues generated have to provide for prior period adjustments and provisions also but at the same time it has ensured true and fair financial statements of the Company.

### Overview

For the financial year ended March 31, 2010, your Company reported a total income of ₹ 27105.83 lacs. The Company recorded an operating profit of ₹ 4414.98 lacs and a net profit of ₹ 3116.36 lacs for this financial year.

## Dividend

In view of requirement of funds for the expansion of Company's business, your directors do not recommend any dividend for the financial year 2009-10.

## Increase in Paid-up Share Capital

During the Financial Year 2009-2010 and thereafter, till the date of preparation of this Annual Report, the paid up share capital of your Company increased from ₹ 14,47,77,850/- to ₹ 1,02,95,54,400/- as a result of the following Corporate Actions done by the Company:

Corporate Action	Ratio	No. of Shares Issued	Face Value (In ₹)	Premium (In ₹)	Increase in Share Capital (In ₹)
Issue of Equity Shares against convertible preferential warrants	NA	2,00,00,000	1/-	8.10/-	2,00,00,000/-
Issue of Global Depository Receipts (GDR) in Dec., 2009	1:10	10,00,00,000	1/-	10.10/-	10,00,00,000/-
Issue of Bonus Shares in ratio of 1:1	1:1	26,47,76,550	NA	NA	26,47,76,550/-
Issue of Global Depository Receipts (GDR) in May, 2010	1:20	50,00,00,000	1/-	2.85	76,47,76,550/-
Total increase in share capital					88,47,76,550

During September, 2009, your Company had also announced a stock split in 1:10 benefitting its shareholders by providing maximum liquidity to the scrip of Company.

## Human Resources

At FCS, we consider the people as our most important resource, and we understand that is the most challenging job to manage them as we typically require people to help us managing and operating our business, and because people are not machines and they do not respond or react in a predictable manner.

FCS has its well organized human resources department to focus on its human resources, as in order to optimally utilize the human resources, we need to properly hire, train, coach and mentor, and develop them to be great contributors to the business. FCS has included HR strategic planning in its overall business plan.

Employee satisfaction is supremely important at FCS, because it is what productivity depends on. One of the secrets of FCS's flourishing business is that FCS is comprised of contented employees, where each employee recognizes that he/she contributes to FCS's success and feels that he/she is a part of the team. Our happy and loyal employees are 100% dedicated to our customers. FCS's contented employees would produce superior quality performance in optimal time and lead to growing profits. They are creative, innovative and come up with breakthroughs, which allow FCS to grow and change positively with time and changing market conditions.

### **Infrastructure**

During the year, the Company has kept its focus on the expansion of its business and clientele. The Company also ventured in new segment and launched mobile application division for providing mobile application services, as there are vast opportunities in this field. The Company has forayed in Middle East of the globe through its wholly owned subsidiary in Ras Al Khaimah- Free Trade Zone, UAE for expansion of its business.

As increasing the gamut of services being provided requires enlarged and improved infrastructure, the Company has developed its infrastructure accordingly to cater to the increased demand of its services, and in view of providing upto the best standards, the existing as well as new services introduced by the Company. The Company has started the operations of its fourth unit in India at Dehradun. Further, in order to strengthen its another segment of Banking, Financial Services and Insurance, the Company started its new global delivery center in Mumbai. For providing the faster and better services to its clients, the Company has added new International Development Center spread over 5,000 sq. feet at Noida Special Economic Zone to cater to growing global demand.

### **Corporate Governance**

We are continuing to implement every norm, which is promulgated by legislation, or any of the statutory bodies. In line with that, a report on Corporate Governance, along with a certificate from the Statutory Auditors, has been included in the Annual Report, detailing the compliances of corporate governance norms as enumerated in Clause 49 of the Listing Agreements with the Stock Exchanges.

### **Subsidiaries**

FCS has the global reach, and has its clients all round the world, including America, North East and middle East. Thus, to ensure that these clients may comfortably reach out to us, and in order to provide more legal security, faster services and comfort to the clients located there, the Company has set up two subsidiaries, FCS Software Solutions America Limited, incorporated in America and F.C.S Software Middle East FZE in UAE.

### **Social Programs**



Corporate Social Responsibility has always been an integral part of FCS's vision. True to its tradition, FCS is committed in letter and spirit to Corporate Social Responsibility. For FCS, Corporate Social Responsibility is not an obligation, but an opportunity to reach out to the community around it, and make it to flourish and prosper. For the purpose of attainment of this objective, FCS had long back formed a separate wing, "FCS Foundation", a non profit organization, which, since its inception, is solely and voluntarily devoted to work for the development of that section of community, which needs our help to save its identity. At FCS, Corporate Social Responsibility is not just a duty, it's a way of life.

Right from the time of its formation, FCS Foundation has been aggressively and successfully running multifarious CSR Programmes. CSR being its prime objective, FCS first completes a thorough assessment to understand both the needs and assets of the community, for which it has to develop and run a program, then it analyses the gap of existing programs and initiatives. Each program is then tailored to both fit the needs and leverage the resources of the community in consultation with expert educators, local partners, and community members including parents and children.

FCS Foundation has been equally active during last year also. It conducted "The Rural Reach Program" throughout the year at various places, which is a one week program delivering basic knowledge of computers to students in rural schools. This year 840 students across Gutam Budh Nagar and Farukhabad benefited from the program. It also run "Sports for Hope" programme in partnership with 'Khel Evam Uthasav Samity' of various villages in a select region, which provided young people with opportunities to practice sport and be educated on the Moral and Human values. Other programs run by FCS Foundation include Health Awareness Programs, Human Rights.

FCS Foundation has also been working with different government departments to achieve common goals for the benefit of deprived. Moving further ahead, FCS Foundation has adopted and renovated Lady Noyce Senior Secondary School for the Deaf, New Delhi, so that the objectives of the school may be achieved in an improved, professional and timely manner.

The mission of the FCS Corporate Social Responsibility programs is to make a positive impact on the communities in which the Company does business through its support of select programs, outreach efforts and initiatives that improve and enhance the quality of life of the Community. Our goal is to make things better for the planet, better for people, better for business, better for now and better for the future.

FCS Foundation also designs the programs aimed at sustainability of healthy environment. Organization conducted camp to advocate the people to use paper bags instead of poly bags. The organization also promoted the cleaners & spread the awareness among them about the sacredness and religious importance of the river Ganga, so that the people voluntarily make efforts to keep it clean. Towards its objective of sustainability of healthy environment, the organization gave great stress on the tree protection and plantation & as a result, 300 plants were planted with the help of local people.

#### **Public Deposits**

During the year under review, the Company has not accepted any deposit under Section 58A of the Companies Act, 1956, read with Companies (Acceptance of Deposits) Rules, 1975.

### **Directors**

In terms of the provisions of Sections 255 and 256 of the Companies Act, 1956 and Articles of Association of the Company, Mr. Shiv Nandan Sharma (Director), retire at the ensuing Annual General Meeting and, being eligible, has offered himself for reappointment.

### **Auditors**

The statutory auditors M/s SPMG & Company, Chartered Accountants, Delhi, retire at the ensuing Annual General Meeting, and being eligible, offers himself for reappointment. Your directors recommend their reappointment as auditors.

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

The particulars as prescribed under sub - section (1)(e) of section 217 of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988 are set out in the annexure to this report.

### **Particulars of employees**

During the year ended March 31, 2010, no employee has drawn remuneration in excess of the amount prescribed under section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of employees) Rules, 1975, as amended, and Department of Company Affairs Notification no. GSR 288 (E) dated April 17, 2002 followed by a clarification through circular no. 16/2002 dated June 25, 2002.

### **Management Discussion and Analysis**

A Management Discussion and Analysis Report has been attached and forms part of the Annual Report.

### **Directors' responsibility statement**

To the Members,

We, the directors of FCS Software Solutions Limited, confirm the following:

- i. that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures ;
- ii. that the directors had selected such accounting polices 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 of the Company for that period;
- iii. that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

iv. that the directors had prepared the annual accounts on a going concern basis.

#### **Acknowledgements**

Your Directors wish to convey their appreciation to all the Company's employees for their performance and continued support. The Directors would also like to thank all the shareholders, consultants, customers, vendors, bankers, service providers and governmental & statutory authorities for their continued support.

Your directors also convey a special thanks to the Government of India, particularly ministry of Communication and Information Technology, the Customs and Excise departments, the Income Tax department, Ministry of Corporate Affairs, Office of Registrar of Companies, New Delhi, Board of approval and Development Commissioner of Special Economic Zones, particularly of Noida and Chandigarh.

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



Noida  
September 01, 2010

Dalip Kumar  
**Chairman & Managing Director**

## ANNEXURE TO THE DIRECTORS' REPORT

### ANNEXURE "A"

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

#### **Conservation of energy**

Although the equipments used by the Company being in the business of software development and education are not energy sensitive by their very nature, still the Company is making best possible efforts for conservation of energy by putting in place a well defined policy, which assures that the Computers and all other equipments purchased by the Company strictly adhere to environmental standards, and they make optimum utilization of energy.

The Company has also put in place, the continuous process of identifying and replacing in a phased manner, the machinery like Computers, Air Conditioners and UPS etc., which are low-efficient.

#### **Research and Development (R&D)**

The Company believes that in order to improve the quality and standards of services, the Company should have a regressive Research and Development Process, which should keep on increasing along with the scale of operations of the Company. The commendable performance given by the Company during the year is also attributable to the R&D Processes executed by the Company. Sticking to its policy, the Company has allocated more than 20% time of its senior professionals exclusively for R&D in order to improve the quality of services, increase profitability, enhance the FCS brand and gain a reputation as an innovative business.

#### **Technology absorption, adaptation and innovation**

In this era of competition, in order to maintain and increase the clients and customers, we need to provide best quality services to our clients and customers at minimum cost, which is not possible without innovation, and adapting to the latest technology available in the market for providing the services. For this purpose, your Company has partnered with market leaders in technology, like Microsoft, IBM, Google, HP and Oracle. The senior management of your Company is always concentrating on the ongoing process of technology upgradation, and reinvention of business model of your Company, as and when required.

#### **Foreign Exchange Earning and Outgo**

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

During the year 91% of revenues were derived from exports. The foreign exchange earned comprising of FOB value of exports, services was ₹ 261.31 Crores whereas total foreign exchange used (comprising of CIF value of imports and other outgoings) was ₹ 197.47 Crores.

Foreign exchange earned and used	(in ₹ crore)	
	2010	2009
Earnings	261.31	181.38
Outflows	197.47	156.33
Net foreign exchange earnings	63.84	25.05

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

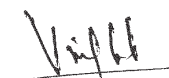
We have examined the compliance of conditions of Corporate Governance by FCS Software Solutions Limited ("the Company"), for the year ended on 31 March 2010, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

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  
September 01, 2010

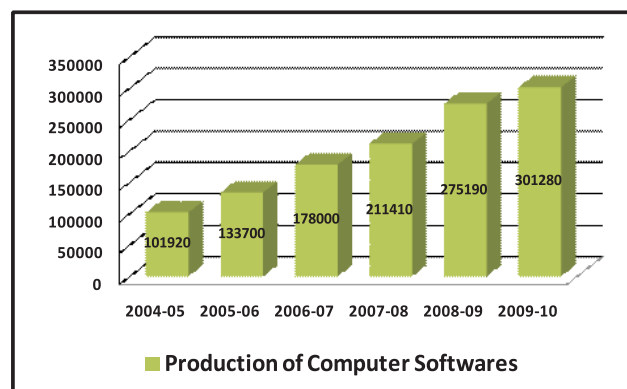


## MANAGEMENT DISCUSSION AND ANALYSIS

### a. Industry structure and developments

The total IT Software and Services employment is expected to reach 2.29 million in 2009-10 (excluding employment in Hardware sector), as against 2.20 million in 2008-09, a growth of 4 per cent YoY. This represents a net addition of 90,000 professionals to the industry employee base in 2009-10. The indirect employment attributed to the sector is estimated to be about 8.2 million. Furthermore, the industry has been a front-runner in diversity at the workplace (over 30 per cent of employees are women, over 60 per cent of industry players employ differently abled people).

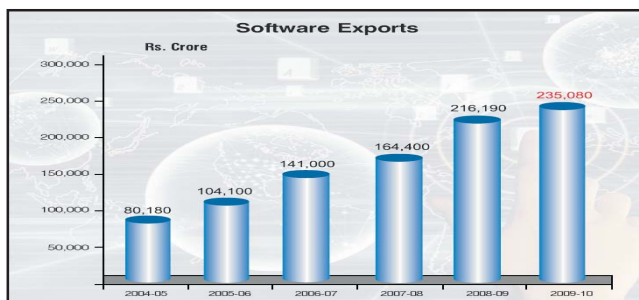
The IT-ITeS industry's contribution to the national GDP is estimated to increase from 6.0 per cent in 2008-09 to 6.1 per cent in 2009-10. With the advent of 2010 a new decade begins. The outlook for the IT-BPO Industry for this decade is positive, as 2010 has signalled the revival of outsourcing within core markets, along with the emerging markets increasingly adopting outsourcing for enhanced competitiveness. India has a 51 per cent market share of the offshoring market. There is tremendous headroom for growth as current offshoring market is still a small part of the outsourcing industry. Significant opportunities exist in core verticals (BFSI) and geographic segments (US) and emerging geographic (Asia Pacific) and verticals markets such as retail, healthcare and Government. Development of these opportunities can triple the current addressable market and can lead to Indian IT-BPO revenues of US \$ 225 billion in 2020. The Industry also has the potential to transform India by harnessing information technology for inclusive growth.



The Indian Information Technology - Information Technology Enabled Services (IT-ITeS) industry has continued to perform its role as the consistent growth driver for the economy. The IT-ITeS industry has shown remarkable resilience during 2009-10. Despite the global economic slowdown, the IT-ITeS industry has geared itself by increasing its cost efficiencies, utilization rates, diversification into new verticals and shift in terms of new business and pricing models.

The other key factor driving the sector's sustained performance was forays into emerging markets like Latin America, Europe and Asia. India is regarded as the premier destination for the global sourcing of IT-ITeS, accounting for almost 51% of the global sourcing market size of US\$ 94 billion in 2009. India now has a 62% share of the global technology services market (IT Services, Engineering Services and R&D) of about US \$ 58 billion and a 32% share of the Global Business Outsourcing Market of about US \$ 37 billion.

The Indian software and services exports including ITeS-BPO are estimated at US \$ 49.7 billion (₹ 235,080 crore) in year 2009-10 as compared to US \$ 47.1 billion (₹ 216,190 crore) in year 2008-09, a 5.5% growth in dollar terms and 8.7 % in rupee terms. However, the IT-ITeS export revenue from India grew from US \$ 17.7 billion (₹ 80,180 crore) in year 2004-05 to US \$ 47.1 billion (₹ 216,190 crore) in year 2008-09 with a CAGR of over 29%. Over the last two decades, it is for the first time that the growth rate of IT-ITeS export has declined to single digit. ITeS-BPO is the fastest growing segment within the Indian IT-BPO sector. This segment is estimated to grow at 6% and to generate exports revenues of the order of US \$ 12.4 billion (₹ 58,650 crore) in year 2009-10 as compared to US \$ 11.7 billion (₹ 53,700 crore) in year 2008-09. There has been a marginal growth in the exports of Software Products and Engineering Services, which is estimated to reach US \$ 10 billion (₹ 47,300 crore) in year 2009-10 from the level of US \$ 9.6 billion (₹ 44,060 crore) in year 2008-09.



Indian IT-ITeS exports are well diversified across a wide range of mature and emerging vertical markets. Banking, Financial Services and Insurance (BFSI) remains the largest vertical market accounting for over 40% of the Indian IT-ITeS exports in year 2009-10. Growth in emerging verticals such as retail, healthcare and utilities is likely to be three times faster than core verticals. Other industries that will see growth include telecom, manufacturing, etc. BPO has also become a logical extension for IT companies and all leading IT vendors are developing integrated offerings. In fact, BPO is considered to move up the value chain to provide high-end services such as business analytics and other knowledge-based services through a mix of re-engineering skills, technology enabled platforms, new operating models and increased depth of services. With the BPO going strong for the past few years, the Knowledge Process Outsourcing (KPO), which may be called the highest level of the BPO, is still at a nascent stage of development in the country. It is expected that emergence of the KPO market will offer high-value services in off shoring and help the Indian ITeS Industry to climb the global value and knowledge chain.

Though the IT-BPO sector is export driven, the domestic market is also significant. The revenue from the domestic IT market (excluding hardware) is expected to grow to about US \$ 14 billion (₹ 66,200 crore) in year 2009-10 as compared to US \$ 12.8 billion (₹ 59,000 crore) in 2008-09, an anticipated growth of 9% in dollar terms and 12% in rupee terms. BPO demand in the domestic market has witnessed noticeable growth over the past few years and continues to be the fastest growing segment. The domestic BPO revenue is estimated to increase from US \$ 1.93 billion (₹ 8,900 crore) in year 2008-09 to about US \$ 2.29 billion (₹ 10,800 crore) in year 2009-10, a growth of 18.6% in dollar terms and 22% in rupee terms.

Indeed, the phenomenal growth of the Indian IT/ITeS sector has had a perceptible multiplier effect on the Indian economy as a whole. In addition to the direct positive impact on National Income, the sector has grown to become the biggest employment generator and has spawned the mushrooming of several ancillary industries such as transportation, real estate and catering. Consequently, this sector has created a rising class of young consumers with high disposable incomes, triggered a rise in direct-tax collections and propelled an increase in consumer spending.

The total number of IT and ITeS-BPO professionals employed in India has grown from 0.52 million in 2001-02 to 2.20 million in 2008-09. However, the Indian IT sector saw slow hiring for most part of the fiscal but this picked up a little in the third quarter. The global economic crisis sharply reduced the demand for IT services offered by Indian companies as clients tried to cut costs. The total IT Software and Services direct employment is estimated to grow by 4% and cross 2.29 million in 2009-10 (excluding employment in Hardware sector). This represents that a net 90,000 additional jobs have been created in year 2009-10 as compared with 200,000 in the previous year. The indirect employment attributed by the sector is estimated to be about 8.2 million.

The IT-ITeS industry has created career opportunities for the youth, provided global exposure and offered extensive training and development. Furthermore, the industry has been a front-runner in diversity at the workplace (over 30 per cent of employees are women, over 60 per cent of industry players employ differently abled people). In order to continue support to the software industry, the Income Tax benefits under Sections 10A and 10B of the Income-tax Act for STP Units and 100% EOUs in IT sector was extended by one more year i.e. upto the financial year 2010-11.

### **Electronics & IT Exports**

During the year 2009-10, electronics and IT exports are estimated to be ₹ 266,330 crore, as compared to ₹ 247,420 crore in 2008-09, showing a growth of 7.6 per cent. The software and services industry witness a moderate but sustained growth and the total value of software and services exports are estimated at ₹ 235,080 crore (US \$ 49.7 billion) in 2009-10, as compared to ₹ 216,190 crore (US \$ 47.1 billion) in the year 2008-09, an increase of about 8.7 per cent in rupee terms and 5.5 per cent in dollar terms.

## **IT Industry Outlook**

Next fiscal, the IT and BPO export revenue are projected to rise 13-15 per cent, and domestic revenue by 15-17 per cent. With the double digit growth outlook blinking on its radar, the hiring for the IT-BPO industry is expected to be almost 1.5 lakh professionals in fiscal 2011, compared with 90,000 this fiscal. IT and back office industry currently employs 2.29 million workers - an estimated 7.68 lakh in the BPO exports; 5.25 lakh in IT and BPO domestic market; and 9.93 lakh engaged in IT services exports.

## **Banking, Financial Services and Insurance (BFSI)**

The BFSI industry across the world has always leveraged technology effectively for addressing business challenges across different areas like globalisation, consolidation, disintermediation, regulatory compliance, risk management, evolving distribution channels etc. The events of 2008 and its repercussions felt through 2009 swept the financial world into a corner, primarily as a result of financial indiscipline and poor governance. The rapidly changing business and economic environment requires BFSI institutions to effectively respond to increasing Governance, Risk and Compliance requirements while meeting superior levels of customer experience and effectively managing revenues and costs. Over the past four decades FCS has partnered with multiple clients in the BFSI world and has executed a number of complex and time critical assignments under challenging business and operating environments. Our end-to-end offerings, comprehensive product suite, scalable processes and innovative frameworks have enabled significant strategic value creation for our clients by helping them optimize their IT investments, enhanced operational efficiencies, minimized risk, and helped them to acquire sustained cost leadership.

### **b. Opportunities and threats**

India is widely recognized as the premier destination for offshore technology services. According to the NASSCOM Strategic Review 2010, IT services exports (excluding exports relating to business process outsourcing (BPO), hardware, engineering design and product development) from India are estimated to grow by 5.8% in fiscal 2010, to record revenues of US \$27.3 billion. This review also estimates BPO exports from India to have grown by 6% in fiscal 2010 to record revenues of US \$12.4 billion. There are several key factors contributing to the growth of IT and IT-enabled services (ITES) in India and by Indian companies. Some of these factors are high-quality delivery, significant cost benefits and abundant skilled resources.

NASSCOM has also pointed out that India's fundamental advantages like talent and cost are sustainable over the long-term, and that with a young demographic profile and over 3.5 million graduates and post-graduates that are added annually to the talent base, no other country offers a similar mix and scale of human resources.

World-wide technology and related products and services spend is estimated to have crossed USD 1.5 trillion in 2009, a decline of 2.9% over 2008 as per NASSCOM Strategic Review 2010. Due to the global economic slowdown, considerable reductions were experienced in IT service spends across categories as global corporations cut back on discretionary spends and focused on leveraging IT spends to drive organisation-wide efficiencies, business transformation and adoption of new business models.

As per NASSCOM Strategic Review 2009 the analysis of the IT Services global sourcing market by the level of penetration in the various components of IT services reveals that there is significant headroom for growth. Globally technology spending is expected to further increase once the global economic recovery process gathers speed and discretionary spending levels increase. Information technology (IT) has become an integral part of business operations across industries and is seen by organisations as a primary driver of productivity improvement and business transformation that lead to sustained competitive advantages in the market place. Some of the future expected drivers for IT spending are the anticipated levels of increased regulation especially in the Banking, Financial Services and Insurance (BFSI) space, security and reporting requirements, and new focus areas including green IT and mobility/ubiquity initiatives. Global technology spend is expected to increase from USD 1.6 trillion in 2008 to USD 1.9 trillion by 2013 at a Compounded Annual Growth Rate (CAGR) of 3.5%.

In the prevailing global market conditions, we identify the following as the opportunities available to us:

- Key areas of increased outsourcing scope are expected to be in areas with heavy low-cost labor arbitrage support (nearshore and offshore) -software applications, call center, engineering management, finance & accounting, analytics and human resources
- The middle-market (\$750m-\$3000m) is poised to be the most active
- Main drivers are cost reduction, desire to globalize business operations and to transform / re-engineer business processes
- Inhibitors are other priorities brought on by the economic crisis and internal politics / resistance to change
- Customer-willingness to evaluate cloud-based "business utility" offerings is strong as they increasingly look at hybrid IT/BPO solutions
- Strong signs of increased adoption of industry-specific BPO solutions, most notably in the Financial Services and Life Sciences sectors

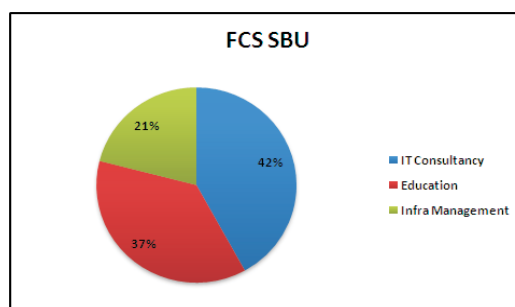
It would be a fantasy to think of the opportunities without any threats. Rising unemployment of around 10% in the US and 8% in the UK, gave rise to protectionist sentiments. New bills were introduced in the US congress to curb offshoring of jobs. Racism and verbal assault against call-centre employees is rampant. BPOs are facing pricing pressure and fewer new deals or contract renewals. Vendors dependent on single or clients are facing risks on being able to continue the business.

However, by virtue of our experienced and innovative task force, we are confident of handling the issues by increasing the depth of our offering. We shall focus on flexible operations and improvement of our efficiency. We are into the process of designing innovative pricing models in line with global demand. We shall also strive to focus on new verticals and clients which were recession proof.

### c. Segment-wise / Product-wise Performance

FCS business is organized into three strategic business units (SBUs):

1. IT Consulting
2. Education
3. Infrastructure management



#### 1. IT Consulting Services:

Many organizations today implement packaged solutions or custom-developed applications without consideration for how they will maintain and enhance the application after launch. Maintenance of applications spread across multiple platforms from legacy to client server systems to more recent multitier or browser-based designs has always been a challenge to enterprises.

FCS IT consulting division provides Application Maintenance. The Company provides ongoing functional and application support for a customer's application maintenance needs. FCS team, work for stabilizing, optimizing and extending client's application so that its functionality continues to meet the client's growing and changing needs. In partnership with companies such as IBM, Oracle, Google and Microsoft, we are now in a position to service clients all Application needs from license acquisition to System Integration and Deployment. We are now a mature player in Global Delivery Model and are executing multi-lingual and multi-zone orders for our clients. Software is delivered to clients in different paradigms. The two most used models are Fixed Price Fixed Time Frame model and Time and Material model. In Fixed Price fixed time frame model, a client pays fixed cost for a software project delivery within agreed timetable. Any projects where specifications are fixed and would not change substantially over a period of time fall under this model. The Company delivers technology solutions to help client achieve business results. The Company first analyzes clients' requirements, develop the scope and finally propose a fixed-price solution. Thereafter professional implementation plan is agreed upon. On the other hand, if projects are loosely defined and are done in an ad hoc manner or involve client's managers to manage day-to-day work, they are done in Time and Material model. In this, the company provides resources to do a project and they in turn are client managed. More than 70% of the Company's revenue is charged on Time & Material Model as in most of the cases the scope of the work could not be defined and thus the time frame cannot be derived.

## **2. Education**

We have earned 37% of our revenues from the Education segment. FCS is at cutting edge of the field of internet-based training. We have corporate universities running for blue chip companies with employee bases of many thousand employees. We are managing 5 ITIs in 2 states with an objective to upgrade education. We are in discussions with various bodies to start more locations with creating education opportunities for masses in vocational, academic, and on job training.

The SBU also plays a vital role in imparting quality IT education to corporate houses, institutions, central and state government departments, professional establishments and other clients, for whom FCS develops IT solutions. This is especially important in very large and complex projects. For FCS, education and training services is not merely a business area. We see it as our commitment towards building India's IT-personnel power base.

One key aspect of our Education SBU is its ability to link education initiatives with delivery technologies. As the role of technology will become more complex, FCS is right there to take advantage of such a situation.

## **3. Infrastructure Management:**

Our clients now also depend on us to manage their servers - based either on client sites, or at Data Centers or in our premises. Our engineers remotely or onsite manage all Hardware, Network, LAN/WAN, Data and Voice networks that a client needs to run its applications. Our skills in Document Management Systems, Data Backup and Recovery, Virus Protection, SPAM Control, Hacking protection, and Business Continuity will some of the key reasons for clients to outsource their infrastructure management to us apart from their desire to have us as their one stop shop.

### **d. Internal control systems and their adequacy**

The philosophy we have with regard to internal control systems and their adequacy has been formulation of effective systems and their strict implementation to ensure that assets and interests of the Company are safeguarded; checks and balances are in place to determine the accuracy and reliability of accounting data.

The Company has a strong reporting system, which evaluates and forewarns the management on issues related to compliance. The Company has appointed M/s. KRA & Co., Chartered Accountants, H 109, 1st Floor, Garg Tower, Netaji Subhash Place, Pitampura, New Delhi -110 034 as their Internal Auditor. The performance of the Company is regularly viewed by the Board of Directors to ensure that it is in keeping with the overall corporate policy and in line with pre-set objectives.

The Company updates its internal control systems from time to time, enabling it to monitor employee adherence to internal procedures and external regulatory guidelines.

The internal audit, an independent appraisal function to examine and evaluate the adequacy and effectiveness of the internal control system, appraises periodically about activities and audit findings to the Audit Committee.

The Audit Committee was constituted as a sub-committee to the Board of Directors and it consists solely of independent directors. The meetings of the committee are held periodically to review and recommend, inter alia, the quarterly, half yearly, nine months and annual financial statements. The committee also holds discussions with statutory auditors, internal auditors and the Management on matters pertaining to internal controls, auditing and financial reporting.

Additionally, under revised corporate governance standards adopted by The Stock Exchange, Mumbai, or the BSE, and The National Stock Exchange of India Limited, or the NSE, which we collectively refer to as the Indian Stock Exchanges.

M/s. SPMG & Company, Chartered Accountants, Delhi, statutory auditors have audited financial statements and conducted such tests and related procedures in accordance with generally accepted auditing principles. The reports of the statutory auditors based upon their audit of the financial statements, are contained elsewhere in the Annual Report.

**e. Financials performance with respect to operational performance**

The Company's total income has reported for the year ended 31st March, 2010 is ₹ 271.06 Crores as compared to the year ended 31st March, 2009 ₹ 190.25 Crores and the net profit has increased at a CAGR of 20.00 % from ₹ 14.79 Crores in 2006 to ₹ 31 Crores in 2010. The PBDIT margins over this period have been 16.39% in 2010, 21% in 2009, 20% in 2008 and 17% in 2007.

**f. Material developments in Human Resources / Industrial Relations Front, including number of people employed**

The relations with the employees remained cordial during the year. The capacity utilization rate in our Company for years ended 31st March 2008, 2009 and 2010 is 91%, 92% and 94% respectively. We have training programs in order to upgrade our employees. Further to increase the retention rate, the Company has planned to come out with the Employee Stock Option Scheme and Employee Stock Purchase Scheme.

The total number of employees in the Company was 1148 as on March 31, 2010.

**Cautionary Note**

The statements in the Directors' and Management Discussion and Analysis Report describing the Company's projections, estimates, expectations or predictions may be forward looking statements within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied since the Company's operations are influenced by many external and internal factors beyond the control of the Company.

**For & on behalf of the Board of Directors**



(Dalip Kumar)

**Chairman & Managing Director**

Noida  
September 1, 2010



## 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 four 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 three Independent Directors on our Board.

During the financial year under review, Nineteen Board Meetings were held on the following dates:

2nd April, 2009, 22nd June, 2009, 30th June, 2009, 22nd July, 2009, 31st July, 2009, 11th August, 2009, 30th September, 2009, 14th October, 2009, 29th October, 2009, 13th November, 2009, 10th December, 2009, 26th December, 2009, 11th January, 2010, 18th January, 2010, 27th January, 2010, 30th January, 2010, 15th February, 2010, 2nd March, 2010 and 23rd March, 2010.

### Constitution of Board of Directors and related information:

Name	Category	No. of Board Meetings attended	Attendance at the last AGM	No. of Directorships in other public companies as on 31.3.2010		No. of Committee positions held in other public companies as on 31.3.2010	
				Member	Chairman	Member	Chairman
Mr. Dalip Kumar	Chairman & Managing Director	17	Yes	1	—	Nil	—
Mr. S.S Sharma	Independent Non Executive Director	19	Yes	Nil	—	Nil	—
Mr. S.N.Sharma	Independent Non Executive Director	19	Yes	4	—	1	2
Mr. Dhruwa Narain Rai	Independent Non Executive Director	1	No	Nil	—	NA	—

### 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 22nd June 2009, 31st July 2009, 29th October 2009, 30th January 2010.

The constitution of the Committee is as under:

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

\* Chairman of the Committee.

The Chairman of the Audit Committee was present at the last Annual General Meeting held on 14th September, 2009.

The Company Secretary of the company acts as Secretary to the Committee.

### Remuneration/Compensation Committee:

The Company has formed a Remuneration Committee 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 meeting of the Committee was held on April 2, 2009.

### Investors / Shareholders Grievance Committee :

The meetings of Committee were held on 22nd June 2009, 31st July 2009, 29th October 2009, 30th January 2010.

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	Chairman	4	4
Mr. S.S. Sharma	Independent Non-Executive	Member	4	4

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 Link Intime (India) Pvt. Ltd. during the period year ended March 31, 2010 are as follows.

Number of Complaints received:	14
Complaints 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 restrictions 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
2006-07	The Executive Club, 439, Village Shahoorpur, Fatehpur Beri, New Delhi - 110 074.	Wednesday, July 25, 2007.	9.30 A.M
2007-08	The Executive Club, 439, Village Shahoorpur, Fatehpur Beri, New Delhi - 110 074.	Tuesday, September 30, 2008.	4.30 P.M
2008-09	The Executive Club, 439, Village Shahoorpur, Fatehpur Beri, New Delhi - 110 074.	Monday September 14, 2009	9.30 A.M

At the ensuing seventeenth Annual General Meeting there is no agenda item requiring the passing of any special resolution through postal ballot.

### **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.

### **Chairman & Managing Director / Chief Financial Officer certification**

As required by Clause 49 of the Listing Agreement, the Chairman & Managing Director / Chief Financial Officer 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**

The market has been progressing towards technicalization, export-orientation, conglomeration, and brand establishment. Brands offer the consumer something more than just the service. Brands make clients feel secure, accepted, and in a better state of mind than before they availed the service. Like any other of the major industries, the IT industry has profited from the use of the brand management concept. Many times, clients feel a deep connection with a brand, and they will remain loyal to the brand until it no longer lives up to their expectations. With any brand, there are distinct attributes behind the name.

Further, in today's scenario, where numerous market players are present and providing identical services, the establishment of a brand is imperative, so that we are distinctly identified in the market. The Company understands the value of brand establishment, and also knows the correct approach required for establishment of a brand. The Company analysed that a brand can not be strengthened just by adding more products to it, as it is not the broad basket of services, but the quality of services, which establishes a brand. If your foundation is weak, your building will only become weaker as you add more and more floors. Therefore, the Company spent a lot of time creating a very strong foundation by providing worldclass services, and introduced another service only after proving itself in providing the existing and core services. It is only on the dint of its proper approach, that the Company has successfully established its FCS brand, which has gained recognition all over the globe.

## SHAREHOLDERS INFORMATION

### Annual General Meeting

**Date and Time:** Monday, September 27, 2010 at 10.30 AM  
**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, 2009	July, 2009
Unaudited financial results for the quarter and half year ended	September 30, 2009	October, 2009
Unaudited financial results for the quarter ended.	December 31, 2009	January, 2010
Audited financial results for the year ended.	March 31, 2010	May, 2010

**Date of Book Closure:** September 23, 2010 to September 27, 2010 (both days inclusive).

**Listing on Stock Exchanges:** NSE BSE  
Exchange code FCSSOFT 532666

**Listing fee for 2008-09** Paid for both the above stock exchanges.

**ISIN No.:** INE512B01014 (for fully paid up shares)  
**ISIN No.:** IN9512B01012 (for partly paid up shares)

### Stock Market Price Data:

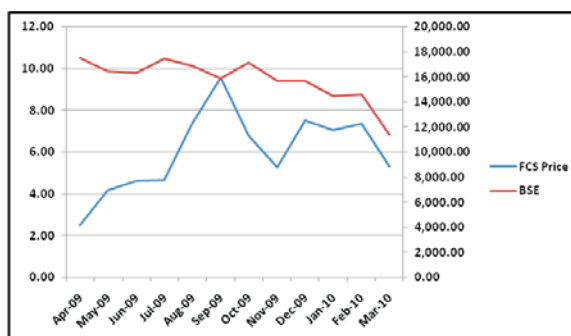
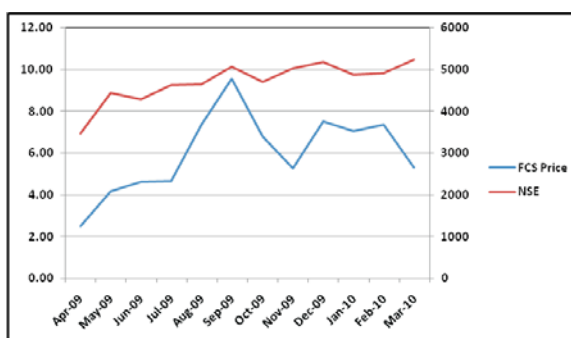
	BSE			NSE			Total Volume (Nos.)
	High (₹)	Low (₹)	Volume (Nos.)	High (₹)	Low (₹)	Volume (Nos.)	
April 2009	29.05	22.05	138201	29.65	22.55	161835	300036
May	41.60	26.05	218789	41.70	25.09	310396	529185
June	49.80	42.90	1160475	50.55	42.90	1309714	2470189
July	47.60	36.30	815236	47.50	35.15	860177	1675413
August	75.75	42.90	5331469	75.80	43.20	7055050	12386519
September	95.70	66.90	5629499	95.70	66.85	9449330	15078829
October	129.95	11.10	49818467	129.95	11.15	91923829	141742296
November	12.67	10.04	218789	12.65	10.35	27934311	28153100
December	15.98	11.06	34475376	16.05	12.15	106764177	141239553
January 2010	15.75	13.10	71590651	15.80	13.10	168908792	240499443
February	14.01	07.29	13549604	14.00	07.35	42494022	56043626
March	07.55	05.33	23690657	07.55	05.30	73948670	77639327
Total			206637213			531120303	737757516

## Liquidity

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

### Performance Comparison with Indices:

Note :- FCS share price has been adjusted after considering Split and Bonus



## Litigation

The details of pending cases in which the Company is involved as of 31 March, 2010 are as follows:

### Labour Disputes:

#### (1) Mr. Vikas V/s. FCS Software Solution Ltd., Noida (Case No. Adj. 945/2008)

Mr. Vikas, an ex-employee of FCS filed a case before the Asst. Labour Commissioner, Noida on the ground that M/s. FCS, Noida has terminated his services illegally and he should be reinstated in the services with back wages. However, FCS has stated in its plea that Mr. Vikas has abandoned his services by virtue of absenting himself from duty for unreasonable long period.

The proceedings were held before the Asst. Labour Commissioner, Noida and the case was later referred the Labour Court at Noida for adjudication. The case is pending before the Labour Court - Noida for filing the Written Statement by both the parties.

**(2) Mr. Vikas V/s FCS Software Solution Ltd., Noida (Case No. P.W.A. 2026/2007)**

Mr. Vikas, an ex-employee also filed a case against FCS before the Asst. Labour Commissioner, Noida / Payment of Wages Authority, Noida demanding difference of amount towards incentive etc. on the ground that the management of M/s. FCS, Noida illegally deducted the incentive amount and has not paid the amount to him. While, FCS in its plea has stated that Mr. Vikas has filed the case with ulterior motives just to harass FCS and that he has virtually no case against FCS. The case is fixed for filing the documents.

**Share Transfer System:**

M/s Link Intime (India) Pvt. 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 Investors' Grievance 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, 2010)**

Shareholding of Nominal Value (₹)	No. of Shareholders	% of Total	No. of Shares held	% of Total
1-5000	51274	92.216	54917752	10.370
5001-10000	2446	4.399	18577497	35.081
10001-20000	1008	1.812	15550000	2.936
20001-30000	289	0.519	7354780	1.388
30001-40000	160	0.287	5771076	1.089
40001-50000	105	0.188	4912843	.927
50001-100000	174	0.312	12626083	2.384
100001 and above	146	0.262	409843369	77.394
<b>TOTAL</b>	<b>55602</b>	<b>100.00</b>	<b>529553400</b>	<b>100.00</b>

### Shareholding Pattern as on March 31, 2010

Categories	No. of Shares held	% of holding
Promoters-		
o Indian	16,59,68,560	31.34
o Foreign	—	—
Mutual Funds & UTI	—	—
Banks, Financial Institutions and Insurance Companies	1,71,000	0.03
Foreign Institutional Investors	—	—
Private Corporate Bodies	5,47,26,743	10.33
Indian Public	11,55,24,682	21.82
NRI / OCB's	39,45,323	0.75
Others (Directors & their relatives, HUF, Clearing Members )	18,92,17,092	35.73
<b>TOTAL</b>	<b>52,95,53,400</b>	<b>100.00</b>

### 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 Dematerialization as on March 31, 2010 is as under:

Segment	No. of Shareholders	%	No. of Shares	%
Physical	57	0.11	4,65,320	0.09
Demat	55,552	99.89	52,90,88,080	99.91
Total	55,609	100	52,95,53,400	100

### Secretarial Audit

A qualified practicing Company Secretary carried out secretarial audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The secretarial audit report confirms that the total issued/paid-up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.



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

We have audited the attached consolidated Balance Sheet of FCS Software Solutions Ltd. ("the Company") and its subsidiaries, as described in summary of significant accounting policies to the consolidated financial statements as at 31st March, 2010, 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 subsidiaries, whose financial statements reflect total assets of ₹1,621,447,285/- as at 31st March, 2010, total revenues of ₹1,756,550,266/- and total cash flows amounting to ₹112,975,268/- 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 31st March, 2010;
- (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 : 31/05/2010

**FCS SOFTWARE SOLUTIONS LTD.  
CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2010**

PARTICULARS	SCHEDULE	As on 31-03-2010 AMOUNT ( ₹ )	As on 31-03-2009 AMOUNT ( ₹ )
<b>SOURCE OF FUNDS</b>			
<b>SHARE HOLDER'S FUND</b>			
Share Capital	A	529,553,100.00	144,267,150.00
Advance Pursuant to Share Warrant		—	36,400,000.00
Reserve and Surplus	B	2,537,933,383.70	1,326,087,559.60
<b>LOAN FUND</b>			
Secured Loan	C	117,342,100.90	98,004,660.66
Unsecured Loan	D	110,397,924.35	2,460,393.35
<b>DEFERRED TAX LIABILITY</b>			
		10,178,187.00	15,554,507.00
<b>TOTAL</b>		<b>3,305,404,695.95</b>	<b>1,622,774,270.61</b>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross Block	E	812,983,252.92	791,753,150.16
Less : Depreciation		439,629,331.22	309,487,337.99
Net Block		373,353,921.70	482,265,812.17
Add: Capital Work in Progress		663,500,378.00	583,891,602.90
		1,036,854,299.70	1,066,157,415.07
<b>INVESTMENTS</b>			
	F	99,800.00	99,800.00
<b>Current Assets Loan and Advances</b>			
<b>CURRENT ASSETS</b>			
Cash and Bank Balance	G	561,532,760.08	111,582,081.80
Debtors	H	675,904,908.57	435,158,005.62
Work-in-Process		74,330,517.00	91,378,328.00
Loans & Advances	I	1,344,320,425.91	36,018,088.16
		2,656,088,611.56	674,136,503.58
Less : Current Liabilities	J	377,057,605.29	93,320,891.34
Provisions	K	17,783,348.00	26,738,125.50
		394,840,953.29	120,059,016.84
<b>NET CURRENT ASSETS</b>		2,261,247,658.27	554,077,486.74
<b>PRELIMINARY &amp; OTHER MISC. EXPENSES</b>			
	L	7,202,937.98	2,439,568.80
<b>TOTAL</b>		<b>3,305,404,695.95</b>	<b>1,622,774,270.61</b>

**SIGNIFICANT ACCOUNTING POLICY & NOTES ON ACCOUNTS**

AS PER OUR REPORT OF EVEN DATE

**For SPMG & COMPANY.**  
Chartered Accountants

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

Place : New Delhi  
Date : 31/05/2010

**For FCS SOFTWARE SOLUTIONS LTD.**

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

**Sd/-**  
**S.N. Sharma**  
(Director)

**Sd/-**  
**Anil Sharma**  
(CFO)

**Sd/-**  
**Gagan Kaushik**  
(Co. Secretary)

**FCS SOFTWARE SOLUTIONS LTD.  
CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED  
31ST MARCH 2010**

	For the Year ended on 31-03-2010 ( ₹ )	For the Year ended on 31-03-2009 ( ₹ )
<b>INCOME</b>		
SOFTWARE DEVELOPMENT & OTHER SERVICES	2,710,582,987.44	1,902,547,907.44
DECREASE/INCREASE IN WORK-IN-PROCESS	(17,047,811.00)	(42,988,336.00)
	<b>2,693,535,176.44</b>	<b>1,859,559,571.44</b>
<b>EXPENDITURE</b>		
FOREX FLUCTUATION ACCOUNT	85,698,031.83	(150,996,429.56)
SOFTWARE DEVELOPMENT EXPENSES	N 1,983,679,195.44	1,452,904,927.50
ADMINISTRATIVE AND OTHER EXPENSES	O 182,660,537.90	142,870,389.24
	<b>2,252,037,765.17</b>	<b>1,444,778,887.18</b>
<b>OPERATING PROFIT (PBIDT)</b>		
	441,497,411.27	414,780,684.26
MISC. INCOME	M 17,099,864.41	7,875,588.16
FINANCE CHARGES	8,964,809.93	10,319,397.36
DEPRECIATION	130,141,993.24	149,606,644.64
PRIOR PERIOD ITEMS - Income/(Expenses)	(1,031,118.00)	(33,123.00)
PROFIT BEFORE TAX	318,459,354.51	262,697,107.42
<b>PROVISION FOR TAX :-</b>		
PROVISION FOR INCOME TAX - CURRENT	12,150,000.00	12,800,000.00
PROVISION FOR FBT - CURRENT	—	798,501.00
DEFERRED TAX (ASSETS)/LIABILITY	(5,376,320.00)	(1,421,930.00)
INCOME TAX PAID	49,991.00	—
<b>PROFIT AFTER TAX</b>	311,635,683.51	250,520,536.42
Balance Brought Forward	960,080,217.90	729,285,697.98
AMOUNT TRANSFER TO GENERAL RESERVE	100,000,000.00	37,500,000.00
<b>APPROPRIATIONS</b>		
MAT CREDIT ADJUSTMENT	6,360,168.00	—
PROPOSED DIVIDEND	—	7,213,357.50
PROVISION FOR TAX ON PROPOSED DIVIDEND	—	1,225,550.00
PROVISION WRITTEN OFF	(30,176.50)	26,212,891.00
<b>BALANCE IN THE PROFIT &amp; LOSS ACCOUNT</b>	<b>1,178,045,892.91</b>	<b>960,080,217.90</b>

**SIGNIFICANT ACCOUNTING POLICY &  
NOTES ON ACCOUNTS**

AS PER OUR REPORT OF EVEN DATE

**For SPMG & COMPANY.**

Chartered Accountants

**Sd/-**

**Vinod Gupta**

(Partner)

Place : New Delhi

Date : 31/05/2010

P

**For FCS SOFTWARE SOLUTIONS LTD.**

**Sd/-**

**Dalip Kumar**  
(CMD)

**Sd/-**

**Anil Sharma**  
(CFO)

**Sd/-**

**S.N. Sharma**  
(Director)

**Sd/-**

**Gagan Kaushik**  
(Co. Secretary)

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED  
31st MARCH,2010**

*(Amount in ₹)*

	<b>As on 31-03-10</b>	<b>As on 31-03-09</b>
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit after tax as per Profit & Loss Account	311,635,683.64	250,520,536.42
<b>Adjusted for:</b>		
Deferred Tax Provision	(5,376,320.00)	(1,421,930.00)
Provision for income tax	12,199,991.00	12,800,000.00
Provision for Fringe Benefit	—	798,501.00
Depreciation/Preliminary Expenses written off/Employee Stock Compensation	133,285,879.04	155,602,653.44
Prior Period Adjustments	1,031,118.00	33,123.00
Interest Expenses	8,964,809.93	10,319,397.36
<b>Operating Profit before Working Capital Changes</b>	<b>461,741,161.61</b>	<b>428,652,281.22</b>
Adjustment in Operating Profit		
<b>Adjusted for:</b>		
Sale of Assets Net		—
Trade and Other Receivables	(240,746,902.95)	57,091,729.42
Work in Process	17,047,811.00	42,988,336.00
Trade Payable	283,736,713.95	(61,156,460.99)
Increase in Provision	932,631.00	511,080.00
Loan & Advances	(1,308,302,337.75)	19,041,349.69
<b>Net Cash From Operating Activities</b>	<b>(785,590,923.14)</b>	<b>487,128,315.34</b>
<b>B Cash Flow From Investing Activities</b>		
Purchase of Fixed Assets	100,838,877.86	807,437,706.73
Investment in Subsidiary	—	—
GDR Exp. incurred	7,907,254.98	—
<b>Net Cash used in Investing Activities</b>	<b>108,746,132.84</b>	<b>807,437,706.73</b>

**C CASH FLOW FROM FINANCIAL ACTIVITIES:**

Proceeds through IPO/FPO	—	—
Proceeds through GDR	1,110,000,000.00	—
Proceeds through Pref. Share Warrants	145,600,000.00	36,400,000.00
Proceeds from Employee Stock Option Exercised	509,700.00	—
Proceed from Long Term Borrowings	19,337,440.24	31,398,814.20
Increase in Foreign Currency transaction Reserve	(13,345,350.91)	(4,357,013.00)
Repayment of Long Term Borrowings	107,937,531.00	85,930.00
Dividend Paid/Dividend Tax	(8,469,084.00)	(15,983,448.00)
Tax Paid	(7,286,574.14)	(16,887,920.00)
Prior Period Adjustments	(1,031,118.00)	(33,123.00)
Interest Expenses	(8,964,809.93)	(10,319,397.36)
<b>Net Cash used in Financial Activities</b>	<b>1,344,287,734.26</b>	<b>20,303,842.84</b>
<b>Net Increase/ Decrease in Cash and Cash Equivalents</b>	<b>449,950,678.28</b>	<b>(300,005,548.55)</b>
<b>Opening Balance of Cash and Cash Equivalents</b>	<b>111,582,081.80</b>	<b>411,587,630.35</b>
<b>Closing Balance of Cash &amp; Cash Equivalents</b>	<b>561,532,760.08</b>	<b>111,582,081.80</b>

**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/-**  
**S.N. Sharma**  
(Director)

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

**Sd/-**  
**Anil Sharma**  
(CFO)

**Sd/-**  
**Gagan Kaushik**  
(Co. Secretary)

Place : New Delhi  
Date : 31/05/2010

<b>SCHEDULE - A</b>	<b>As on 31-03-2010</b>	<b>As on 31-03-2009</b>
<b>AUTHORISED CAPITAL</b>		
60,00,00,000 EQUITY SHARES OF ₹ 1/- EACH	600,000,000.00	250,000,000.00
<b>ISSUED, SUBSCRIBED &amp; PAIDUP</b>		
5,29,55,310 EQUITY SHARES OF ₹ 1/- EACH	529,553,100.00	144,268,150.00
<i>[Out of the above 30,00,000 shares of ₹ 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 ₹ 10/- each have been issued as bonus shares by capitalisation of general reserve dt. 20.4.00]</i>		
<i>[Out of the above 35,00,000 shares of ₹ 10/- each have been issued as bonus shares by capitalisation of general reserve dt. 20.4.00]</i>		
<i>[Out of the above 2,00,00,000 shares of ₹ 1/- each have been issued as conversion of preferential warrents dt. 13.11.09]</i>		
<i>[Out of the above 10,00,00,000 shares of ₹ 1/- each have been issued as GDR 1,00,00,000 (1 GDR equal of 10 equity Shares) dt. 10.12.09]</i>		
<i>[Out of the above 26,47,76,550 shares of ₹ 1/- each have been issued as bonus shares by capitalisation of share premium dt. 02.03.10]</i>		
Less: Unpaid Share Capital Money	—	1,000.00
	<b>529,553,100.00</b>	<b>144,267,150.00</b>
<b>SCHEDULE - B</b>		
<b>RESERVES AND SURPLUS</b>		
PROFIT & LOSS ACCOUNT	1,178,045,892.91	960,080,217.90
CAPITAL RESERVE	3,250.00	—
<b>SHARE PREMIUM ACCOUNT</b>		
SHARE PREMIUM	172,985,549.70	
Less: Capital Reserve (Due to forfeiture of 1300 shares)	5,200.00	
Add: On conversion of Stock Option Issued to Employees	4,740,210.00	
Add: Issue on Preferential Shares	162,000,000.00	
Add: Issue on GDR's	1,010,000,000.00	
	<u>1,349,720,559.70</u>	
Less: Issue of Bouns Shares	264,776,550.00	172,981,549.70
	1,084,944,009.70	
<b>GENERAL RESERVE</b>		
As per last Balance Sheet	189,630,982.00	
Add: Trf. From P&L Account	100,000,000.00	
	289,630,982.00	189,630,982.00
Foreign Currency Translation Reserve	(17,556,266.91)	(4,210,916.00)
<b>EMPLOYEE STOCK OPTION</b>	2,865,516.00	7,605,726.00
	<b>2,537,933,383.70</b>	<b>1,326,087,559.60</b>

	As on 31-03-2010	As on 31-03-2009
<b>SCHEDULE - C</b>		
<b>SECURED LOAN</b>		
<i>Canara Bank-Working capital (Secured against Land &amp; Building at Gurgaon and Export Receivables and noida land &amp; building and other assets at Noida and personal guarantee of the Directors)</i>	79,382,500.00	76,984,676.66
<b>YES BANK CC ACCOUNT</b> <i>(Secured against title of Land, to be transfer after completion of Instalment)</i>	20,000,000.00	—
<b>NOIDA AUTHORITY</b> <i>(Secured against first charge over Land situated at 1A, Sector-73, Noida)</i>	5,427,458.00	6,734,000.00
<b>HDFC Bank OD Account</b> <i>(Secured against fixed deposit)</i>	5,266,731.90	—
<b>HSIDC- Panchkula Haryana</b> <i>( Secured against first charge over land situated at IT park Panchkula)</i>	7,265,411.00	14,285,984.00
	<b><u>117,342,100.90</u></b>	<b><u>98,004,660.66</u></b>
<b>SCHEDULE - D</b>		
<b>UNSECURED LOAN</b>		
<b>LOAN FROM DIRECTORS &amp; OTHERS</b>	110,397,924.35	2,460,393.35
	<b><u>110,397,924.35</u></b>	<b><u>2,460,393.35</u></b>

## SCHEDULE - E

## SCHEDULE OF FIXED ASSETS

PARTICULARS	RATE	GROSS BLOCK			DEPRECIATION			NET BLOCK		
		ASON 01-04-2009	ADDITION DURING THE PERIOD	SALE/ADJ. DURING THE PERIOD	ASON 31-03-2010	UP TO 31-03-2009	SALE/ADJ. DURING THE PERIOD	FOR THE PERIOD	UPTO 31-03-2010	ASON 31-03-2009
LAND	0	108,989,143.87	3,081,959.00	—	112,071,102.87	—	—	—	108,989,143.87	112,071,102.87
BUILDING	5	55,637,179.74	8,936,696.90	—	64,574,076.64	10,896,038.74	2,278,391.24	13,174,429.98	44,741,141.00	51,399,646.66
Furniture & fixture	18.1	21,831,321.26	1,188,639.00	—	23,020,160.26	12,254,645.26	1,775,069.08	14,029,914.33	9,576,476.00	8,990,245.93
Office Equipment, Electrical, A.C, Genset Etc.	13.91	31,351,411.80	434,914.00	—	31,786,325.80	15,247,713.80	2,281,799.76	17,529,513.56	16,103,698.00	14,256,812.24
COMPUTERS & SOFTWARES	40	572,524,290.45	6,576,192.86	—	579,100,483.31	269,931,758.15	123,602,395.81	393,534,153.96	302,592,532.30	185,566,329.35
Vehicle	25.89	1,419,803.04	1,011,301.00	—	2,431,104.04	1,156,982.04	204,337.35	1,361,319.39	262,821.00	1,069,784.65
Capital Work in-Progress		791,753,150.16	21,230,102.76	—	812,983,252.92	309,487,337.99	130,141,993.24	439,629,331.22	482,265,812.17	373,353,921.70
TOTAL		583,891,602.90	425,208,974.10	345,600,199.00	663,500,378.00	309,487,337.99	—	—	583,891,602.90	663,500,378.00
Figures of the Previous Year		1,375,644,753.06	446,439,076.86	345,600,199.00	1,476,483,630.92	309,487,337.99	130,141,993.24	439,629,331.22	1,066,157,415.07	1,036,854,299.70
		568,207,046.32	832,779,934.74	25,342,228.00	1,375,644,753.06	159,880,693.35	149,606,644.64	309,487,337.99	408,326,352.97	1,066,157,415.07



**As on 31-03-2010      As on 31-03-2009**

**SCHEDULE - F**

**INVESTMENTS**

**A. Other than trade-unquoted**

EQUITY SHARES NON TRADED AND UNQUOTED	99,800.00	99,800.00
M/s.Enstaserv eServices Ltd., 9980 Equity shares of ₹ 10/- each fully paidup		

	<b>99,800.00</b>	<b>99,800.00</b>
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**SCHEDULE - G**

**CASH & BANK BALANCE**

CASH IN HAND	122,791.00	410,813.00
<i>(Includes US\$ 2,526 (INR 114024) inhand at US Branch</i>		

**BALANCES WITH SCHEDULED BANKS**

-in Current Accounts	30,713,973.89	3,330,971.09
-in Fixed Deposits Accounts	30,902,292.00	22,967,635.00

**BALANCES WITH NON-SCHEDULED BANKS**

-in Current Accounts	490,945,326.76	60,580,662.71
-in Fixed Deposits Accounts	8,848,376.43	24,292,000.00
<i>(Includes overdraft facility availed amounting to ₹ 65 Lacs)</i>		

	<b>561,532,760.08</b>	<b>111,582,081.80</b>
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**SCHEDULE - H**

**SUNDRY DEBTORS**

(Debtors outstanding for a period exceeding six months)	237,001,922.00	104,123,943.00
Other debtors (Considered good)	438,902,986.57	331,034,062.62

	<b>675,904,908.57</b>	<b>435,158,005.62</b>
--	-----------------------	-----------------------

	As on 31-03-2010	As on 31-03-2009
<b>SCHEDULE - I</b>		
<b>LOANS AND ADVANCES</b>		
<b>(Unsecured, Considered Good)</b>		
SUNDRY SECURITY DEPOSITS	2,978,110.00	2,438,217.00
IMPREST/ADV. TO EMPLOYEES	1,205,423.00	2,334,733.00
LOANS & ADVANCES	235,460,590.00	10,570,773.00
PREPAID EXPENSES	777,867,485.00	1,067,193.00
CHEQUE IN TRANSITS	293,644,638.00	—
T.D.S. (Includes refundable of earlier years)	15,240,006.05	14,627,330.44
MAT CREDIT ADJUSTMENT	6,318,001.00	—
ADVANCE INCOME TAX	200,000.00	—
ADVANCE FRINGE BENEFIT TAX	—	650,000.00
INTEREST ACCRUED	11,159,604.71	4,324,621.72
EXCISE DEPOSIT (PLA)	5,220.00	5,220.00
ADVANCE RECOVERABLE (SERVICE TAX)	241,348.15	—
	<b>1,344,320,425.91</b>	<b>36,018,088.16</b>
<b>SCHEDULE - J</b>		
<b>CURRENT LIABILITIES</b>		
SUNDRY CREDITORS	362,357,516.29	79,498,739.34
OTHER LIABILITIES	14,700,089.00	13,822,152.00
	<b>377,057,605.29</b>	<b>93,320,891.34</b>
<b>SCHEDULE - K</b>		
<b>PROVISIONS</b>		
PROVISION FOR		
-INCOME TAX	12,150,000.00	12,800,000.00
-ON CORPORATE DIVIDEND TAX	—	1,225,550.00
-ON FRINGE BENEFIT TAX	—	798,501.00
PROPOSED DIVIDEND	—	7,213,357.50
PROVISION FOR GRATUITY	4,250,301.00	2,487,340.00
PROVISION FOR LEAVE ENCASHMENT	1,383,047.00	2,213,377.00
	<b>17,783,348.00</b>	<b>26,738,125.50</b>
<b>SCHEDULE - L</b>		
<b>PRELIMINARY &amp; OTHE MISC. EXPENSES</b>		
IPO EXPENSES	2,439,568.80	4,879,137.60
GDR EXPENSES	7,907,254.98	—
	10,346,823.78	4,879,137.60
LESS : IPO EXPENSES WRITTEN OFF	2,439,568.80	2,439,568.80
LESS : GDR EXPENSES WRITTEN OFF	704,317.00	—
	<b>7,202,937.98</b>	<b>2,439,568.80</b>

	For the Year ended on 31-03-2010	For the Year ended on 31-03-2009
<b>SCHEDULE-M</b>		
<b>MISC. INCOME</b>		
INTEREST	11,356,383.15	2,875,685.51
RENT INCOME	5,659,930.00	4,515,000.00
AMOUNT W/BACK	83,551.26	484,902.65
	<b>17,099,864.41</b>	<b>7,875,588.16</b>
<b>SCHEDULE-N</b>		
<b>SOFTWARE DEVELOPMENT EXPENSES</b>		
COMPUTER CONSUMABLE STORES	67,884.00	69,268.00
SALARIES & OTHER PROJECT EXP.	1,965,216,231.44	1,450,544,236.50
EMPLOYEE COMPENSATION EXPENSES	—	2,291,423.00
TRAINING EXPENSES	18,395,080.00	—
	<b>1,983,679,195.44</b>	<b>1,452,904,927.50</b>
<b>SCHEDULE-O</b>		
<b>ADMINISTRATIVE AND OTHER EXPENSES</b>		
SALARIES & STAFF BENEFITS	57,768,645.58	47,719,879.00
EMPLOYEE COMPENSATION EXPENSES	—	1,265,017.00
ADVERTISEMENT EXPENSES	6,444,991.00	95,885.00
BANK CHARGES/INTEREST	893,154.85	953,635.18
BUSINESS PROMOTION	159,628.00	267,135.00
TRAVELLING & CONVEYANCE	30,648,987.52	20,889,447.00
POWER & FUEL	8,225,871.60	8,657,186.00
RECRUITMENT EXPENSES	—	2,472,172.00
TELEPHONE, POSTAGE & TELEGRAPH	41,227,528.52	28,797,745.00
RENT	2,182,005.00	3,289,547.00
LEGAL & PROFESSIONAL CHARGES	6,404,021.69	6,672,515.95
SOFTWARE CONSULTANCY CHARGES	3,681,765.08	780,000.00
INSURANCE CHARGES	1,967,591.00	1,747,565.00
MEETING FEES	250,000.00	60,000.00
<b>AUDITOR'S REMUNERATION</b>		
-Audit Fees	429,214.00	378,654.00
-Tax Audit Fee	70,786.00	70,786.00
PRINTING & STATIONARY	1,523,008.00	1,347,228.00
REPAIR AND MAINTENANCE	8,780,090.60	2,413,873.00
SECURITY CHARGES	223,348.00	327,514.00
SERVICE CHARGES	291,875.00	400,000.00
MEMBERSHIP & SUBSCRIPTION	34,583.00	280,110.00
RATES & TAXES	2,233,428.00	1,485,409.00
FILING FEE/ OTHER ROC EXPENSES	8,500.00	17,525.00
NEWS PAPERS, BOOKS & PRIODICALS	14,346.00	17,303.00
CONFERENCE EXP.	—	174,943.00
OFFICE MAINTENANCE	2,324,140.10	1,109,472.00
PROCESSING FEES	1,130,575.00	—
IPO/GDR EXPENSES	2,916,581.80	2,339,568.80
AMOUNT WRITTEN OFF	168,870.86	502.00
CAPITAL ENHNCEMENT W/O	227,304.00	100,000.00
COMPENSATION EXPENSES THROUGH H'COURT	875,000.00	—
BED & DOUBTFUL DEBTS	1,554,697.70	8,739,772.31
	<b>182,660,537.90</b>	<b>142,870,389.24</b>

## **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 ₹ 5,000/- are depreciated in full in the year of purchase.

#### **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. 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 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 company had not issued any shares under employee stock option plan and accordingly not claimed any expenses towards employees stock compensation account. However, a scheme has been approved by the shareholders for issue of 1,00,00,000 equity shares.

#### 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. 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 Asset of ₹ 53,76,320/- for the year ended 31st March 31,2010, has been provided and the post tax profit has accordingly increased.

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

	Year Ended 31st March 2010 ( ₹ )	Year Ended 31st March 2009 ( ₹ )
Deferred Tax Liability		
(1) Depreciation	11,899,685.00	17,104,518.00
Less: Deferred Tax Assets		
(2) Provision for Retirement Benefits		
- For Gratuity	369,920.00	652,149.00
- Leave Encashment	1,351,579.00	897,862.00
Deferred Tax Liability (Net)	10,178,186.00	15,554,507.00

#### P.1.14. Employees Stock Option Plan (ESOP).

During the fiscal the company had not issued shares under employees stock option scheme.

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 and issued shares as under:

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

**2005 Stock Option Scheme**

	<b>Year Ended 31st March 2010 (No. of Shares)</b>	<b>Year Ended 31st March 2009 (No. of Shares)</b>
Option Outstanding at the beginning of the year	Nil	168071
Instituted During the Year	Nil	Nil
Option Granted	Nil	168071
Option Forfeited	Nil	Nil
Option Exercised	Nil	Nil
	<b>Nil</b>	<b>Nil</b>

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

	<b>Year Ended 31st March 2010 ( ₹ )</b>	<b>Year Ended 31st March 2009 ( ₹ )</b>
Balance brought forwarded	Nil	35,56,440
Add: Recognised during the year	Nil	Nil
Less: Amortisation expenses	Nil	35,56,440
Less: Reversal due to forfeiture	Nil	Nil
Balance carried forward	Nil	Nil

**P.1.15 Managerial Remuneration**

	<b>Year Ended 31st March 2010 ( ₹ )</b>	<b>Year Ended 31st March 2009 ( ₹ )</b>
<b>A. Managing Director</b>		
Salary and perquisites	Nil	Nil
Contribution to Provident Fund and other funds	Nil	Nil
Commission	Nil	Nil
<b>B. Executive Directors</b>		
Salary and perquisites	Nil	Nil
Contribution to Provident Fund and other funds	Nil	Nil
Commission	Nil	Nil

### C. Non Executive Directors

Salary and perquisites	Nil	Nil
Contribution to Provident Fund and other funds	Nil	Nil
Commission	Nil	Nil
Sitting Fee	250,000	60,000
	<b>250,000</b>	<b>60,000</b>

### P.1.16 Earning per share

	Year Ended 31st March 2010	Year Ended 31st March 2009
Profit After taxation available to equity shareholders ( ₹ )	311,635,683	250,520,536
Weighted average number of equity shares used in Calculating basic earning per share	529,553,100	14,426,815
Add: Effect of diluted issue of shares	Nil	Nil
Weighted average number of equity shares used in Calculating diluted earning per share	529,553,100	14,426,815
Face Value of Shares ( ₹ )	₹ 1/-	₹ 10/-
Basic earning per share ( ₹ )	0.59	17.37
Diluted earning per share ( ₹ )	0.59	17.37

### P.1.17. 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.1.18. 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 2010 has been considered and accounted as certified by the certified public accountant and further certified by the management.

### P.1.19. 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 three main Geographical Segments India, USA, and Middle East.



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

**For the Year Ended 31st March 2010**

( ₹ in lacs.)

Description	India	UAE	USA	Total
Revenue from external customers	974.77	5167.96	20963.09	27105.83
Expenses	518.17	4201.21	16144.87	20864.25
Segment Result	456.60	966.75	4818.23	6241.58
Unallocated Expenses				3128.03
Operating Profit Before Taxation				3113.55
Other Income				171.00
Finance Charges				89.65
Profit Before Tax & Prior Period Adj.				3194.90
Prior Period Adj. Income/ Exp.				(10.31)
Provision for Taxation				122.00
Provision for Deferred Tax				(53.76)
<b>Net Profit After Tax</b>				<b>3116.36</b>

**For the Year Ended 31st March 2009**

( ₹ in lacs.)

Description	India	UAE	USA	Total
Revenue from external customers	887.44	—	18,138.04	19,025.48
Expenses	401.04	—	13,047.93	13,448.97
Segment Result	486.4	—	5,090.11	5,576.51
Unallocated Expenses				2,924.77
Operating Profit Before Taxation				2,651.74
Other Income				78.76
Finance Charges				103.19
Profit Before Tax & Prior Period Adj.				2,627.30
Prior Period Adj. Income/ Exp.				(0.33)
Provision for Taxation				135.99
Provision for Deferred Tax				(14.22)
<b>Net Profit After Tax</b>				<b>2,505.21</b>

**P.1.20. 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. Related Party Transactions:**

	31/03/2010	31/03/2009
F.C.S Software Middle East FZE, UAE		
— Towards investments in Equity Shares	₹ 12,29,975/-	NIL
— Towards Equity Shares Application	₹ 1,20,30,34,586/-	NIL

**P.1.23. Material Events.**

Material events occurring after the Balance Sheet date have been 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 Funds raised through Global Depository Receipts (GDR's) during the year:**

During the fiscal, the Company raised USD 24.10 Million (₹111.00 Crore) through issuance of 1,00,00,000 GDR's at Luxembourg Stock Exchange representing 10,00,00,000 equity shares of ₹ 1/- each at a price of ₹11.10 per equity share of ₹ 1/- each. The issue price of each GDR is USD 2.41.

**The details of utilization of GDR proceeds:**

Total funds raised through GDR were ₹ 111.00 Crores out of which amount of ₹ 88.32 Crores was invested in F.C.S Software Middle East FZE, UAE, wholly owned subsidiary of the Company, up to March 31,2010.

**P.2.3 Contingent liabilities**

The Company has no letters of credit outstanding issued to various vendors as at March 31, 2010. However an Income Tax Appeal filed by the Income Tax Department is pending with Income Tax Appellate Tribunal, New Delhi for disposal for the assessment year 2003-04 comprising a disputed amount to the tune of ₹ 23 crores.

**P.2.4 Payment to Auditors.**

	Current Year	Previous Year
Audit Fee	4,29,214	3,78,654
Tax Audit Fee	70,786	70,786
In other capacity	NIL	NIL

**P.2.5 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.2.6 Imports On CIF basis.**

	(Amt in ₹ )	
	<u>31/03/2010</u>	<u>31/03/2009</u>
Capital Goods	Nil	4,15,954.00
Software Packages	Nil	19,31,03,126.30

**P.2.7 Expenditure in Foreign Currency.**

	<u>31/03/2010</u>	<u>31/03/2009</u>
Professional Charges & Other expenditure incurred overseas for software development at US	1,55,32,63,408.00	1,36,98,17,694.00
Professional Charges & Other expenditure incurred overseas for software development at UAE Branch	42,01,21,446.00	Nil
Professional Charges & Other expenditure incurred overseas for software development from India	13,45,114.00	Nil

**P.2.8 Earning in foreign exchange**

	<u>31/03/2010</u>	<u>31/03/2009</u>
Income from software development services and products	2,61,31,05,693.00	1,81,38,02,320.00

**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/-  
S.N. Sharma  
(Director)**

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

**Sd/-  
Anil Sharma  
(CFO)**

**Sd/-  
Gagan Kaushik  
(Co. Secretary)**

Place : New Delhi  
Date : 31/05/2010

### **Auditor's Report to the Members of FCS Software Solutions Ltd.**

1. We have audited the attached Balance Sheet of FCS Software Solutions Ltd., as at 31st March 2010, 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 2010, 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, 2010;
    - 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.

Place : New Delhi  
Dated : 31/05/2010

For SPMG & Company  
Chartered Accountants

  
Vinod Gupta  
Partner

Membership No. 90687

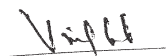
## **ANNEXURE TO THE AUDITOR'S REPORT**

The annexure referred to in our report to the members of FCS Software Solutions Ltd. ('the Company') for the year ended 31st March 2010. We report that:

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 is a service Company, Primarily rendering software and other IT enabled services. Accordingly it does not hold any physical inventories as such. However, the on going projects were valued as work in process, to the extent expenses incurred thereon.
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) As informed to us the Company had not granted any loan, secured or unsecured to other companies, firm or other parties 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. There were no dues on account of cess under section 441A of the companies act, 1956 since the date from which the aforesaid section comes into force has not been notified by the Central Government.
11. The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year in the immediately preceding financial year.
12. 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.
13. 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.
14. The Company had not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
15. In our opinion and according to the information and explanations given to us, the Company is not chit fund or nidhi/mutual benefit fund/society.
16. The Company has not made any preferential allotment of shares to companies, firms or parties covered in the register maintained under section 301 of the companies act, 1956.
17. The Company has raised funds through issuance of Global Depository Receipts is as disclosed in the notes to the financial statements.
18. 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.
19. Other clauses of the order are not applicable to the Company.

For SPMG & Company  
Chartered Accountants



Vinod Gupta  
Partner

Membership No. 90687

Place : New Delhi  
Dated : 31/05/2010

**FCS SOFTWARE SOLUTIONS LTD.  
BALANCE SHEET AS AT 31ST MARCH 2010**

PARTICULARS	SCHEDULE	As on 31-03-2010 AMOUNT ( ₹ )	As on 31-03-2009 AMOUNT ( ₹ )
<b>SOURCE OF FUNDS</b>			
<b>SHARE HOLDER'S FUND</b>			
Share Capital	A	529,553,100.00	144,267,150.00
Advance Pursuant to Share Warrant		—	36,400,000.00
Reserve and Surplus	B	2,463,998,505.70	1,339,418,622.60
<b>LOAN FUND</b>			
Secured Loan	C	117,342,100.90	98,004,660.66
Unsecured Loan	D	110,397,924.35	2,460,393.35
<b>DEFERRED TAX LIABILITY</b>		10,178,187.00	15,554,507.00
<b>TOTAL</b>		<b>3,231,469,817.95</b>	<b>1,636,105,333.61</b>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
	E		
Gross Block		812,983,252.92	791,753,150.16
Less : Depreciation		439,629,331.22	309,487,337.99
Net Block		373,353,921.70	482,265,812.17
Add: Capital Work in Progress		663,500,378.00	231,247,800.90
		1,036,854,299.70	713,513,613.07
<b>INVESTMENTS</b>	F	1,204,368,875.00	104,895.00
<b>Current Assets Loan and Advances</b>			
<b>CURRENT ASSETS</b>			
Cash and Bank Balance	G	448,557,487.08	87,606,612.80
Debtors	H	471,276,101.57	419,735,210.62
Work-in-Process		74,330,517.00	91,378,328.00
Loans & Advances	I	46,345,415.91	391,679,837.16
		1,040,509,521.56	990,399,988.58
Less : Current Liabilities	J	39,682,468.29	43,614,606.34
Provisions	K	17,783,348.00	26,738,125.50
		57,465,816.29	70,352,731.84
<b>NET CURRENT ASSETS</b>		983,043,705.27	920,047,256.74
<b>PRELIMINARY &amp; OTHER MISC. EXPENSES</b>	L	7,202,937.98	2,439,568.80
		3,231,469,817.95	1,636,105,333.61

**SIGNIFICANT ACCOUNTING POLICY & NOTES ON ACCOUNTS**

AS PER OUR REPORT OF EVEN DATE

**For SPMG & COMPANY.**  
Chartered Accountants

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

Place : New Delhi  
Date : 31/05/2010

**For FCS SOFTWARE SOLUTIONS LTD.**

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

**Sd/-  
S.N. Sharma**  
(Director)

**Sd/-  
Anil Sharma**  
(CFO)

**Sd/-  
Gagan Kaushik**  
(Co. Secretary)

**FCS SOFTWARE SOLUTIONS LTD.  
PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2010**

	<b>For the Year ended on 31-03-2010 ( ₹ )</b>	<b>For the Year ended on 31-03-2009 ( ₹ )</b>
<b>INCOME</b>		
SOFTWARE DEVELOPMENT & OTHER SERVICES	954,032,721.10	913,386,360.44
DECREASE/INCREASE IN WORK-IN-PROCESS	(17,047,811.00)	(42,988,336.00)
	<b>936,984,910.10</b>	<b>870,398,024.44</b>
<b>EXPENDITURE</b>		
FOREX FLUCTUATION ACCOUNT	85,698,031.83	(150,996,429.56)
SOFTWARE DEVELOPMENT EXPENSES	N 404,404,562.00	506,969,609.50
ADMINISTRATIVE AND OTHER EXPENSES	O 95,442,645.91	91,403,131.24
	<b>585,545,239.74</b>	<b>447,376,311.18</b>
<b>OPERATING PROFIT (PBIDT)</b>	<b>351,439,670.36</b>	<b>423,021,713.26</b>
MISC. INCOME	M 17,099,864.41	7,875,588.16
FINANCE CHARGES	8,964,809.93	10,319,397.36
DEPRECIATION	130,141,993.24	149,606,644.64
PRIOR PERIOD ITEMS - Income/(Expenses)	(1,031,118.00)	(33,123.00)
<b>PROFIT BEFORE TAX</b>	<b>228,401,613.60</b>	<b>270,938,136.42</b>
<b>PROVISION FOR TAX :-</b>		
PROVISION FOR INCOME TAX - CURRENT	12,150,000.00	12,800,000.00
PROVISION FOR FBT - CURRENT	—	798,501.00
DEFERRED TAX (ASSETS)/LIABILITY	(5,376,320.00)	(1,421,930.00)
INCOME TAX PAID	49,991.00	—
<b>PROFIT AFTER TAX</b>	<b>221,577,942.60</b>	<b>258,761,565.42</b>
Balance Brought Forward	971,845,659.90	732,810,110.98
AMOUNT TRANSFER TO GENERAL RESERVE	100,000,000.00	37,500,000.00
<b>APPROPRIATIONS</b>		
MAT CREDIT ADJUSTMENT	6,360,168.00	—
PROPOSED DIVIDEND	—	7,213,357.50
PROVISION FOR TAX ON PROPOSED DIVIDEND	—	1,225,550.00
PROVISION WRITTEN OFF	(30,176.50)	26,212,891.00
<b>BALANCE IN THE PROFIT &amp; LOSS ACCOUNT</b>	<b>1,099,753,594.00</b>	<b>971,845,659.90</b>
<b>SIGNIFICANT ACCOUNTING POLICY &amp; NOTES ON ACCOUNTS</b>		
AS PER OUR REPORT OF EVEN DATE	<b>For FCS SOFTWARE SOLUTIONS LTD.</b>	
<b>For SPMG &amp; COMPANY.</b>	<b>Sd/-</b>	<b>Sd/-</b>
Chartered Accountants	<b>Dalip Kumar</b>	<b>S.N. Sharma</b>
	(CMD)	(Director)
<b>Sd/-</b>	<b>Sd/-</b>	<b>Sd/-</b>
<b>Vinod Gupta</b>	<b>Anil Sharma</b>	<b>Gagan Kaushik</b>
(Partner)	(CFO)	(Co. Secretary)
Place : New Delhi		
Date : 31/05/2010		



## CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH,2010

(Amount in ₹ )

	As on 31-03-10	As on 31-03-09
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit after tax as per Profit & Loss Account	221,577,942.73	258,761,565.42
<b>Adjusted for:</b>		
Deferred Tax Provision	(5,376,320.00)	(1,421,930.00)
Provision for income tax	12,199,991.00	12,800,000.00
Provision for Fringe Benefit	—	798,501.00
Depreciation/Preliminary Expenses written off/Employee Stock Compensation	133,285,879.04	155,602,653.44
Prior Period Adjustments	1,031,118.00	33,123.00
Interest Expenses	8,964,809.93	10,319,397.36
<b>Operating Profit before Working Capital Changes</b>	<b>371,683,420.70</b>	<b>436,893,310.22</b>
Adjustment in Operating Profit		
<b>Adjusted for:</b>		
Sale of Assets Net		—
Trade and Other Receivables	(51,540,890.95)	(203,063,816.58)
Work in Process	17,047,811.00	42,988,336.00
Trade Payable	(3,932,138.05)	(86,484,649.99)
Increase in Provision	932,631.00	511,080.00
Loan & Advances	345,334,421.25	(53,072,379.31)
<b>Net Cash From Operating Activities</b>	<b>679,525,254.95</b>	<b>137,771,880.34</b>
<b>B Cash Flow From Investing Activities</b>		
Purchase of Fixed Assets	453,482,679.86	454,793,904.73
Investment in Subsidiary	1,204,263,980.00	1,098.00
Increase in IPO/GDR Exp.	7,907,254.98	—
<b>Net Cash used in Investing Activities</b>	<b>1,665,653,914.84</b>	<b>454,795,002.73</b>

**C CASH FLOW FROM FINANCIAL ACTIVITIES:**

Proceeds through IPO/FPO	—	—
Proceeds through GDR	1,110,000,000.00	—
Proceeds through Pref. Share Warrants	145,600,000.00	36,400,000.00
Proceeds from Employee Stock Option Exercised	509,700.00	—
Proceed from Long Term Borrowings	19,337,440.24	31,398,814.20
Increase in Foreign Currency transaction Reserve	(10,553,551.00)	(2,715,158.00)
Increase/Repayment of Long Term Borrowings	107,937,531.00	85,930.00
Dividend Paid/Dividend Tax	(8,469,084.00)	(15,983,448.00)
Tax Paid	(7,286,574.14)	(16,887,920.00)
Prior Period Adjustments	(1,031,118.00)	(33,123.00)
Interest Expenses	(8,964,809.93)	(10,319,397.36)
<b>Net Cash used in Financial Activities</b>	<b>1,347,079,534.17</b>	<b>21,945,697.84</b>
<b>Net Increase/ Decrease in Cash and Cash Equivalents</b>	<b>360,950,874.28</b>	<b>(295,077,424.55)</b>
<b>Opening Balance of Cash and Cash Equivalents</b>	<b>87,606,612.80</b>	<b>382,684,037.35</b>
<b>Closing Balance of Cash &amp; Cash Equivalents</b>	<b>448,557,487.08</b>	<b>87,606,612.80</b>

**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/-  
S.N. Sharma  
(Director)****Sd/-  
Vinod Gupta  
(Partner)****Sd/-  
Anil Sharma  
(CFO)****Sd/-  
Gagan Kaushik  
(Co. Secretary)**Place : New Delhi  
Date : 31/05/2010

<b>SCHEDULE - A</b>	<b>As on 31-03-2010</b>	<b>As on 31-03-2009</b>
<b>AUTHORISED CAPITAL</b>		
60,00,00,000 EQUITY SHARES OF ₹ 1/- EACH	600,000,000.00	250,000,000.00
<b>ISSUED, SUBSCRIBED &amp; PAIDUP</b>		
5,29,55,310 EQUITY SHARES OF ₹ 1/- EACH	529,553,100.00	144,268,150.00
<i>[Out of the above 30,00,000 shares of ₹ 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 ₹ 10/- each have been issued as bonus shares by capitalisation of general reserve dt. 20.4.00]</i>		
<i>[Out of the above 35,00,000 shares of ₹ 10/- each have been issued as bonus shares by capitalisation of general reserve dt. 20.4.00]</i>		
<i>[Out of the above 2,00,00,000 shares of ₹ 1/- each have been issued as conversion of preferential warrents dt. 13.11.09]</i>		
<i>[Out of the above 10,00,00,000 shares of ₹ 1/- each have been issued as GDR 1,00,00,000 (1 GDR equal of 10 equity Shares) dt. 10.12.09]</i>		
<i>[Out of the above 26,47,76,550 shares of ₹ 1/- each have been issued as bonus shares by capitalisation of share premium dt. 02.03.10]</i>		
Less: Unpaid Share Capital Money	—	1,000.00
	<b>529,553,100.00</b>	<b>144,267,150.00</b>
<b>SCHEDULE - B</b>		
<b>RESERVES AND SURPLUS</b>		
PROFIT & LOSS ACCOUNT	1,099,753,594.00	971,845,659.90
CAPITAL RESERVE	3,250.00	—
<b>SHARE PREMIUM ACCOUNT</b>		
SHARE PREMIUM	172,985,549.70	
Less: Capital Reserve (Due to forfeiture of 1300 shares)	5,200.00	
Add: On conversion of Stock Option Issued to Employees	4,740,210.00	
Add: Issue on Preferencial Shares	162,000,000.00	
Add: Issue on GDR's	1,010,000,000.00	
	<u>1,349,720,559.70</u>	
Less: Issue of Bouns Shares	264,776,550.00	172,981,549.70
	1,084,944,009.70	
<b>GENERAL RESERVE</b>		
As per last Balance Sheet	189,630,982.00	
Add: Trf. From P&L Account	100,000,000.00	189,630,982.00
Foreign Currency Translation Reserve	(13,198,846.00)	(2,645,295.00)
<b>EMPLOYEE STOCK OPTION</b>	2,865,516.00	7,605,726.00
	<b>2,463,998,505.70</b>	<b>1,339,418,622.60</b>

	As on 31-03-2010	As on 31-03-2009
<b>SCHEDULE - C</b>		
<b>SECURED LOAN</b>		
<i>Canara Bank-Working capital (Secured against Land &amp; Building at Gurgaon and Export Receivables and noida land &amp; building and other assets at Noida and personal guarantee of the Directors)</i>	79,382,500.00	76,984,676.66
<b>YES BANK CC ACCOUNT</b> <i>(Secured against title of Land, to be transfer after completion of Instalment)</i>	20,000,000.00	—
<b>NOIDA AUTHORITY</b> <i>(Secured against first charge over Land situated at 1A, Sector-73, Noida)</i>	5,427,458.00	6,734,000.00
<b>HDFC Bank OD Account</b> <i>(Secured against fixed deposit)</i>	5,266,731.90	—
<b>HSIDC- Panchkula Haryana</b> <i>( Secured against first charge over land situated at IT park Panchkula)</i>	7,265,411.00	14,285,984.00
	<b><u>117,342,100.90</u></b>	<b><u>98,004,660.66</u></b>
<b>SCHEDULE - D</b>		
<b>UNSECURED LOAN</b>		
<b>LOAN FROM DIRECTORS &amp; OTHERS</b>	110,397,924.35	2,460,393.35
	<b><u>110,397,924.35</u></b>	<b><u>2,460,393.35</u></b>

**SCHEDULE - E**

**SCHEDULE OF FIXED ASSETS**

PARTICULARS	RATE	GROSS BLOCK			DEPRECIATION			NET BLOCK		
		ASON 01-04-2009	ADDITION DURING THE PERIOD	SALE/ADJ. DURING THE PERIOD	ASON 31-03-2010	UP TO 31-03-2009	SALE/ADJ. DURING THE PERIOD	FOR THE PERIOD	UPTO 31-03-2010	ASON 31-03-2009
LAND	0	108,989,143.87	3,081,959.00	—	112,071,102.87	—	—	—	108,989,143.87	112,071,102.87
BUILDING	5	55,637,179.74	8,936,896.90	—	64,574,076.64	—	2,278,391.24	13,174,429.98	44,741,141.00	51,399,646.66
Furniture & fixture	18.1	21,831,321.26	1,188,839.00	—	23,020,160.26	—	1,775,069.08	14,029,914.33	9,576,476.00	8,990,245.93
Office Equipment, Electrical, AC, Genset Etc.	13.91	31,351,411.80	434,914.00	—	31,786,325.80	—	2,281,799.76	17,529,513.56	16,103,698.00	14,256,812.24
COMPUTERS & SOFTWARES	40	572,524,290.45	6,576,192.86	—	579,100,483.31	—	123,602,395.81	398,534,153.96	302,592,532.30	185,566,329.35
Vehicle	25.89	1,419,803.04	1,011,301.00	—	2,431,104.04	—	204,337.35	1,361,319.39	262,821.00	1,069,784.65
Capital Work -in-Progress			21,230,102.76	—	812,983,252.92	—	—	439,629,331.22	482,265,812.17	373,353,921.70
TOTAL			432,252,577.10	—	663,500,378.00	—	—	—	231,247,800.90	663,500,378.00
Figures of the Previous Year			453,482,679.86	—	1,476,483,630.92	—	—	439,629,331.22	713,513,613.07	1,036,854,299.70
			480,136,132.74	25,342,228.00	1,023,000,951.06	—	149,606,644.64	309,467,337.99	408,326,352.97	713,513,613.07

	As on 31-03-2010	As on 31-03-2009
<b>SCHEDULE - F</b>		
<b>INVESTMENTS</b>		
<b>A. Other than trade-unquoted</b>		
EQUITY SHARES NON TRADED AND UNQUOTED	99,800.00	99,800.00
M/s.Enstaserv eServices Ltd., 9980 Equity shares of ₹ 10/- each fully paidup		
M/s.FCS SOFTWARE MIDDLE EAST FZE, UAE , 100000 Equity shares of AED 1/- each fully paidup	1,229,975.00	—
<b>COMMON STOCK</b>	4,514.00	5,095.00
(USD 0.01 PAR VALUE OF 10,000 COMMON STOCK in FCS Software Solutions America Ltd)		
M/s.FCS SOFTWARE MIDDLE EAST FZE, UAE, (Paid for share application, allotment pending)	1,203,034,586.00	
	<b><u>1,204,368,875.00</u></b>	<b><u>104,895.00</u></b>
<b>SCHEDULE - G</b>		
<b>CASH &amp; BANK BALANCE</b>		
CASH IN HAND	122,791.00	297,449.00
(Includes US\$ 2,526 (INR 114024) inhand at US Branch		
<b>BALANCES WITH SCHEDULED BANKS</b>		
-in Current Accounts	30,713,973.89	3,330,971.09
-in Fixed Deposits Accounts	30,902,292.00	22,967,635.00
<b>BALANCES WITH NON-SCHEDULED BANKS</b>		
-in Current Accounts	377,970,053.76	36,718,557.71
-in Fixed Deposits Accounts	8,848,376.43	24,292,000.00
(Includes overdraft facility availed amounting to ₹ 65 Lacs)		
	<b><u>448,557,487.08</u></b>	<b><u>87,606,612.80</u></b>
<b>SCHEDULE - H</b>		
<b>SUNDRY DEBTORS</b>		
(Debtors outstanding for a period exceeding six months)	237,001,922.00	104,123,943.00
Other debtors (Considered good)	234,274,179.57	315,611,267.62
	<b><u>471,276,101.57</u></b>	<b><u>419,735,210.62</u></b>

	As on 31-03-2010	As on 31-03-2009
<b>SCHEDULE - I</b>		
<b>LOANS AND ADVANCES</b>		
<b>(Unsecured, Considered Good)</b>		
SUNDRY SECURITY DEPOSITS	2,978,110.00	2,438,217.00
IMPREST/ADV. TO EMPLOYEES	1,205,423.00	2,334,733.00
LOANS & ADVANCES	6,709,267.00	366,232,522.00
PREPAID EXPENSES	2,288,436.00	1,067,193.00
T.D.S. (Includes refundable of earlier years)	15,240,006.05	14,627,330.44
MAT CREDIT ADJUSTMENT	6,318,001.00	—
ADVANCE INCOME TAX	200,000.00	—
ADVANCE FRINGE BENEFIT TAX	—	650,000.00
INTT. ACCRUED	11,159,604.71	4,324,621.72
EXCISE DEPOSIT (PLA)	5,220.00	5,220.00
ADVANCE RECOVERABLE (SERVICE TAX)	241,348.15	—
	<b>46,345,415.91</b>	<b>391,679,837.16</b>
<b>SCHEDULE - J</b>		
<b>CURRENT LIABILITIES</b>		
SUNDRY CREDITORS	24,982,379.29	29,792,454.34
OTHER LIABILITIES	14,700,089.00	13,822,152.00
	<b>39,682,468.29</b>	<b>43,614,606.34</b>
<b>SCHEDULE - K</b>		
<b>PROVISIONS</b>		
PROVISION FOR		
-INCOME TAX	12,150,000.00	12,800,000.00
-ON CORPORATE DIVIDEND TAX	—	1,225,550.00
-ON FRINGE BENEFIT TAX	—	798,501.00
PROPOSED DIVIDEND	—	7,213,357.50
PROVISION FOR GRATUITY	4,250,301.00	2,487,340.00
PROVISION FOR LEAVE ENCASHMENT	1,383,047.00	2,213,377.00
	<b>17,783,348.00</b>	<b>26,738,125.50</b>
<b>SCHEDULE - L</b>		
<b>PRELIMINARY &amp; OTHE MISC. EXPENSES</b>		
IPO EXPENSES	2,439,568.80	4,879,137.60
GDR EXPENSES	7,907,254.98	—
	10,346,823.78	4,879,137.60
LESS : WRITTEN OFF DURING THE YEAR	2,439,568.80	2,439,568.80
LESS : IPO EXPENSES WRITTEN OFF	704,317.00	—
	<b>7,202,937.98</b>	<b>2,439,568.80</b>

	For the Year ended on 31-03-2010	For the Year ended on 31-03-2009
<b>SCHEDULE-M</b>		
<b>MISC. INCOME</b>		
INTEREST	11,356,383.15	2,875,685.51
RENT INCOME	5,659,930.00	4,515,000.00
AMOUNT W/BACK	83,551.26	484,902.65
	<b>17,099,864.41</b>	<b>7,875,588.16</b>
<b>SCHEDULE-N</b>		
<b>SOFTWARE DEVELOPMENT EXPENSES</b>		
COMPUTER CONSUMABLE STORES	67,884.00	69,268.00
SALARIES & OTHER PROJECT EXP.	404,336,678.00	504,608,918.50
EMPLOYEE COMPENSATION EXPENSES	—	2,291,423.00
	<b>404,404,562.00</b>	<b>506,969,609.50</b>
<b>SCHEDULE-O</b>		
<b>ADMINISTRATIVE AND OTHER EXPENSES</b>		
SALARIES & STAFF BENEFITS	22,062,100.00	22,319,657.00
EMPLOYEE COMPENSATION EXPENSES	—	1,265,017.00
ADVERTISEMENT EXPENSES	6,444,991.00	95,885.00
BANK CHARGES/INTEREST	725,802.62	894,859.18
BUSINESS PROMOTION	159,628.00	267,135.00
TRAVELLING & CONVEYANCE	14,339,995.40	13,977,788.00
POWER & FUEL	8,225,871.60	8,657,186.00
MEDICAL EXPENSES	—	—
RECRUITMENT EXPENSES	—	1,166,484.00
TELEPHONE, POSTAGE & TELEGRAPH	16,551,713.85	12,578,227.00
RENT	815,649.00	2,610,985.00
LEGAL & PROFESSIONAL CHARGES	5,790,386.00	6,282,227.95
SOFTWARE CONSULTANCY CHARGES	988,877.08	780,000.00
INSURANCE CHARGES	1,257,911.00	1,245,020.00
MEETING FEES	250,000.00	60,000.00
<b>AUDITOR'S REMUNERATION</b>		
-Audit Fees	429,214.00	378,654.00
-Tax Audit Fee	70,786.00	70,786.00
PRINTING & STATIONARY	1,523,008.00	1,347,228.00
REPAIR AND MAINTENANCE	4,804,288.00	2,413,873.00
SECURITY CHARGES	223,348.00	327,514.00
SERVICE CHARGES	291,875.00	400,000.00
MEMBERSHIP & SUBSCRIPTION	34,583.00	280,110.00
RATES & TAXES	2,233,428.00	1,485,409.00
FILING FEE/ OTHER ROC EXPENSES	8,500.00	17,525.00
NEWS PAPERS, BOOKS & PRIODICALS	14,346.00	17,303.00
CONFERENCE EXP.	—	174,943.00
OFFICE MAINTENANCE	1,323,315.00	1,109,472.00
PROCESSING FEES	1,130,575.00	—
IPO/GDR EXPENSES	2,916,581.80	2,339,568.80
AMOUNT WRITTEN OFF	168,870.86	502.00
CAPITAL ENHNCEMENT W/O	227,304.00	100,000.00
COMPENSATION EXPENSES THROUGH H'COURT	875,000.00	—
BED & DOUBTFUL DEBTS	1,554,697.70	8,739,772.31
	<b>95,442,645.91</b>	<b>91,403,131.24</b>



## **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 deployment 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 per 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 ₹ 5,000/- are depreciated in full in the year of purchase.

#### **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 comprises of 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 as arising on foreign currency transactions are recognized as income or expenses in the year in which they arose. 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. & FCS Software Middle East FZE, UAE.

#### **P.1.10. Retirement Benefits**

Own Contributions to provident fund and ESI 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 has provided the provision for gratuity and leave encashment 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 certified by valuer.

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 company had not issued any shares under employee stock option plan and accordingly not claimed any expenses towards employees stock compensation account. However, a scheme has been approved by the shareholders for issue of 1,00,00,000 equity shares.

#### 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. Income Tax

- a. Provision is made for income tax on a yearly basis in pursuance with the provision prescribed under Income Tax Act, 1961 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 assets of ₹ 53,76,320/- for the year ended March 31,2010, has been provided and the post tax profit has accordingly increased.

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

	Year Ended 31st March 2010 ( ₹ )	Year Ended 31st March 2009 ( ₹ )
Deferred Tax Liability		
(1) Depreciation	11,899,685.00	17,104,518.00
Less: Deferred Tax Assets		
(2) Provision for Retirement Benefits		
- For Gratuity	369,920.00	652,149.00
- Leave Encashment	1,351,579.00	897,862.00
Deferred Tax Liability (Net)	10,178,186.00	15,554,507.00

#### P.1.14. Employees Stock Option Plan (ESOP).

During the fiscal, the Company has not issued shares under employees stock option scheme.

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 entire options were exhausted during preceding year.

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 and issued shares as under:

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

**2005 Stock Option Scheme**

	<b>Year Ended 31st March 2010 (No. of Shares)</b>	<b>Year Ended 31st March 2009 (No. of Shares)</b>
Option Outstanding at the beginning of the year	Nil	168071
Instituted During the Year	Nil	Nil
Option Granted	Nil	168071
Option Forfeited	Nil	Nil
Option Exercised	Nil	Nil
	<b>Nil</b>	<b>Nil</b>

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

	<b>Year Ended 31st March 2010 ( ₹ )</b>	<b>Year Ended 31st March 2009 ( ₹ )</b>
Balance brought forwarded	Nil	35,56,440
Add: Recognised during the year	Nil	Nil
Less: Amortisation expenses	Nil	35,56,440
Less: Reversal due to forfeiture	Nil	Nil
Balance carried forward	Nil	Nil

**P.1.15 Managerial Remuneration**

	<b>Year Ended 31st March 2010 ( ₹ )</b>	<b>Year Ended 31st March 2009 ( ₹ )</b>
<b>A. Managing Director</b>		
Salary and perquisites	Nil	Nil
Contribution to Provident Fund and other funds	Nil	Nil
Commission	Nil	Nil
<b>B. Executive Directors</b>		
Salary and perquisites	Nil	Nil
Contribution to Provident Fund and other funds	Nil	Nil
Commission	Nil	Nil

### C. Non Executive Directors

Salary and perquisites	Nil	Nil
Contribution to Provident Fund and other funds	Nil	Nil
Commission	Nil	Nil
Sitting Fee	250,000	60,000
	<b>250,000</b>	<b>60,000</b>

#### P.1.16 Earning per share

	Year Ended 31st March 2010	Year Ended 31st March 2009
Profit After taxation available to equity shareholders ( ₹)	221,577,943	258,761,565
Weighted average number of equity shares used in Calculating basic earning per share	529,553,100	14,426,815
Add: Effect of diluted issue of shares	Nil	Nil
Weighted average number of equity shares used in Calculating diluted earning per share	529,553,100	14,426,815
Face Value of Shares ( ₹)	₹ 1/-	₹ 10/-
Basic earnings per share ( ₹)	0.42	17.94
Diluted earnings per share ( ₹)	0.42	17.94

#### P.1.17. 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.1.18. 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, 2010 has been considered and accounted as certified by the Certified Public Accountant and as certified by the management for the purpose of this Balance Sheet.

#### P.1.19. 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 three main Geographical Segments India, USA and Middle East.

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

**For the Year Ended 31st March, 2010**

( ₹ in lacs.)

<b>Description</b>	<b>India</b>	<b>USA</b>	<b>Total</b>
Revenue from external customers	974.77	8,565.55	9,540.33
Expenses	518.17	4553.33	5,071.50
Segment Result	456.60	4012.22	4,468.82
Unallocated Expenses			2,255.85
Operating Profit Before Taxation			2,212.98
Other Income			171.00
Finance Charges			89.65
Profit Before Tax & Prior Period Adj.			2,294.33
Prior Period Adjustment Income/ ( Expenses)			(10.31)
Provision for Taxation			122.00
Provision for Deferred Tax			(53.76)
<b>Net Profit After Tax</b>			<b>2,215.78</b>

**For the Year Ended 31st March, 2009**

( ₹ in lacs.)

<b>Description</b>	<b>India</b>	<b>USA</b>	<b>Total</b>
Revenue from external customers	887.44	8,246.42	9,133.86
Expenses	401.04	3,588.58	3,989.62
Segment Result	486.40	4,657.84	5,144.25
Unallocated Expenses			2,410.10
Operating Profit Before Taxation			2,734.15
Other Income			78.76
Finance Charges			103.19
Profit Before Tax & Prior Period Adj.			2,709.71
Prior Period Adjustment Income/ (Expenses)			(0.33)
Provision for Taxation			135.99
Provision for Deferred Tax (Assets)/Liability			(14.22)
<b>Net Profit After Tax</b>			<b>2,587.62</b>

**P.1.20. Employee Benefits**

Contributions to defined schemes such as Provident Fund, Employees' State Insurance Scheme 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. Related Party Transactions:**

	31/03/2010	31/03/2009
F.C.S Software Middle East FZE, UAE		
— Towards investments in Equity Shares	₹ 12,29,975/-	NIL
— Towards Equity Shares Application	₹ 1,20,30,34,586/-	NIL

**P.1.23. Material Events**

Material events occurring after the Balance Sheet date have been 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. Funds raised through Global Depository Receipts (GDR's) during the year:**

During the fiscal, the Company raised USD 24.10 Million (₹ 111.00 Crore) through issuance of 1,00,00,000 GDR's at Luxembourg Stock Exchange representing 10,00,00,000 equity shares of ₹ 1/- each at a price of ₹ 11.10 per equity share of ₹ 1/- each. The issue price of each GDR is USD 2.41.

**The details of utilization of GDR proceeds:**

Total funds raised through GDR were ₹ 111.00 Crore, out of which, amount of ₹ 88.32 Crores was invested in F.C.S Software Middle East FZE, UAE, wholly owned subsidiary of the Company, up to March 31,2010.

**P.2.3 Contingent liabilities**

The Company has no letters of credit outstanding issued to various vendors as at March 31, 2010. However an Income Tax Appeal filed by the Income Tax Department is pending with Income Tax Appellate Tribunal, New Delhi for disposal for the assessment year 2003-04 comprising a disputed amount to the tune of ₹ 23 crores.

**P.2.4 Payment to Auditors.**

	Current Year	Previous Year
Audit Fee	4,29,214	3,78,654
Tax Audit Fee	70,786	70,786
In other capacity	NIL	NIL

**P.2.5 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.2.6 Imports On CIF basis.**

	(Amt in ₹ )	
	<u>31/03/2010</u>	<u>31/03/2009</u>
Capital Goods	Nil	4,15,954.00
Software Packages	Nil	19,31,03,126.30

**P.2.7 Expenditure in Foreign Currency.**

	<u>31/03/2010</u>	<u>31/03/2009</u>
Professional Charges & Other expenditure incurred overseas for software development at US	30,68,92,329.00	37,24,15,118.00
Professional Charges & Other expenditure incurred overseas for software development from India	13,45,114.00	Nil

**P.2.8 Earning in foreign exchange**

	<u>31/03/2010</u>	<u>31/03/2009</u>
Income from software development services and products	85,65,55,426.00	82,46,40,773.00

**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/-  
S.N. Sharma  
(Director)**

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

**Sd/-  
Anil Sharma  
(CFO)**

**Sd/-  
Gagan Kaushik  
(Co. Secretary)**

Place : New Delhi  
Date : 31/05/2010



## 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	-	1	0
---	---	---	---	---	---	---	---

### II. Capital raised during the year (Amount ₹ Lacs)

Public Issue: 

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

 Right Issue: 

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

  
 Bonus Issue: 

			2	6	4	7
--	--	--	---	---	---	---

 Private Placement: 

		1	2	0	5
--	--	---	---	---	---

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

Total Liabilities: 

			3	3	0	5	4
--	--	--	---	---	---	---	---

 Total Assets: 

		3	3	0	5	4
--	--	---	---	---	---	---

#### Source of Funds

Paid up Capital: 

			5	2	9	5
--	--	--	---	---	---	---

 Reserve & Surplus: 

		2	5	3	7	9
--	--	---	---	---	---	---

  
 Secured Loans: 

			1	1	7	3
--	--	--	---	---	---	---

 Unsecured Loans: 

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

#### Application of Funds

Net Fixed Assets: 

			1	0	3	6	8
--	--	--	---	---	---	---	---

 Investments: 

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

  
 Net Current Assets: 

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

 Misc. Expenditure: 

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

  
 Accumulated Losses: 

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

### IV. Performance of Company (Amount ₹ Lacs)

Turnover: 

			2	7	1	0	5
--	--	--	---	---	---	---	---

 Total Expenditure: 

		2	2	5	2	0
--	--	---	---	---	---	---

  
 Profit/(loss) before Tax: 

			3	1	8	4
--	--	--	---	---	---	---

 Profit/(loss) after Tax: 

			3	1	1	6
--	--	--	---	---	---	---

  
 Earnings per Share In ₹: 

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

 Dividend Rate %: 

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

### 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>N</td><td>A</td></tr></table>						N	A	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>I</td><td>T</td><td></td><td>C</td><td>O</td><td>N</td><td>S</td><td>U</td><td>L</td><td>T</td><td>I</td><td>N</td><td>G</td></tr></table>	I	T		C	O	N	S	U	L	T	I	N	G
					N	A															
I	T		C	O	N	S	U	L	T	I	N	G									
	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>E</td><td>D</td><td>U</td><td>C</td><td>A</td><td>T</td><td>I</td><td>O</td><td>N</td><td>&amp;</td><td>I</td><td>N</td><td>F</td><td>R</td><td>A</td><td>S</td><td>T</td><td>R</td><td>U</td><td>-</td></tr></table>	E	D	U	C	A	T	I	O	N	&	I	N	F	R	A	S	T	R	U	-
E	D	U	C	A	T	I	O	N	&	I	N	F	R	A	S	T	R	U	-		
	<table border="1" style="display: inline-table; border-collapse: collapse;"><tr><td>C</td><td>T</td><td>U</td><td>R</td><td>E</td><td></td><td>M</td><td>A</td><td>N</td><td>A</td><td>G</td><td>E</td><td>M</td><td>E</td><td>N</td><td>T</td></tr></table>	C	T	U	R	E		M	A	N	A	G	E	M	E	N	T				
C	T	U	R	E		M	A	N	A	G	E	M	E	N	T						

AS PER OUR REPORT OF EVEN DATE  
For FCS SOFTWARE SOLUTIONS LTD.

For SPMG & COMPANY.  
Chartered Accountants

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

Place : New Delhi  
Date : 31/05/2010

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

Sd/-  
**Anil Sharma**  
(CFO)

Sd/-  
**S.N. Sharma**  
(Director)

Sd/-  
**Gagan Kaushik**  
(Co. Secretary)

## FCS Software Solutions Limited

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

<b>Subsidiary</b>	<b>FCS Software Solutions America Ltd.</b>
Financial Year of the Subsidiary Company ended on	March 31,2010
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 31.03.2010	Nil
b) Not dealt with in the Accounts for the period ended 31.03.10	US\$ (139,570.29) (Equivalent to ₹ 6,617,026.00)
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 31.03.09	Nil
b) Not dealt with in the Accounts for the period ended 31.03.09	US\$ (175,380.76) (Equivalent to ₹ 8,241,029.00)

**For FCS SOFTWARE SOLUTIONS LTD.**

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

Sd/-  
**S.N. Sharma**  
(Director)

Place : Delhi  
Date : 31/05/2010

Sd/-  
**Anil Sharma**  
(CFO)

Sd/-  
**Gagan Kaushik**  
(Co. Secretary)

## FCS Software Solutions Limited

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

<b>Subsidiary</b>	<b>F.C.S Software Middle East FZE</b>
Financial Year of the Subsidiary Company ended on	March 31, 2010
No. of shares in the Subsidiary Company	100,000 shares of AED 1 each
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 31.03.2010	Nil
b) Not dealt with in the Accounts for the period ended 31.03.10	US\$ 2,039,122.00 (Equivalent to ₹ 96,674,787.00 and AED 7,483,579.00)
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 31.03.09	Nil
b) Not dealt with in the Accounts for the period ended 31.03.09	Nil

**For FCS SOFTWARE SOLUTIONS LTD.**

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

Sd/-  
**S.N. Sharma**  
(Director)

Sd/-  
**Anil Sharma**  
(CFO)

Sd/-  
**Gagan Kaushik**  
(Co. Secretary)

Place : Delhi  
Date : 31/05/2010

## Directors' 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, 2009 to March 31, 2010.

### Director

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

<b>Name</b>	<b>Position</b>
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 and providing IT and ITeS in America.

### Results

The turnover of the Company during the year was US\$ 26,149,632.00. The Company made a loss of US \$139,570.29.

### Dividend

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, 2010.

### 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.

### **Directors' 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 confirms 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 director 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  
May 14, 2010

Sd/-  
Dalip Kumar  
**Director**

**INDEPENDENT AUDIT REPORT OF REGISTERED  
PUBLIC ACCOUNTANT**

To the boards of directors  
**FCS Software Solutions America Ltd.  
USA.**

We have audited the accompanying balance sheet of FCS Software Solutions America Ltd. (the "Company") as of March 31, 2010 and 2009, and the related statements of income, change in shareholders' equity and cash flow for each of the two years in the period ended March 31, 2010. 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 audits.

We conducted our audits in accordance with the standards of the public company accounting oversight board (United States). Those standards required that we plan & perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial management statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of FCS Software Solutions America Ltd. as on March 31, 2010 and 2009, and the result of its operation of its cash flow for each of the two years in the period in the March 31, 2010 and 2009, in conformity with accounting principles generally accepted in the United States of America.

May 14, 2010  
California, USA

Sd/-  
**M. Oscar Akbar**  
(Certified Public Accountant)

**FCS SOFTWARE SOLUTIONS AMERICA LIMITED  
BALANCE SHEET AS AT 31ST MARCH 2010**

**ASSETS**

	Schedule	As at Mar 31, 10 (Amt. in USD)	As at Mar 31, 10 (Amt. in ₹)	As at Mar 31, 09 (Amt. in USD)	As at Mar 31, 09 (Amt. in ₹)
<b>Fixed Assets</b>					
Gross Block		—	—	—	—
Less Depreciation/Amortization		—	—	—	—
Net Block		—	—	—	—
Add Capital Work in Progress		—	—	6,921,370.00	352,643,802.00
		—	—	6,921,370.00	352,643,802.00
<b>Current assets</b>					
Cash and Bank Balances	4	393,973.10	17,783,946.00	470,568.57	23,975,469.00
Sundry Debtors	3	137,827.52	6,221,534.00	302,704.52	15,422,795.00
Other current assets	5	198,288.89	8,950,760.00	145,754.89	7,426,212.00
<b>Total current assets</b>		<b>730,089.51</b>	<b>32,956,240.00</b>	<b>7,840,397.98</b>	<b>399,468,278.00</b>

**LIABILITIES AND  
STOCKHOLDERS' EQUITY**

**Current liabilities**

Accounts payables	6	1,131,209.74	51,062,808.00	975,589.50	49,706,285.00
<b>Total current liabilities</b>		<b>1,131,209.74</b>	<b>51,062,808.00</b>	<b>975,589.50</b>	<b>49,706,285.00</b>
Accounts Payable - FCS USA		—	—	7,126,358.42	363,087,961.00
Share Capital	1	100.00	4,514.00	100.00	5,095.00
Reserves and surplus	2	(401,220.23)	(18,111,082.00)	(261,649.94)	(13,331,063.00)
<b>Total liabilities and stockholder's equity</b>		<b>730,089.51</b>	<b>32,956,240.00</b>	<b>7,840,397.98</b>	<b>399,468,278.00</b>

Significant Accounting Policies  
and Notes to Accounts 9

For FCS Software Solutions America Limited

Sd/-  
M. Oscar Akbar  
(CPA)

Sd/-  
Dalip Kumar  
Director

Date : May 14, 2010  
Place: California, USA

**FCS SOFTWARE SOLUTIONS AMERICA LIMITED  
STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE  
PERIOD ENDED 31ST MARCH 2010**

	Schedule	As at Mar 31, 10 (Amt. in USD)	As at Mar 31, 10 (Amt. in ₹)	As at Mar 31, 09 (Amt. in USD)	As at Mar 31, 09 (Amt. in ₹)
<b>Income</b>					
Software Development Services		26,149,632.00	1,239,754,053.00	21,919,080.00	989,161,547.00
<b>TOTAL</b>		<b>26,149,632.00</b>	<b>1,239,754,053.00</b>	<b>21,919,080.00</b>	<b>989,161,547.00</b>
<b>Expenses</b>					
Software Development, Delivery and Support Expenses	7	24,739,130.00	1,172,882,153.00	20,943,286.76	945,935,318.00
Administration, Selling and Other Expenses	8	1,550,072.29	73,488,926.00	1,151,174.00	51,467,258.00
<b>Total Operating Expenses</b>		<b>26,289,202.29</b>	<b>1,246,371,079.00</b>	<b>22,094,460.76</b>	<b>997,402,576.00</b>
Income (loss) before income taxes		(139,570.29)	(6,617,026.00)	(175,380.76)	(8,241,029.00)
Provision for income taxes		—	—	—	—
Net Income (loss)		(139,570.29)	(6,617,026.00)	(175,380.76)	(8,241,029.00)
Retained earnings, beginning of period		(261,649.94)	(11,765,442.00)	(86,269.18)	(3,524,413.00)
Distribution		—	—	—	—
<b>Retained earnings, end of period &amp; transferred to balance sheet</b>		<b>(401,220.23)</b>	<b>(18,382,468.00)</b>	<b>(261,649.94)</b>	<b>(11,765,442.00)</b>
Significant Accounting Policies and Notes to Accounts	9				

For FCS Software Solutions America Limited

Sd/-  
M. Oscar Akbar  
(CPA)

Sd/-  
Dalip Kumar  
Director

Date : May 14, 2010  
Place: California, USA



**FCS SOFTWARE SOLUTIONS AMERICA LIMITED**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2010**

	As at Mar 31, 10 (Amt. in USD)	As at Mar 31, 10 (Amt. in ₹)	As at Mar 31, 09 (Amt. in USD)	As at Mar 31, 09 (Amt. in ₹)
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net Profit after tax as per Profit & Loss Account	(139,570.29)	(6,617,026.00)	(175,380.76)	(8,241,029.00)
Adjusted for:				
Deferred Tax Provision	—	—	—	—
Provision for income tax	—	—	—	—
Depreciation/Preliminary Expenses written off	—	—	—	—
Interest Expenses	—	—	—	—
<b>Operating Profit before Working Capital Changes</b>	<b>(139,570.29)</b>	<b>(6,617,026.00)</b>	<b>(175,380.76)</b>	<b>(8,241,029.00)</b>
Adjustment in Operating Profit	—	—	—	—
<b>Adjusted for:</b>				
Trade and Other Receivables	164,877.00	9,201,261.00	6,591,924.97	260,155,546.00
Trade Payable	155,620.24	1,356,523.00	365,679.67	25,328,189.00
Loan & Advances	(52,534.00)	(1,524,548.00)	(140,468.89)	(7,214,931.00)
<b>Net Cash From Operating Activities</b>	<b>128,392.95</b>	<b>2,416,210.00</b>	<b>6,641,754.99</b>	<b>270,027,775.00</b>
<b>B. Cash Flow From Investing Activities</b>				
Capital WIP	6,921,370.00	352,643,802.00	(6,921,370.00)	(352,643,802.00)
Investment in Subsidiary	—	—	—	—
<b>Net Cash used in Investing Activities</b>	<b>6,921,370.00</b>	<b>352,643,802.00</b>	<b>(6,921,370.00)</b>	<b>(352,643,802.00)</b>
<b>C. CASH FLOW FROM FINANCIAL ACTIVITIES:</b>				
Proceed from Issue of Share Capital	—	(581.00)	—	1,098.00
Proceed from Long Term Borrowings	—	—	—	—
Increase in Foreign Currency transaction Reserve	—	1,837,007.00	—	(1,641,855.00)
Unsecured Loans	(7,126,358.42)	(363,087,961.00)	27,051.42	79,328,660.00
<b>Net Cash used in Financial Activities</b>	<b>(7,126,358.42)</b>	<b>(361,251,535.00)</b>	<b>27,051.42</b>	<b>77,687,903.00</b>
<b>Net Increase/ Decrease in Cash and Cash Equivalents</b>	<b>(6,897,965.47)</b>	<b>(6,191,523.00)</b>	<b>(252,563.59)</b>	<b>(4,928,124.00)</b>
Opening Balance of Cash and Cash Equivalents	470,568.57	23,975,469.00	723,132.16	28,903,593.00
Closing Balance of Cash & Cash Equivalents	393,973.10	17,783,946.00	470,568.57	23,975,469.00

For FCS Software Solutions America Limited

Sd/-  
M. Oscar Akbar  
(CPA)

Sd/-  
Dalip Kumar  
Director

Date : May 14, 2010  
Place: California, USA

Schedule	As at Mar 31, 10 (Amt. in USD)	As at Mar 31,10 (Amt. in ₹)	As at Mar 31, 09 (Amt. in USD)	As at Mar 31, 09 (Amt. in ₹)
<b>SCHEDULE 1 : SHARE CAPITAL</b>				
<b>Authorised</b>				
10,000 common stock of par value 0.01 each	100.00	4,514.00	100.00	5,095.00
<b>Issued, subscribed and paid up</b>				
10,000 common stock of par value 0.01 each	100.00	4,514.00	100.00	5,095.00
<b>Total</b>	<b>100.00</b>	<b>4,514.00</b>	<b>100.00</b>	<b>5,095.00</b>
<b>SCHEDULE 2: RESEVES AND SURPLUS</b>				
Retained earnings, beginning of period	(261,649.94)	(11,765,442.00)	(86,269.18)	(3,524,413.00)
Add: During the period	(139,570.29)	(6,617,026.00)	(175,380.76)	(8,241,029.00)
Foreign exchange translation reserve		271,386.00		(1,565,621.00)
<b>Total</b>	<b>(401,220.23)</b>	<b>(18,111,082.00)</b>	<b>(261,649.94)</b>	<b>(13,331,063.00)</b>
<b>SCHEDULE 3: SUNDRY DEBTORS</b>				
Accounts receivable	137,827.52	6,221,534.00	302,704.52	15,422,795.00
<b>Total</b>	<b>137,827.52</b>	<b>6,221,534.00</b>	<b>302,704.52</b>	<b>15,422,795.00</b>
<b>SCHEDULE 4: CASH AND BANK BALANCES</b>				
Cash Balance	—	—	2,225.00	113,364.00
Cash with bank	393,973.10	17,783,946.00	468,343.57	23,862,105.00
<b>Total</b>	<b>393,973.10</b>	<b>17,783,946.00</b>	<b>470,568.57</b>	<b>23,975,469.00</b>
<b>SCHEDULE 5: OTHER CURRENT ASSETS</b>				
Loan & Advances	68,288.89	3,082,560.00	145,754.89	7,426,212.00
Advacnes from FCS, UAE	130,000.00	5,868,200.00	—	—
<b>Total</b>	<b>198,288.89</b>	<b>8,950,760.00</b>	<b>145,754.89</b>	<b>7,426,212.00</b>
<b>SCHEDULE 6: CURRENT LIABILITIES</b>				
Sundry Creditors	1,131,209.74	51,062,808.00	975,589.50	49,706,285.00
Expenses payables	—	—	—	—
Advacnes from FCS, USA	—	—	7,126,358.42	363,087,961.00
<b>Total</b>	<b>1,131,209.74</b>	<b>51,062,808.00</b>	<b>8,101,947.92</b>	<b>412,794,246.00</b>
<b>SCHEDULE 7: SOFTWARE DEVELOPMENT, DELIVERY AND SUPPORT EXPENSES</b>				
Software Development expenses	14,690,957.40	696,498,290.00	13,929,173.00	638,425,803.00
Cost of Outside services	10,048,172.60	476,383,863.00	7,014,113.76	307,509,515.00
<b>Total</b>	<b>24,739,130.00</b>	<b>1,172,882,153.00</b>	<b>20,943,286.76</b>	<b>945,935,318.00</b>
<b>SCHEDULE 8: ADMINISTRATION SELLING AND OTHER EXPENSES</b>				
Office Administration Expenses	721,714.64	34,216,491.00	564,647.00	25,400,222.00
Traveling & entertainment Expenses	295,067.00	13,989,126.00	155,617.00	6,911,659.00
Postage and courier expenses	21,189.00	1,004,570.00	16,173.00	735,226.00
Communication Expenses	470,101.00	22,287,489.00	349,187.00	15,484,292.00
Recruitment Expenses	—	—	30,488.00	1,305,688.00
Rent Expenses	16,320.00	773,731.00	14,460.00	678,562.00
Accounting and Legal	9,300.00	440,913.00	8,400.00	390,288.00
Insurance	14,969.00	709,680.00	10,972.00	502,545.00
Bank Service Charges	1,411.65	66,926.00	1,230.00	58,776.00
<b>Total</b>	<b>1,550,072.29</b>	<b>73,488,926.00</b>	<b>1,151,174.00</b>	<b>51,467,258.00</b>

**NOTES TO FINANCIAL STATEMENTS MARCH 31, 2010**  
**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS**

**1. Significant Accounting Policies**

**a) Organization and Operations**

FCS Software Solutions America Ltd, was Incorporated on October 2, 2006 in the State of Delaware. The primary business activity during the financial year was IT & IT Enabled Services. The company began its operations on February 1, 2007.

**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 132,827.52, Accounts receivable as on March 31, 2010, is fully collectable.

**4. Income Taxes**

The company has a net operating loss carry forwards USD 401,220.23, which are available to offset future federal and State taxable income.

**5. 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

**6. Property & Equipments**

The company has no depreciable assets at March 31, 2010.

**7. 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.

**8. 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 : May 14, 2010  
Place: California, USA

## **F.C.S SOFTWARE MIDDLE EAST FZE Report of the Directors**

The Directors have pleasure in presenting their report and the audited financial statements for the period ended March 31, 2010.

### **PRINCIPAL ACTIVITIES**

The main activity of the Company is trading in computer software, Data Processing & equipment requisites.

### **BUSINESS OPERATIONS REVIEW AND FUTURE BUSINESS DEVELOPMENTS**

The Company's performance was satisfactory with a turnover of USD 10,900,574 for the period ended March 31, 2010. The Company has achieved a gross margin of 21.36% and a net profit of USD 2,039,122 during the period. The Directors are optimistic about the prospects for the ensuing period and expect to improve the performance of the Company.

### **RISK MANAGEMENT & INTERNAL CONTROL SYSTEMS**

The Company is committed to the management of risk to achieve sustainability, employment and surpluses. The risk management framework identifies, assesses, manages and reports risk on a consistent and reliable basis. The primary risks are those of credit, market (liquidity, interest rate, foreign exchange) and operational risk.

The management recognizes their responsibility for system of internal control and for reviewing its effectiveness. In view of the above, Company continuously monitors risks through means of administrative and information systems.

### **FINANCIAL YEAR**

The financial year of the Company is for the period of 28-10-2009 to 31-03-2010.

### **CREDITORS PAYMENT POLICY**

The Company maintains a policy of paying suppliers in accordance with terms and conditions agreed with them.

### **AUDITORS**

The Auditors, M/s. FALCON INTERNATIONAL CONSULTING & AUDITING, Chartered Accountants, United Arab Emirates are willing to continue in office and a resolution to re-appoint them will be proposed in the Annual General Meeting (AGM).

### **DIRECTORS RESPONSIBILITIES**

The Company law requires the directors to prepare the financial statements for each financial period which gives a true and fair view of the state of affairs of the company and net profit for that period and to enable them to ensure that the financial statements comply with the relevant governing laws and converted financial statements into AED and INR for the purpose of consolidation of accounts with the principal company.

### **ACKNOWLEDGMENTS**

The Directors wish to place on record the sincere gratitude for the continuous support extended by various government departments, bankers, customers, suppliers, employees and all well wishers.

On behalf of the Board of Directors

RAS AL KHAIMAH, U.A.E.  
MAY 19, 2010

Dalip Kumar  
Managing Director

## INDEPENDENT AUDITOR'S REPORT

### To The Shareholders

**M/s. F.C.S Software Middle East FZE**

**P.O. Box .16111, Ras Al Khaimah - U.A.E.**

We have audited the accompanying financial statements of M/s. F.C.S Software Middle East FZE, Ras Al Khaimah, U.A.E., which comprise of the balance sheet as at March 31, 2010 and the statement of income, statement of changes in shareholders' equity, statement of cash flow for the period then ended and a summary of significant accounting policies and other explanatory notes.

### Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementation and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

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

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

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

### Opinion

In our opinion the financial statements present fairly in all material respects, the financial position of M/s. F.C.S Software Middle East, FZE, Ras Al Khaimah, UAE, as on March 31, 2010, and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards (IFRS).

Also in our opinion, during the period, there were no contraventions of the rules of Ras Al Khaimah free trade Zone Authority.

**For FALCON INTERNATIONAL CONSULTING AND AUDITING**  
**Chartered Accountant**

Sd/-

**Managing Partner**

**Reg. No. 606**

**May 19, 2010**

**F.C.S SOFTWARE MIDDLE EAST FZE  
BALANCE SHEET AS ON MARCH 31, 2010**

	Notes	31-03-2010 USD	31-03-2010 AED	31-03-2010 ₹
<b>NON-CURRENT ASSETS</b>				
		NIL	NIL	NIL
<b>CURRENT ASSETS</b>				
Trade receivables	4	4,395,376	16,131,030	198,407,273
Other receivables & prepayments	5	28,686,142	105,278,141	1,294,892,450
Cash and cash equivalents	6	2,108,802	7,739,303	95,191,322
		<u>35,190,320</u>	<u>129,148,474</u>	<u>1,588,491,045</u>
<b>TOTAL ASSETS</b>		<b>35,190,320</b>	<b>129,148,474</b>	<b>1,588,491,045</b>
<b>CURRENT LIABILITIES</b>				
Trade payables	7	6,342,763	23,277,940	286,312,322
Other payables	8	130,000	477,100	5,868,200
		<u>6,472,763</u>	<u>23,755,040</u>	<u>292,180,522</u>
<b>NON-CURRENT LIABILITIES</b>				
Long term liabilities	9	26,651,187	97,809,856	1,203,034,581
		<u>26,651,187</u>	<u>97,809,856</u>	<u>1,203,034,581</u>
<b>TOTAL LIABILITIES</b>		<b>33,123,950</b>	<b>121,564,896</b>	<b>1,495,215,103</b>
<b>SHAREHOLDERS' FUNDS</b>				
Share capital		27,248	100,000	1,229,975
Statutory reserve	10	27,248	100,000	1,229,975
Retained earnings	11	2,011,874	7,383,579	90,815,992
Equity fund		2,066,370	7,583,579	93,275,942
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>35,190,320</b>	<b>129,148,475</b>	<b>1,588,491,045</b>

The accompanying notes form an integral part of these financial statements

The report of the auditor is set out on page 3.

We confirm that we are responsible for these financial statements, including selecting the accounting policies and making the judgements underlying them. We confirm that we have made available all relevant accounting records and information for their compilation.

**Approved by the directors on May 19, 2010  
For F.C.S Software Middle East FZE**

Sd/-  
**Dalip Kumar**  
Managing Director

**F.C.S SOFTWARE MIDDLE EAST FZE  
INCOME STATEMENT FOR THE PERIOD ENDED MARCH 31, 2010**

	Notes	28-10-2009 to 31-03-2010 USD	28-10-2009 to 31-03-2010 AED	28-10-2009 to 31-03-2010 ₹
Sales		10,900,574	40,005,107	516,796,213
Cost of sales	12	(8,571,873)	(31,458,772)	(406,392,480)
<b>Gross profit</b>		<b>2,328,701</b>	<b>8,546,335</b>	<b>110,403,733</b>
<b>Deduct</b>				
General & administrative expenses	13	287,461	1,054,983	13,628,540
Finance costs	14	2,118	7,773	100,426
<b>Total expenses</b>		<b>289,579</b>	<b>1,062,756</b>	<b>13,728,966</b>
<b>Net Profit for the period</b>		<b>2,039,122</b>	<b>7,483,579</b>	<b>96,674,767</b>

The accompanying notes form an integral part of these financial statements  
The report of the auditor is set out on page 3.

**Approved by the directors on May 19, 2010  
For F.C.S Software Middle East FZE**

Sd/-  
**Dalip Kumar**  
Managing Director

**F.C.S SOFTWARE MIDDLE EAST FZE**  
**STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED MARCH 31, 2010**

	31-03-2010 USD	31-03-2010 AED	31-03-2010 ₹
<b>Cash flows from operating activities</b>			
Net profit for the period	2,039,122	7,483,579	96,674,767
<b>Funds generated from operations</b>	<b>2,039,122</b>	<b>7,483,579</b>	<b>96,674,767</b>
<b>Changes in working capital</b>			
(Increase)/decrease in trade receivables	(4,395,376)	(16,131,030)	(198,407,273)
(Increase)/decrease in other receivables & prepayments	(28,686,142)	(105,278,141)	(1,294,892,450)
Increase / (decrease) in trade payables	6,342,763	23,277,940	286,312,322
Increase / (decrease) in other payables	130,000	477,100	5,868,200
<b>Net cash inflow / (outflow) from operating activities</b>	<b>(26,608,755)</b>	<b>(97,654,131)</b>	<b>(1,201,119,201)</b>
<b>Cash flows from investing activities</b>			
<b>Cash flow from financing activities</b>			
Share Capital	27,248	100,000	1,229,975
Increase / (decrease) in translation reserve	—	—	(4,628,800)
Increase / (decrease) in long term liabilities	26,651,187	97,809,856	1,203,034,581
<b>Net cash inflow / (outflow) from financing activities</b>	<b>26,678,435</b>	<b>97,909,856</b>	<b>1,199,635,756</b>
Net Increase / (decrease) in cash and cash equivalents	2,108,802	7,739,304	95,191,322
Cash & bank balances at the beginning of the period	NIL	NIL	NIL
<b>Cash and cash equivalents at the end of the period</b>	<b>2,108,802</b>	<b>7,739,304</b>	<b>95,191,322</b>
<b>Represented By:</b>			
Cash and cash equivalents(Note No.6)	2,108,802	7,739,303	95,191,322

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

The report of the auditor is set out page 3.

**Approved by the directors on May 19, 2010**  
**For F.C.S Software Middle East FZE**

**Sd/-**  
**Dalip Kumar**  
**Managing Director**



**F.C.S SOFTWARE MIDDLE EAST FZE  
STATEMENT OF CHANGES IN EQUITY AS AT MARCH 31, 2010**

	Share Capital	Statutory Reserve	Retained Earnings	Total USD	Total AED	Total ₹
Capital introduced	27,248	—	—	27,248	100,000	1,229,975
Net profit for the period	—	2,039,122	2,039,122	7,483,579	96,674,767	
Transfer to statutory reserve	—	27,248	(27,248)	—	—	—
<b>Balance as on 31-03-2010</b>	<b>27,248</b>	<b>27,248</b>	<b>2,011,874</b>	<b>2,066,370</b>	<b>7,583,579</b>	<b>97,904,742</b>

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

The report of the auditor is set out page 3.

**Approved by the directors on May 19, 2010  
For F.C.S Software Middle East FZE**

**Sd/-  
Dalip Kumar  
Managing Director**

## Notes to the Financial Statements for the period ended March 31, 2010.

### 1. LEGAL STATUS & BUSINESS ACTIVITIES

- a) F.C.S Software Middle East FZE, ("the Establishment") is registered with Free Trade Zone, Ras Al Khaimah, U.A.E. (Commercial License No. 5004413) as a Free Zone Establishment on October 28, 2009.
- b) The main activity of the Company is trading in computer software, Data Processing & equipment requisites.
- c) The management and control of the Company is vested with the Managing Director, Mr. Dalip Kumar (Indian National).
- d) The registered office address of the Company is P.O. Box. 16111, Ras Al Khaimah, U.A.E.

### 2. SHARE CAPITAL

Authorised, issued and paid up capital of the Company is USD 27,248 divided into 1(one) Share of USD 27,248 each fully paid and held by the shareholders as follows:

SI No.	Name of the Shareholder	Nationality	No. of Shares	Value USD	Shareholding %
1.	FCS Software Solutions Ltd.	Indian Co.	1	27,248	100
	<b>Total</b>		<b>1</b>	<b>27,248</b>	<b>100</b>

### 3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared under the historical cost convention, and in accordance with International Financial Reporting Standards issued or adopted by the International Accounting Standards Board (IASB).The significant accounting policies adopted, and those have been consistently applied, are as follows:

#### 3.1 Property, plant and equipment

The Company does not possess any property, plant & equipments.

#### 3.2 Staff end-of-service benefits

No provision for gratuity has been made and same shall be accounted on cash basis.

#### 3.3 Revenue recognition

Revenue from sale of goods shall be recognized when all the following conditions have been satisfied:

- a) The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) The amount of revenue can be measured reliably;

- d) It is probable that the economic benefits associated with the transaction will flow to the Company; and
- e) The cost incurred or to be incurred in respect of the transaction can be measured reliably.

### **3.4 Foreign Currency transactions**

Transactions in foreign currencies are translated into US Dollars at the rate of exchange ruling on the date of the transactions.

Monetary assets and liabilities expressed in foreign currencies are translated into US Dollars at the rate of exchange ruling at the balance sheet date.

Gains or losses resulting from foreign currency transactions are taken to the income statement.

### **3.5 Trade Receivables**

All the receivables are considered good and they are recoverable. Necessary provisions are made for doubtful debts as and when they arise. All trade receivables are subject to confirmation

### **3.6 Trade Payables**

All trade payables are subject to confirmation.

### **3.7 Share application money**

The Company has received share application money of USD 26,651,187 by way of GDR (Global Deposit Receipt) which is pending for allotment.

### **3.8 Cash and Cash Equivalents**

Cash and cash equivalents comprise cash, bank current accounts, and bank deposits free of encumbrance with a maturity date of three months or less from the date of deposit.

### **3.9 Financial Instruments**

Financial assets and financial liabilities are recognized when, and only when, the Company becomes a party to the contractual provisions of the instrument.

Financial assets are de-recognized when, and only when, the contractual rights to receive cash flows expire or when substantially all the risks and rewards of ownership have been transferred.

Financial liabilities are de-recognized when, and only when, they are extinguished, cancelled or expired.

Current and non-current financial assets that have fixed or determinable payments and for which there is no active market, which comprise cash and bank balances and loans and advances and stated at cost or, if the impact is material, at amortised cost using the effective interest method, less any write down for impairment losses plus reversals of impairment losses. Impairment losses and reversals thereof are recognized in the income statement.

Current and non-current financial liabilities, which comprise current and non-current bank borrowings, trade and other payables and shareholders' current accounts, are measured at cost or, if the impact is material, at amortised cost using the effective interest method.

### **3.10 Significant judgments and key assumptions**

The significant judgments made in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

#### ***Impairment***

At each balance sheet date, management conducts an assessment of property, plant, equipment and all financial assets to determine whether there are any indications that they may be impaired. In the absence of such indications, no further action is taken. If such indications do exist, an analysis of each asset is undertaken to determine its net recoverable amount and, if this is below its carrying amount, a provision is made. In the case of loans and receivables, if an amount is deemed irrecoverable, it is written off to the income statement or, if previously a provision was made, it is written off against the provision. Reversals of provisions against loans and receivables are made to the extent of the related amounts being recovered.

Key assumptions made concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are as follows:

#### ***Doubtful Debt Provisions***

Management regularly undertakes a review of the amounts of trade receivables, loans and advances owed to the Company from third parties (note no.4) and assesses the likelihood of non-recovery. Such assessment is based upon the age of the debts, historic recovery rates and assessed creditworthiness of the debtor. Based on the assessment assumptions are made as to the level of Provisions required.

#### ***Impairment***

Assessments of net recoverable amounts of property, plant, equipment and all financial assets other than loans and receivables (see above) are based on assumptions regarding future cash flows expected to be received from the related assets.

**Notes related to the financial statements (continued)**

	31-03-2010 USD	31-03-2010 AED	31-03-2010 ₹
<b>4 TRADE RECEIVABLES</b>			
Sundry debtors	4,395,376	16,131,030	198,407,273
	<b>4,395,376</b>	<b>16,131,030</b>	<b>198,407,273</b>
<b>AGEING ANALYSIS</b>			
Due for less than 30 days	2,924,860	10,734,236	132,028,180
Due between 31 to 60 days	1,437,646	5,276,161	64,895,340
Due for more than 60 days	32,870	120,633	1,483,752
	<b>4,395,376</b>	<b>16,131,030</b>	<b>198,407,272</b>
<b>5 OTHER RECEIVABLES &amp; PREPAYMENTS</b>			
Prepayments	17,181,636	63,056,604	775,579,049
Trade advances	4,999,308	18,347,460	225,668,763
PDC received	6,505,198	23,874,077	293,644,638
	<b>28,686,142</b>	<b>105,278,141</b>	<b>1,294,892,450</b>
<b>6 CASH AND CASH EQUIVALENTS</b>			
Cash at Bank	2,108,802	7,739,303	95,191,322
	<b>2,108,802</b>	<b>7,739,303</b>	<b>95,191,322</b>
<b>7 TRADE PAYABLES</b>			
Sundry creditors	6,342,763	23,277,940	286,312,322
	<b>6,342,763</b>	<b>23,277,940</b>	<b>286,312,322</b>
<b>8 OTHER PAYABLES</b>			
Other payable	130,000	477,100	5,868,200
	<b>130,000</b>	<b>477,100</b>	<b>5,868,200</b>
<b>9 LONG TERM LIABILITY</b>			
Share application money (Pending for allotment)	26,651,187	97,809,856	1,203,034,581
	<b>26,651,187</b>	<b>97,809,856</b>	<b>1,203,034,581</b>
<b>10 STATUTORY RESERVE</b>			
Transfer to statutory reserve	27,248	100,000	1,229,975
	<b>27,248</b>	<b>100,000</b>	<b>1,229,975</b>

## 11 RETAINED EARNINGS

Opening balance	—	—	—
Net profit for the period	2,039,122	7,483,579	96,674,767
Transfer to statutory reserve	(27,248)	(100,000)	(1,229,975)
Foreign currency translation reserve			(4,628,800)
	<b>2,011,874</b>	<b>7,383,579</b>	<b>90,815,992</b>

## 12 COST OF SALES

Data Center Service Charges	7,379,964	27,084,466	349,884,091
Software Service expenses	317,231	1,164,238	15,039,919
Data Center Maintenance Expenses	498,280	1,828,688	23,623,455
Marketing & Business Dev. Expenses	376,398	1,381,380	17,845,015
	<b>8,571,873</b>	<b>31,458,772</b>	<b>406,392,480</b>

## 13 GENERAL & ADMINISTRATIVE EXPENSES

Rent & licensing expenses	12,500	45,875	592,626
Legal & professional charges	60,443	221,826	2,865,605
Travelling & conveyance expenses	48,932	179,580	2,319,868
Repairs & maintenance	83,860	307,768	3,975,807
Project expenses	31,429	115,344	1,490,051
Communication & utility expenses	29,187	107,116	1,383,757
Office expenses	21,110	77,474	1,000,826
	<b>287,461</b>	<b>1,054,983</b>	<b>13,628,540</b>

## 14 FINANCE COST

Bank charges	2,118	7,773	100,426
	<b>2,118</b>	<b>7,773</b>	<b>100,426</b>

## 15 RELATED PARTY

The Company enters into transaction with companies and entities that fall within the definition of a related party as contained in International Financial Reporting Standards (IFRS). Related parties comprise companies and entities under common ownership and/or common management and control their partners and key management personnel. The company believes that the terms of such transactions are not significantly different from those that could have been obtained from third parties.

At the balance sheet date due to related party is as under:

FCS Software Solutions America Ltd.	130,000	477,100	5,868,200
	<b>130,000</b>	<b>477,100</b>	<b>5,868,200</b>

## 16 CONTINGENT LIABILITY

Except for the ongoing business obligations which are under normal course of business against which no loss is expected, there has been no other known contingent liability or capital commitment on Company's account as of balance sheet date.

## **17 FINANCIAL INSTRUMENTS**

Financial instruments of the Company comprises of cash and bank balances, trade receivables, other receivables and trade payables.

### **Risk Management**

#### **Credit risk**

The financial assets that potentially expose the Company to credit risk comprise principally of bank accounts, trade receivables and other receivables.

The Company's bank accounts are placed with high credit quality financial institutions.

#### **Exchange rate risk**

There are no significant exchange rate risks, as substantially all financial assets and financial liabilities are denominated in US Dollars, to which the conversion of Dirhams is fixed.

**18** All the figures have been rounded off to the nearest USD.

## **19 COMPARATIVE AMOUNTS**

No previous year figures have been provided since this is the first financial year of the Company starting from 28-10-2009 to 31-03-2010.

**Approved by the directors on May 19, 2010  
For F.C.S Software Middle East FZE**

**Sd/-  
Dalip Kumar  
Managing Director**

## FCS SOFTWARE SOLUTIONS LIMITED

**Regd. Office:** 205, 2nd Floor, Agrawal Chamber IV, 27, Veer Sawarker Block,  
Vikas Marg, Shakarpur, 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/We ..... of ..... in the district of ..... being member/members of the above named Company, hereby appoint ..... of ..... in the district of ..... or failing him/her, ..... of ..... in the district of ..... as my/our proxy to attend and vote on a poll for me/us and on my/our behalf at the 17th Annual General Meeting of the Company, to be held on September 27, 2010 at the Executive Club, 439, Village Shahoorpur, Fatehpur Beri, New Delhi-110 074 at 10.30 AM and any adjournment thereof:

Signed this.....day of.....2010.



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.

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### 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 17th Annual General Meeting of the company being held on Monday, September 27, 2010.

.....  
Signature of the Member/Proxy