



**Dalip Kumar**

*Chairman & Managing Director*

## **BOARD OF DIRECTORS**

**Mrs. Janak Sharma**

*Director*

**Mr. Shyam Sunder Sharma**

*Director*

**Mr. Shiv Nandan Sharma**

*Director*

**Mr. Hemant Paliwal**

*Director*

**Mr. Krishan Kant Arora**

*Additional Director*

**Mr. Gajendra Pratap Singh**

*AVP (Legal) & Company Secretary*

## **CONTENTS**

	<b>PAGE</b>
<i>Chairman's message</i>	1
<i>Our industry</i>	3
<i>Our company</i>	4
<i>Our people</i>	5
<i>Our business</i>	6
<i>Notice</i>	7
<i>Years at a glance</i>	9
<i>MD and VP (Finance) certification</i>	10
<i>Director's report</i>	12
<i>Auditor's certificate on corporate governance</i>	22
<i>Management discussion and analysis</i>	23
<i>Report on corporate governance</i>	27
<i>Shareholders information</i>	31
<i>Auditor's report</i>	37
<i>Financial statements</i>	40
<i>Consolidated financial statements</i>	57
<i>Financial statements of subsidiary</i>	75

## **Auditors**

M/S SPMG & Company  
Chartered Accountants

## **Registered Office**

205, 2<sup>nd</sup> Floor, Agrawal Chamber IV,  
27, Veer Sawarkar Block, Vikas Marg,  
Shakerpur, Delhi – 110 092

## **Corporate office**

FCS House, A-86, Sector – 57  
Noida – 201 301[U.P.]

## **Branch office**

- (i) 2880 Zanker Road, Suit 208  
San Jose, CA – 95134
- (ii) 368 Industrial Area, Phase II,  
Punchkula, Haryana
- (iii) 29, 2<sup>nd</sup> floor, North Usman Road,  
MT. Nagar, Chennai – 600 017.

## **Subsidiary**

FCS Software Solutions America Ltd.  
42 Reads Way , New Castle  
State of Delaware 19720

## **Bankers**

Canara Bank  
Centurion Bank of Punjab  
Bank of America  
Cupertino National Bank

## **Chairman's Message**

### ***Dear Shareholders,***

It is very well said that the right way to profit is by serving your clients to the utmost. Our 14 years of steady growth is proof of the authenticity of this statement. FCS Software Solutions has reached a long way from where we were 14 years ago.

Amongst all our milestones, I take particular pride in our transformation into a public listed company in September 2005, and it gives me immense pleasure to address our shareholders across the India for the second time. I give them a heartiest welcome to the FCS family.

### ***Year at a glance***

We have successfully scaled up from a technology solutions start up to emerging as a stable technology solutions enterprise that serves many of the top Fortune 100 companies and illustrious names in the IT Industry.

Every day of the last year, we worked to grow our infrastructure, capacity, and expansion in Tier II and III towns - this will give us ability to take bigger orders and service more needs of same clients as well as reduce our cost of operations by shifting to lower cost centers.

For more than a decade FCS has built the expertise and acumen to be an effective and trusted transformation partner. We help to shape our client's strategy and empower them to shift their operational priorities. Our unique approach helps companies become more innovative, information - intensive, adaptive and competitive - the qualities essential for winning in today's world.

*The highlights for the year are that of promises kept !*

### **Financial:**

- Revenue growth of over 33.25 %
- PBIDT growth of over 53.66%
- PBT growth of over 57.37 %
- Recommending Dividend of 25 % (Inclusive of 10% interim dividend)

**Customers:**

- Signed multiyear contracts with existing and new customers.
- Total client base increased by 18 during the year.
- Order book of over US \$ 68 million in next few years.

**People:**

- The total strength of the professional now exceeds 849.
- The medical insurance scheme for every one.
- More focus on Training & Development programmes for employees.

As you would observe that it was a year of progress on all the perspectives and we plan to build upon these successes. Our focuses on Business Solution provider and long term goal of One - Stop - Shop for our customers resulted into asking of more of services and effective solutions. This in turn has provided us with multiyear relationships with our clients enabling planned sustainable growth for years to come.

**The Year ahead**

All though our existence since the last 14 years, FCS has believed in winning for our customers, our employees, our share holders and the society at large. We have geared up, not only to meet present challenges, but also future challenges. Looking ahead 2007 and beyond, we continue to see healthy, growing demand of our solutions and services.

The road ahead is exciting and challenging. But challenge is what we relish - as it helps us rekindle our passion to build a company that will win for its stakeholders. We will strive to live up to the faith that you have vested in us.

I thank you all for the unending confidence and trust you have in FCS. I along with team FCS will endeavor to work towards achieving the leadership position that we desire, and you as stakeholders deserve.

At the end, I would like to cordially invite you all the shareholders of the company to attend the Fourteenth Annual General Meeting (AGM) on Wednesday, July 25, 2007 at 9.30 A.M at the Executive Club, 439 Village Shahoopur, Fathepur Beri, New Delhi-110 074, India.

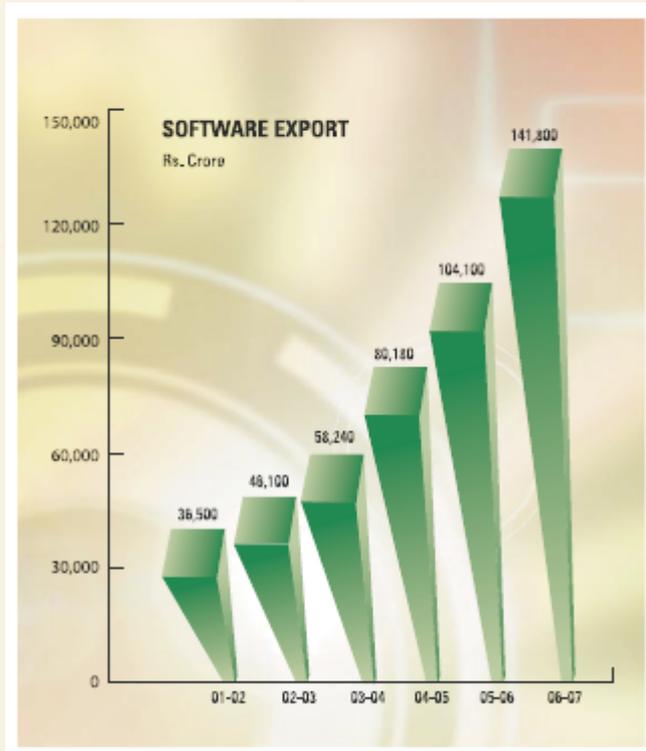
If you are physically challenged and need special assistance at the AGM, please contact Mr. Vineet Kant Parasher, Manager (Admn.) on 098101 67853.

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

## Our Industry

Racy. Fast. Unstoppable. That's how electric change is in India. Business - both domestic and foreign is more than ever growing bullish about its stakes in international market. The services sector, which contributes about 50 percent to India's GDP, is expected to grow with a faster pace in the years ahead. The year 07 saw few good staggering overseas acquisitions by Indian companies. India is transitioning from being the services provider to the global manufacturing base across the software industry of the world. The software and ITES exports from India grew from US\$ 12.9 billion in the year 2003-04 to US\$ 23.6 billion in 2005-06. It is estimated that total software and ITES exports from India will exceed US\$ 31.3 billion during the year 2006-07.

FCS is making its all efforts to go hand in hand with the industry growth and bringing niche in the global IT/ITES market.



Source: Ministry of Information Technology ([www.mit.gov.in](http://www.mit.gov.in))

## Our Company



FCS has entered its teen (14Yrs young), having rich focused experience; constantly growing infrastructure, penetrating sales efforts in new unexplored international markets. Keeping its approach of client oriented and customer centric it has bagged many more projects in the international and domestic market. In order to develop a niche in the global market, extensive sales research are being continuously done in parts of Australia, UK, Europe and Central Asia. The domestic development centers are in phase of expansion to Chandigarh, Dehradun, and two extra centers at Noida (U.P.)

We are continuously improving and deploying the industry best practices in operations. The company is keeping its day-to-day business in line with its well settled Work Culture and Core Values. The thrust of which remains same i.e. empowering freedom, treating time as a business tool, continuous learning for consistent innovations, listening the voice of customer, keeping trust along with the transparency, integrity and unending respect for colleagues.

## **Our People**

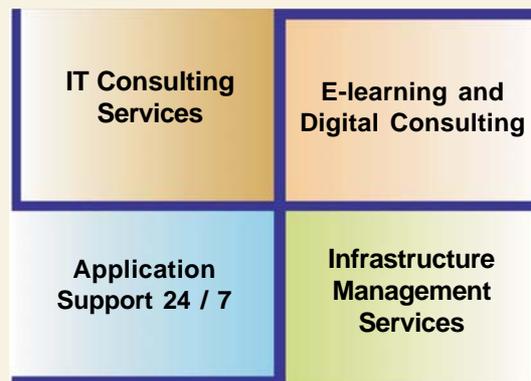
We strongly believe it's the people who make the organization, especially in our industry, which is manpower intensive industry. We have one of the most competent HR and recruitment team in-house who proactively focus on getting the best of the resources in the organization. Our well-defined hiring process, supported by professionally designed training and orientation courses equip our professionals to give world-class service to our clients.

We have a well-defined organizational hierarchy that helps us hire new talent with clearly defined growth plan in place. Our HR team continuously works towards adding new feature in our "Retention Policy" to overcome perhaps the biggest impediment to the growth of any service industry like ours, the problem of retention. In order to keep the attrition rate at minimum level, we have regular appraisal system. Appraisal system appreciates the achievements of individuals, apart from that of the team and the organization as a whole. We are always trying to build a creative and innovative environment where our people can meet their aspirations. Our processes also help to identify our leaders of the future and will help the employees to perform both tangibly and intangibly. The company puts serious focus on training and has already implemented FCS Training Campus (FTC) with explicit purpose to grow and nurture our existing and new employees.

The Company has successfully started the implementation of Employee Stock Option Plan namely FCS ESPS 2005 and FCS ESOS 2005 as a strategic move for the retention plan. The total shares under ESPS were 1,10,000 shares and under ESOS the total options vested in 2006-07 were exercised numbering 1,57,058 shares.



## **Our Business**



### **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, 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.

### **E-learning and Digital Consulting**

US corporations look at E-learning or web / CD based training programs as one of the ways to achieve organizational growth and improved business performance. E-learning helps employees, vendors, and dealers of a company to better their performance and deal with fast-changing environments. E-learning makes training highly efficient, by making it available anytime, anywhere and reduces total cost of training. E-learning is used to train employees, customers and service technicians on product knowledge, concepts, strategies, risk and finance, compliance and technology.

### **Application Support 24/7**

The company provides toll free voice, e-mail, and chat support 24/7 where clients' employees can call to report any problem with the applications that they use to do their day-to-day work. Some of these business applications are mission critical and need to be supported on a set service level agreement.

### **Infrastructure Management Services**

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.

## NOTICE

Notice is hereby given that the 14th Annual General Meeting of the Members of the Company will be held on Wednesday, July 25, 2007 at The Executive Club, 439, Village Shahoorpur, Fatehpur Beri, New Delhi - 110 074, at 9.30 A.M. for transacting the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as on March 31, 2007 and Profit and Loss Account for the year ended on that date, together with the reports of the Auditors and the Board of Directors 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 Shyam Sunder Sharma as Director who retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re- appointment as non-executive director. Shyam Sunder Sharma does not hold any shares of the Company.
4. To consider & approve the declaration of the dividend at the rate of 25 % (including 10 % interim dividend) on the equity shares of the company.

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



(G. P. Singh)

AVP (Legal) & Company Secretary

Noida  
June 25, 2007

### 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 A SHOW OF HANDS, UNLESS A POLL IS DEMANDED BY A MEMBER OR MEMBERS PRESENT IN PERSON OR BY PROXY HOLDING ATLEAST ONE-TENTH OF THE TOTAL SHARES ENTITLED TO VOTE ON THE RESOLUTIONS OR BY THOSE HOLDING PAID UP CAPITAL OF AT LEAST RS. 50,000. A PROXY SHALL NOT VOTE EXCEPT ON A POLL.**
2. The Register of Members and Share Transfer Books of the Company shall remain closed from July 16, 2007 to July 25, 2007 (both days inclusive).
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 Director's 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 Contract, maintained under Section 301 of the Companies Act, 1956 will be available for inspection by the members at the registered office of the Company.

6. Members are requested to notify any change in their address, immediately to the Company at the address mentioned below:

**205, 2nd Floor, Agrawal Chamber IV,  
27, Veer Sawarker Block,  
Vikas Marg, Shakerpur,  
Delhi - 110 092**

7. Subject to the provisions of Section 206 A of the Companies Act, 1956, dividend as recommended by the Board of Directors, if declared at the meeting, will be payable on or after July 25, 2007 to those members whose names appear on the Register of Members as on July 25, 2007.

8. Members whose shareholding is in the electronic mode are requested to direct change of address notifications and updations of savings bank account details to their respective Depository Participants.

9. Members are requested to address all correspondences, including dividend matters, to the Registrar and Share Transfer Agents as mentioned below:

**Intime Spectrum Registry Ltd.  
A-31, 3rd Floor, Near PVR Naraina,  
Naraina Ind. Area, Phase I,  
New Delhi - 110 028, India.**

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



**(G. P. Singh)**

AVP (Legal) & Company Secretary

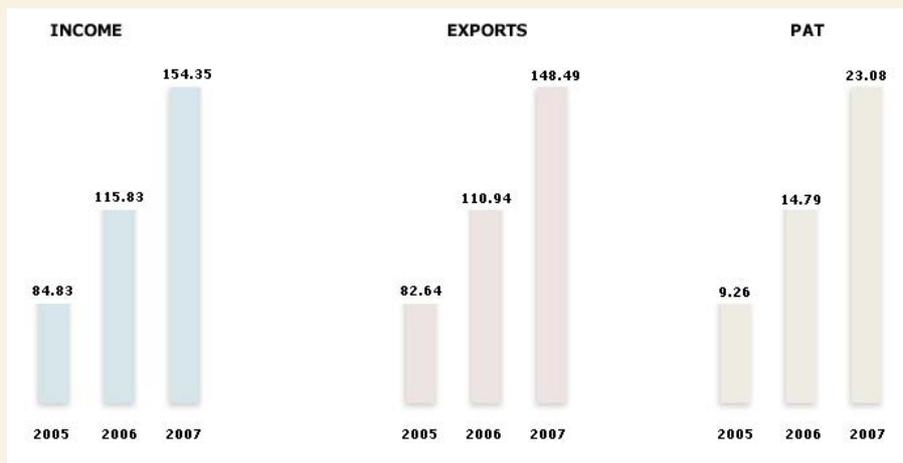
Noida  
June 25, 2007

## Years at a Glance :

Rs. in lacs except per share

	2007	2006	Growth (%)
<b>For the year</b>			
Income	15,434.95	11,583.28	33.25%
Operating profit (PBIDTA)	2,608.38	1,697.44	53.65%
Operating profit / Total income (%)	16.90%	14.65%	15.35%
PAT	2,308.97	1,479.32	56.08%
PAT / Total income (%)	14.96%	12.77%	1.71%
<b>EPS (par value of Rs. 10 each)</b>			
Basic	16.40	10.57	55.15%
Diluted	16.18	10.51	53.94%
<b>Dividend</b>			
Per share ( in Rs.)	2.50	2.50	
Amount	413.11	400.61	
Return on average net worth (%)	25.65%	21.38%	19.97%
Capital expenditure	709.86	232.55	205%
<b>At the end of the year</b>			
Fixed assets - net	1,280.30	798.72	60.29%
Net current assets	8,166.42	7,519.29	8.60%
Total assets	9,520.91	8,416.66	13.11%
Debt	374.47	1,340.85	(72.07%)
Equity	1,426.90	1,407.28	1.39%
Net worth	8,998.41	6,917.70	30.07%
Market capitalization	12,842.17	12,081.69	6.29%

(Rs. in Crores)



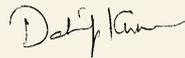
### **Managing Director (MD) and V.P. (Finance) Certification**

We, Dalip Kumar, Managing Director, and Anil Sharma, V. P. (Finance) 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 control over financial reporting, or caused such internal control 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 disclosure, controls and procedures. and
  - d) disclosed in this report any change in the company's internal control 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;
- 7. 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;
- 8. 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
- 9. 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.

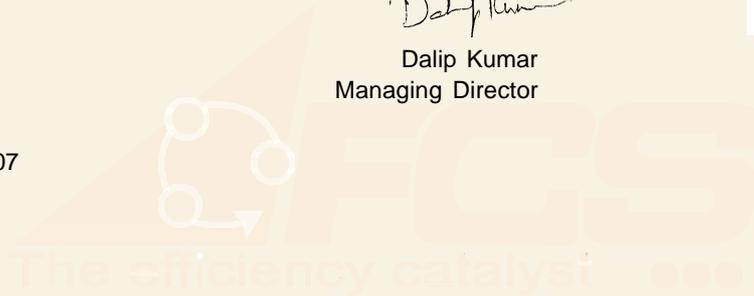


Dalip Kumar  
Managing Director



Anil Sharma  
VP (Finance)

Noida  
June 25, 2007



**Directors' Report**  
(for the Year 2006-2007)

Dear Shareholder,

Your Directors are pleased to present the 14th Annual Report and Audited Accounts for the financial year ended March 31, 2007.

**Financial Results**

(Rs. In lacs)

**Year ended March 31,**

	<b>2007</b>	<b>2006</b>
Gross Income	15,434.95	11,583.28
Profit/(Loss) before Depreciation, Interest & Tax (PBDIT)	2,608.37	1,697.44
Misc. Income	92.22	56.03
Depreciation	255.66	212.76
Interest	45.96	18.32
Profit/(Loss) before Extra ordinary items	2,398.97	1,522.39
Prior Period Adjustment-Income/(Expenses)	(2.43)	0.47
Profit before tax (PBT)	2,396.54	1,522.86
Provision for tax	66.63	44.00
Deferred tax-Assets/(Liability)	(20.94)	0.46
Profit after tax (PAT)	2,308.97	1,479.32

**Appropriation:**

Dividend recommended - Final	214.03	211.09
Interim Dividend Paid	142.69	140.02
Tax on distributed profits	56.39	49.50
Transferred to General Reserve	1,000.00	15.00
Balance with General Reserve	1,021.31	21.31
IPO Expenses Adjustment	0.00	3.03
Previous years Provision Adjustment	0.91	0.00
Balance Brought Forward	4,077.02	3,010.29
Transferred to Balance Sheet	4,973.79	4,077.02

*The principle of complete disclosure continued to be followed for a true and fair picture of the affairs of the Company. Accordingly a sum of Rs. 2.43 lacs is reflected in the attached Profit & Loss Account as "Prior Period Adjustment".*

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.

## **Company's Affairs / Operations / Material Developments**

### **(i) Company's Affairs**

The Statement of Company Affairs, operations, opportunities and threats, performance on the IT front and business developments have been elaborately and explicitly explained and dealt with in the Management Discussion and Analysis Report (which forms part of this report) and accordingly not provided herewith for the sake of brevity.

### **(ii) Operations**

Keeping the pace your Company has again shown a remarkable growth of 33.75% in revenue during the financial year. Revenues for FY '07 stood at Rs 154.35 crores, profit before depreciation, interest, and tax and prior-period items stood at Rs 26.08 crores, and profit after tax was Rs.23.08 crores. The provision for Income Tax is Rs. 87.57 Lacs including Deferred Tax Liabilities of Rs. 20.94 Lacs. The market environment in FY '07 was good and appreciating signs made them felt in the second half of the financial year. The Company continued to strengthen its position in this rapidly growing market.

### **(iii) Material Developments**

After getting the successful listing in 2005, the Company has a full year smoothless trading at both the national bourses i.e. Bombay Stock Exchange Ltd. (BSE) & National Stock Exchange Ltd. (NSE).

Your Company has a yearly trading volume of around 4, 56, 51,245 number of shares. The face value of the shares is Rs.10/-.

## **New Projects and Expansion Plans**

Apart from the existing modular structure of the Noida facility the company has started developing four additional development centers at Chandigarh, Dehradun and two seperate centers at Noida. The construction phases at all these development centers are at lightening pace. The company is also looking for setting up different units in SEZs across the country. The Chennai operations are showing a remarkable upward graph. The existing business development centers at different places, has provided your Company with the flexibility to quickly react to changes in market conditions at lower incremental costs. The Company has further increased its capacity by adding 104 employees on roll during 2006-07. This has not only created a platform to increase our market share, but will also enable us to achieve it more efficiently, resulting in increasing competitiveness and raising returns on deployed capital.

With the global demand for IT Applications rapidly increasing, your Company is increasing its overall capacities by developing world class development centers at Chandigarh, Dehradun and two new centers in Noida at Sector 73 and Noida Special Economic Zone (SEZ). The total deployments of fund in the said projects are around Rs. 471.00 Lacs.

In line of our last correspondences to you in respect of allotment of 1.66 acre land at Rajeev Gandhi Chandigarh Technology Park, Chandigarh (U.T.), we would like to mention that we have taken the possession of land and successfully commenced the construction of building infrastructure. The construction team is keeping its pace to the maximum for the earliest completion of the project. The commencement of construction is also being done at the locations at Dehradun and Noida, Sector 73. The total usage/ occupancy of all these four new places will increase by 1125 employees in first phase of construction.

#### **Market development**

The business more particularly IT landscape has changed to manifold, the key factors for the same are the emergence of developing economies, creating new markets and accessible talent pools there under, a global shift in demographics, driving companies to tap young and skilled talent pools outside of industrialized countries, the ongoing adoption of technology which is changing how consumers and companies use technology and the government initiative to promote the transparency. As conveyed earlier we have adopted and practicing stringently multipronged go to market strategy and also streamlined our back end operations putting in best practices for faster & Zero Defect Delivery. We have further revamped our infrastructure for providing more secure environment for our users and redrawn the hiring and retention policy.

We also increased our focus on existing customer and brought vertical focus to repeat our success in particular vertical. This has given us the wider base in US market. We have increased our manpower in all dimensions and brought in best talent with relevant experiences at all levels for betterment of delivery and relationship with client. In order to hire the best of the resources at the young age we are looking forward to work closely with a select list of educational institution. We constantly hold camps, seminars and road shows in order to attract the high caliber resources.

#### **Deployment/Application of Public Issue (IPO) Money**

As per the offer document, the Company has deployed the proceeds Rs.1998.71 Lacs in the expansion of the capacity as against the proposed utilization of Rs.1822.77 Lacs (proposed to have been incurred up till 31st March, 2007).

#### **Dividend**

Since your company is in highly expansion mode, your directors are pleased to recommend the dividend of only 25 % (Including 10 % Interim Dividend) on the Equity Capital of the Company for the year ended March 31, 2007 to all shareholders whose name appears in the Register of Members as on July 25, 2007. The payout for final dividend will be Rs 250.41 lacs inclusive of dividend distribution tax, surcharge and education cess thereon. The payment made for the Interim Dividend paid including dividend distribution tax, surcharge and education cess was Rs.162.70 lacs. The total payout for dividend during the year is Rs. 413.11 lacs inclusive of all related taxes and expenses.

#### **Transfer to reserves**

We propose to transfer Rs. 1000 lacs to the general reserve. An amount of Rs. 4973.79 lacs is proposed to be retained in the profit and loss account.

#### **Subsidiaries**

We have one subsidiary called FCS Software Solutions America Limited, incorporated in America on 2nd Oct. 2006. This company was formed to generate more comfort to US clients who are now looking to give us more work in their mission critical business applications and feel more secure in doing legal contracts with a fully US entity.

#### **Particulars under Section 212 of the Companies Act**

As per Section 212 of the Companies Act, 1956, we are required to attach the directors' report, balance sheet, and profit and loss account of our subsidiaries. Accordingly we had attached the same with this report and fully complied with the provisions of the Act.

#### **Development centers**

In the financial year 2007, we incurred capital expenditure aggregating Rs. 709.86 lacs on physical as well as on technological infrastructure. Further, we incurred Rs. 711.34 lacs on technological infrastructure. As of March 31, 2007, in India, we had 32,000 sq.ft of space with 850 seats and additional 45,500 sq. ft. under construction that would provide 1125 seats.

#### **Directors**

In terms of the provisions of Sections 255 and 256 of the Companies Act, 1956 and Articles of Association of the Company, Mr. Shyam Sunder Sharma (Director), retire at the ensuing Annual General Meeting and, being eligible, have offered him self for reappointment.

The tenure of Mr. Krishan Kant Arora who was appointed as additional director by the Board of directors vide their Board Meeting held on July 28, 2006 will expire at the ensuing Annual General Meeting. The Board of directors expressed deep appreciation for his outstanding contribution in the growth of the company.

During the year, Mr. Hemant Paliwal, director liable to retires by rotation; have tendered his resignation to the board and the same is being taken note by the board. The Board place on record its deep appreciation of the services rendered by Mr. Hemant Paliwal, during his tenure on Board.

#### **Auditors**

M/s SPMG & Co., Chartered Accountants, Auditors of the Company, hold office until the conclusion of ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment. The Company has received intimation to the effect that their reappointment, if done, would be within the limits laid down under Section 224(1B) of the Companies Act, 1956.

**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.

**Employees' Stock Option Scheme (ESOS)**

Your Company had introduced a stock option scheme-the Employee Stock Option Scheme, 2005 ("ESOS 2005") for its employees and some of its Directors. The shareholders had given their approval, under ESOS 2005, to issue up to a maximum of 7,53,000 options convertible into an equal number of equity shares. Consequently, 5,90,200 options were granted to eligible employees. Out of which 1, 57,058 shares were exercised in the year 2006-07.

The information required to be disclosed in terms of the provisions of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 is enclosed as per **Annexure 'C'** to this report.

**Employees' Stock Purchase Scheme (ESPS)**

In the fiscal 2005, the company has also instituted another stock purchase scheme-the Employee Stock Purchase Scheme, 2005 ("ESPS 2005")-for its employees and some of its Directors. The shareholders had given their approval, under ESPS 2005, to issue up to a maximum of 1,10,000 number of equity shares. Consequently, 1,10, 000 number of equity shares were granted out of which 71,000 equity shares were exercised by eligible employees/directors. The balance 39,000 shares were lapsed and with the requisite approvals, it was further granted and exercised by eligible employee.

The information required to be disclosed in terms of the provisions of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 is enclosed as per Annexure 'D' to this report.

**Fixed 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.

**Corporate governance**

We are continuing to implement every norm, which are promulgated by legislation, or any other 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.

**Management discussion and analysis**

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

**Directors' responsibility statement**

Your Directors state:

- I. that in the preparation of the annual accounts, the applicable accounting standards have been followed;
- II. that we have 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 2006-2007 and of the profit of the Company for that year;
- III. that we have 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; and
- IV. that we have prepared the annual accounts on a going concern basis.

**Acknowledgements**

Your Company has taken every step to outperform in the industry and to maintain its position in the year to come. Your Board of Directors place on record their appreciation for the overwhelming co-operation and continued assistance received from investors, customers, business associates, bankers and vendors and the contribution made by the employees at all levels. Company's consistent growth was made possible by their hard work, solidarity, cooperation and support.

Your Board of Directors places 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 Company 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



(Dalip Kumar)  
Chairman and Managing Director

Noida  
June 25, 2007

## ANNEXURE TO THE DIRECTOR'S REPORT

### ANNEXURE "A"

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

#### Conservation of energy

As our operations are in the area of software development hence it's not energy intensive. However significant measures are taken to reduce energy consumption by using energy efficient computers and by purchasing energy efficient equipments. We constantly evaluate new technologies and invest to make our infrastructure more energy - efficient. We are implementing the use of CFL fixtures and electronic ballasts to reduce the power consumption in the illumination system. A constant check system is in place to control the working of air conditioners and to make them more energy - efficient. In furtherance to company is creating a general awareness in its employees by switching off computers, inter linked systems and the individual units of air conditioning when not in use.

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

The company came up with a policy to allocate 10% of time of senior and more skilled professionals to Research and Development. During this time, the assigned staff is only supposed to work on Research and Development of new methodologies and best practices so that we can reduce time to market for our clients. One other key objective is to develop reusable objects and we are glad to announce that the company has made good progress in this area. This helps us to increase productivity and revenue per person because of saving in effort that would have been needed otherwise.

#### Technology absorption, adaptation and innovation

It's a proven fact that technology plays a big role in the ability to offer a complete basket of products/ services to its customers/ users. Your Company has partnered with IBM, Microsoft, and Oracle - the technologies that most of our clients use. Senior management of the company has come up with draft technology roadmaps in the areas that anticipate changes based on the evolution of technology partners.

#### Foreign Exchange Earning and Outgo

During the year 96.20% of revenues were derived from exports. The foreign exchange earned comprising of FOB value of exports, services was Rs.1, 484,926,453 whereas total foreign exchange used (comprising of CIF value of imports and other outgoings) was Rs.1,233,207,688. Over the years, we have established a substantial direct - marketing network in some of the major global markets i.e. US.

#### Foreign exchange earned and used

(in Rs.crore)

	2007	2006
Earnings	148.49	110.94
Outflows	123.32	85.24
Net foreign exchange earnings	25.17	25.70

## ANNEXURE "B"

### Particulars of employees

During the year ended March 31, 2007, no employee is drawing 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.

## ANNEXURE "C"

### INFORMATION REGARDING THE EMPLOYEE STOCK OPTION SCHEME, 2005 (as on 31-03-2007)

A) Number of Stock Options granted	5,90,200
B) Pricing formula	Rs 10 per Option.
C) Number of Options vested	1,57,058
D) Number of Options exercised	1,57,058
E) Number of shares arising as a result of exercise of options	1,57,058
F) Number of Options lapsed	1,19,000
G) Variation of terms of options	The amount payable by the Employee for the exercising the options granted to him in pursuance of ESOS would be as per the fair market price on the date of grant of shares under the Scheme. However, this clause shall have the prospective effect.
	Explanation: The fair market value means the closing price of the company's shares on the stock exchange where there is the highest trading volume on the date of grant and if the shares are not traded on that day, the closing price on the next trading day."
H) Money realized by exercise of options	15,70,580.00
I) Number of Options in force	4,71,200
J) Employee wise details of Options granted to	<b>Year 2005-06</b>
(i) Senior managerial personnel	
- Mr K K Arora, Executive Director,*	50,000
- Mr J P Singh, Sr. Vice President, PSG,	50,000
- Mr Rajeev Ranjan, Sr. Vice President, SAP Consulting,	50,000
- Mr. H S Chaddha, Sr. V P, Business Development,	25,000
- Mr. Gopal Saha, Vice-President, Sales,	10,000
- Mr Govind Sahu, Vice President (Network),	25,000
- Mr Anil Sharma, Vice President (Finance),	10,000
- Mr Abhishek Yash, Associate Vice President,	30,000
-Mr Gajendra Pratap Singh AVP (Legal) & Co. Secretary,	6,000

(ii) Employees who were granted Options amounting to 5% or more of the Options granted during the year 2005-06. No grant done in F.Y. 2006-07.	(i) Mr K K Arora, Executive Director (ii) Mr J P Singh, Sr. Vice President (iii) Mr. Rajeev Ranjan, Sr. Vice President (iv) Mr. Abhisek Yash, Associate Vice President
(iii) Employees who were granted Options in any one year equal to or exceeding 1% of the issued capital of the Company.	None
K) Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of options calculated in accordance with Accounting Standard 20- 'Earnings Per Share'	Rs 16.18
L) The Company has used intrinsic value method for calculating the employee compensation cost with respect to the stock options. If the employee compensation cost for the ESOP had been determined in a manner consistent with the fair value approach, the stock option compensation expense would have been lower by Rs 5.80 Lacs. Consequently, profit after tax would have been higher by Rs 5.80 Lacs and the EPS of the Company would have been Rs10.61 per share (higher by Rs 0.04 per share).	
M) Weighted average exercise price of the options granted during the year	Rs. 10/- per Option due to single grant in the year.
N) Weighted average fair value of the options granted during the year	Rs 93.0348 per Option due to single grant in the year.
(i) risk-free interest rate	(i) 5.63 % for 3 years.
(ii) expected life	(ii) 3 years
(iii) expected volatility	(iii) 83.77 % (based on 3 years comparable company stock data).
(iv) expected dividends	(iv) 1.34 % (based on simple average of the dividend history of past 2 financial years)
(v) the price of the underlying share in market at the time of option grant	(v) Rs 103 per share

\*Mr. K K Arora has left the employment of the company and the share offered to him has been lapsed.

The Vesting Period in respect of the Options granted is as follows: -

<b>Grants</b>	<b>Vesting Period</b>
Grant on 13th Dec. 2005	1/3rd of total grant of shares every year from the date of grant over a period of three years.
No fresh grant done during 2006-07	First year vesting happen on 13th Dec. 06.

## ANNEXURE "D"

### INFORMATION REGARDING THE EMPLOYEE STOCK PURCHASE SCHEME 2005 (as on 31-03-2007)

A) Number of Share issued	F.Y.2005-06	F.Y. 2006-07
	71,000	39,000
B) Pricing formula		Rs 10 per Share.
C) Employee wise details of Options granted to	F.Y. 2005-06	F.Y. 2006-07
(i) Senior Managerial personnel		
➤ Mr. K K Arora	55,000	Nil
➤ Mr. Rajeev Ranjan	10,000	
➤ Mr. Govind Sahu	3,000	
➤ Mr. Anil Sharma	2,000	
➤ Mr. Gajendra P Singh	1,000	
(ii) Employees who were granted Options amounting to 5% or more of the Options granted		
➤ During the year 2005-06	Mr. K K Arora, E.D. Mr. Rajeev Ranjan, Sr. VP (SAP Consulting)	
➤ During the year 2006-07	*Labh Singh, Manager (Admn.)	
(iii) Employees who were granted Options in any one year equal to or exceeding 1% of the issued capital of the Company.	None	
Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of options calculated in accordance with Accounting Standard 20- 'Earnings Per Share'	Rs 16.18	
Consideration received against the issuance of shares during the year 2006-07.	Rs. 3,90,000 /-	

\* These 39,000 shares were issued under FCS - ESPS 2005, after getting lapsed and obtaining the requisite approval from the annual general meeting.

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

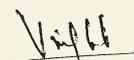
We have examined the compliance of conditions of Corporate Governance by FCS Software Solutions Limited ("the Company"), for the year ended on 31 March 2007, as stipulated in Clause 49 of the Listing Agreement of the said Company with the stock exchanges.

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

New Delhi  
June 25, 2007



## MANAGEMENT DISCUSSION AND ANALYSIS

### a. Industry Structure and developments

Global trade in services has entered a new era, with the growing and widespread acceptance of the IT based global delivery model. International bandwidth and powerful workflow management IT software and services sector today is more easily penetrating into the fabrics of the society than ever before. IT is now possible to disaggregate any business process, execute the sub-processes in multiple centers around the world, and reassemble it, in near -real time, at another location. India has already registered its mark on the globe in ITES-BPO sector. These developments are driving fundamental changes in the global IT services scenario. Vendors and customers are redefining the levels of value creation in the industry. Keeping pace with the global advances in technology applications, India's. Information Technology (IT) and IT-enabled services (ITES-BPO) continue to chart remarkable growth.

The software and ITES exports from India grew from US\$ 12.9 billion in the year 2003-04 to US\$ 23.6 billion in 2005-06. It is estimated that total software and ITES exports from India will exceed US\$ 31.3 billion during the year 2006-07. Software and services exports are likely to beat forecasts and exceed 32 per cent in dollar terms during the year 2006-07. While the US and the UK remain the dominant markets for software and ITES exports, contributing to 67 per cent and 15 per cent of total exports respectively, firms are also keenly exploring new geographies for business development, and to strengthen their global delivery footprint.

India offers a unique combination of attributes that have established it as the preferred offshore destination for IT-BPO. Over 2001-06, India's share in global sourcing is estimated to have grown from 62 per cent to 65 per cent for IT and 39 per cent to 45 per cent for BPO. The visibly higher preference for India is driven by its unmatched superiority when measured across a range of parameters that determine the attractiveness of a sourcing location. The outlook for Indian IT-BPO remains bright, and the sector well on track to achieve its aspired target of US\$ 60 billion in export revenues by 2010. Key factors underlying this optimism include the growing impact of technology-led innovation, leading the increasing demand for global sourcing and the gradually evolving socio-political attitudes.

According to a Fact Sheet on the Indian IT Industry recently published by NASSCOM, the total Indian IT-enabled services export market in fiscal 2005 was nearly \$4.6 billion. The 2004 NASSCOM-KPMG report estimates that the Indian IT-enabled services exports market will grow to approximately \$21 billion by 2009.

### b. Opportunities and Threats / Risks and Concerns / Outlook

#### Opportunities and Threats

The software segment will continue to show robust growth. There are lots of opportunities in the Market to be tapped by the domestic IT Companies. The general trend globally that interest towards off shoring IT services is on an upswing, among all global customers, which is a positive sign for the IT industry. More technology, R & D and testing outsourcing has come to India & will continue to be on the rise in the coming quarters.

The priorities of the industry are changing, concentrating more on re-organization of operations, development of new markets and marketing techniques, giving the organization's vision a global outlook and retaining and building upon customer relationships. The company's business focus is primarily upon the US market. Our service philosophy is based on customized services, which are solely dependent on individual customer requirement, with the use of latest technology. Your Company's business model focuses on entering into strategic relationship with its customers and meeting their business needs by offering value added services through its vast area of operations, expertise, and experience.

We believe our competitive strengths include innovation and leadership, Proven Delivery Model, comprehensive and sophisticated end-to-end solutions, commitment to superior quality and process execution, long-standing client relationships, status as an employer of choice and ability to scale.

We operate in a highly competitive and rapidly changing market, and compete with big consulting firms, divisions of large multinational technology firms, IT outsourcing firms, offshore technology services firms, software firms etc.

We believe that the principal competitive factors in our business include the ability to effectively integrate onsite and offshore execution capabilities to deliver seamless, scalable, cost-effective services; increase scale and breadth of service offerings to provide one-stop solutions, provide industry expertise to clients' business solutions, attract and retain high quality technology professionals; and maintain financial strength to make strategic investments in human resources and physical infrastructure through business cycles.

We believe we compete favorably with respect to these factors.

#### *Risks and Concerns*

The fight to garner customer spend, the battle for skills and retaining the differentiation gap remained foremost on our windscreens as we continued to aggressively pursue growth through fiscal 2006. Our business model continues to address the need to aggressively grow while managing risk. A few indicative risks, which are under consideration, are (i) *Business Continuity Management (BCM) risks*. This includes existence of single point of failure (SPOF) arising out of concentration of operations at one location. To cover the risk we are diversifying our locations into different cities, which primarily includes Panchkula, Chandigarh, Gurgaon, Chennai, Dehradun and two extra centres at Noida including one in Noida Special Economic Zone apart from our current location at Noida. (ii) *Information security/data privacy related risks*. This includes risk of data theft, exploitation of IT security vulnerabilities; social engineering attacks etc. (iii) *Process related risks*. This includes inadequate segregation of duties, inappropriate management oversight. In order to better address risk and adopt a more formal and comprehensive approach to risk management, your directors discussed the matter elaborately from time to time. In keeping with program of continuous development and experiential learning, we are enhancing our existing risk framework for implementation in fiscal 2006-07. The Risk treatment options which has been considered & mainly includes Risk Mitigation (implementation of additional controls to bring down the residual risk); Risk Acceptance (management agrees to accept this risk); Risk Elimination (changing the way in which a particular process is being performed to eliminate /circumvent the source of risk; Risk Transfer (outsourcing a part of significantly risky process to a provider which specializes in that process or by other appropriate means).

Our Risk Management Framework addresses the organization's strategy, operations and compliance, and is currently being enhanced to provide a unified and comprehensive perspective. FCS seeks to make the framework simplistic and intuitive to facilitate a speedy and appropriate identification of potential risk events / risks and actual risks, its communication, and thereafter escalation of the risk events identified to the appropriate persons to enable a timely and satisfactory risk response to be initiated. Risk responses are generally along pre-set guidelines. Where guidelines do not exist, matters will be escalated to top most authorities depending on the impact severity of the Risk.

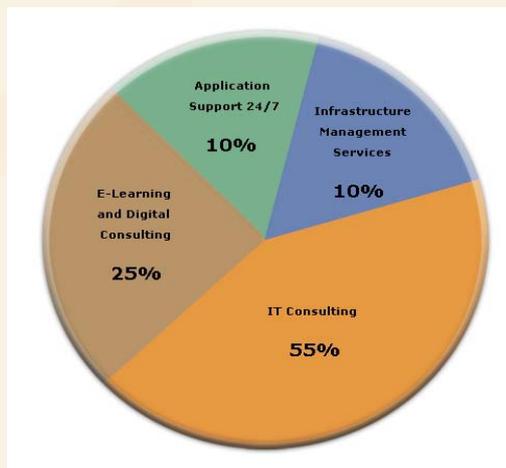
The Company reports its income in Rupees, whereas most of its income is in US Dollars, but their expenses are in Rupees. The exchange fluctuation rate between Rupee and the US Dollar is substantially high and expected to fluctuate substantially in future also. The Company does not provide for any hedging of US Dollar - Rupee exposure, thus, the invoices it raises in US Dollar remain same, but its income in Rupee term changes substantially and may change in future also as it does not have any protection for US Dollar fluctuations against Rupee for its billing to the clients.

Outlook

We seek to further strengthen our position as a leading technology services company by successfully differentiating our service offerings and increasing the scale of our operations. To achieve these goals, we seek to increase business from existing and new clients. Our goal is to build enduring relationships with both existing and new clients. With existing clients, we aim to expand the nature and scope of our engagements by increasing the size and number of projects and extending the breadth of our service offerings. For new clients, we seek to provide value-added solutions by leveraging our in-depth industry expertise and expanding the breadth of services offered to them beyond those in the initial engagement. We manage engagements by educating clients about the offshore model, taking on smaller projects to minimize client risk and demonstrating our superior execution capabilities. We plan to increase our recurring business with clients by providing software re-engineering, maintenance, infrastructure management and business process management services, which are long-term in nature and require frequent client contact.

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

The Company is providing customized software solutions to its clients and the revenue is divided into four broad heads viz. IT Consulting, E-learning & Digital Consulting (ELDC), Application Support and Infrastructure Management Services. We serve our clients in the United States. Your company has performed satisfactorily well in all segments. The percentage wise revenue contribution of each segment is as below:



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 adhoc 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.

The geographical segment wise revenue in % is as follows:

Year	India	USA	Total
2006-07	3.80%	96.20%	100%
2005-06	3.86 %	96.14 %	100 %

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

The Company has an effective system of accounting and administrative controls which ensures that all assets are safeguarded and protected against loss against unauthorized use or disposition. The Company has a well-defined organization structure with clear functional authority limits for approval of all transactions.

The Company has a strong reporting system, which evaluates and forewarns the management on issue related to compliance. The company has appointed to M/s KRA & Co., Chartered Accountants, H 109, 1st floor, Garg Tower, Netaji Subhas 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.

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

The Company's total income has grown at a CAGR of 33.25 % from Rs. 115.83 Crores in 2006 to 154.35 crores, in 2007 while the net profit has increased at a CAGR of 56 % from Rs. 14.79 Crores in 2006 to Rs.23.09 Crores in 2007. The PBDIT margins over this period have been 17% in 2007, 15 % in 2006 and 13% in 2005. The net profit margin over this period has been 15% in 2007, 13 % in 2006 and 11% in 2005.

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

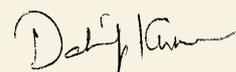
The relations with the employees remained cordial during the year. The capacity utilization rate in our Company for years ended 31st March 2005, 2006 and 2007 is 90%, 90 % and 92 % respectively. We have training programmes in order to upgrade our employees. Further to increase the retention rate the 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 825 as on March 31, 2007.

**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

Delhi  
June 25, 2007

## 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 believes that its vision coupled with its Business Principles and Core Dimensions, would create the culture of High Performance Environment to enhance overall stakeholder value.

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 Six 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, Ten Board Meetings were held on the following dates:

May 8, 2006; June 23, 2006; July 28, 2006; October 30, 2006; January 30, 2007; March 22, 2007.

### Constitution of Board of Directors and related information

Name	Category	No. of Board attended Meetings	Attendance at the last AGM	No. of Directorships in other public companies as on 31.3.2007	No. of Committee positions held in other public companies as on 31.3.2007
Mr. Dalip Kumar	Managing Director	2	Yes	1	Nil
Mr. K. K. Arora*	Non-Executive Director	5	Yes	1	Nil
Mrs. Janak Sharma	Non-Executive Director	5	Yes	1	Nil
Mr. S.S. Sharma	Independent Non Executive Director	5	Yes	Nil	Nil
Mr. Pradeep Sanan**	Independent Non Executive Director	Nil	NA	Nil	Nil
Dr. Balvinder Shukla***	Independent Non Executive Director	Nil	NA	Nil	Nil
Mr. S.K. Lath****	Independent Non Executive Director	Nil	NA	Nil	Nil
Mr. S.N. Sharma	Independent Non Executive Director	5	Yes	8	2
Mr. Hemant Paliwal*****	Independent Non Executive Director	4	NA	Nil	Nil

\* Ceased from directorship w.e.f. June 25, 2007;

\*\* Ceased from directorship w.e.f. May 08, 2007;

\*\*\* Ceased from directorship w.e.f. July 24, 2006;

\*\*\*\* Ceased from directorship w.e.f. May 08, 2007;

\*\*\*\*\* Appointed as director w.e.f. July 24, 2006 and ceased on June 25, 2007.

### 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. This committee was re-constituted by the Board of Directors vide their Board Meeting held on January 3, 2005.

Four audit committee meetings were held during the year. These were held on May 08, 2006; July 28, 2006; October 30, 2006; January 30, 2007.

The constitution of the Committee is as under:

Name of Directors	Category	No. of Meetings	
		Held	Attended
Mr. S.S. Sharma	Independent Non-Executive	4	4
Mr. S.N. Sharma**	Independent Non-Executive	4	4
Dr. Balvinder Shukla*	Independent Non-Executive	4	Nil
Mr. Hemant Paliwal***	Independent Non Executive	4	3

\* Ceased to be a Member w.e.f. July 24, 2006;

\*\* Chairman from May 08, 2006;

\*\*\* Inducted in Committee from July 28, 2006.

The Chairman of the Audit Committee was present at the last Annual General Meeting held on July 24, 2006.

The Company Secretary acts as Secretary to the Committee.

### Remuneration/Compensation Committee

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

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

Name of Directors	Category	No. of Meetings	
		Held	Attended
Mr. S.S. Sharma*	Independent Non-Executive	1	1
Dr. Balvinder Shukla**	Independent Non-Executive	1	0
Mr. S. N. Sharma	Independent Non-Executive	1	1
Mr. Hemant Paliwal	Independent Non-Executive	1	NA

\* Chairman of the Committee.

\*\* Ceased to be director w.e.f. July 24, 2006.

The meeting of Remuneration Committee was held on June 23, 2006;

The Company Secretary acts as Secretary to the Committee.

#### Investors / Shareholders Grievance Committee

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

The meeting of Committee were held on May 08, 2006 & July 28, 2006; October 30, 2006; January 30, 2007.

The composition of the committee is as under:

Name of Directors	Category	Designation	No. of Meetings	
			Held	Attended
Mr. S. S. Sharma*	Independent Non-Executive	Member	4	4
Mr. S.N. Sharma	Independent Non-Executive	Member	4	3
Smt. Janak Sharma**	Non-Executive Director	Member	4	1
Mr. Hemant Paliwal***	Independent Non-Executive	Chairman	4	3

\* Ceased to be a member from July 28, 2006;

\*\* Ceased to be a Chairperson of the committee from July 28, 2006;

\*\*\* Inducted in the Committee w.e.f July 28, 2006 and elected as Chairman of the Committee.

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

Number of Shareholder's complaints received by Company's Registrar & Share Transfer Agent, M/s Intime Spectrum Registry Ltd. during the period year ended March 31, 2007,

Number of Complaint received:	43
Number not solved to the satisfaction of shareholders:	Nil
Number of Share Transfers pending:	Nil

#### Details of non-compliance

There has been no non-compliance of any legal requirements nor have there been any restriction imposed by any stock exchange, SEBI, on any matters relating to the capital market over the last two 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
2003-04	54, EHTP, Sector-34, Gurgaon - 122 001 (Haryana)	Thursday, August 11, 2004.	3.00 P. M.
2004-05	54, EHTP, Sector-34, Gurgaon - 122 001 (Haryana)	Monday, June 06, 2005	9.30 A. M.
2005-06	The Executive Club, 439, Village Shahoorpur, Fatehpur Beri, New Delhi - 110 074.	Monday, July 24, 2006.	9.30 A.M

No special resolution was passed and none of the item was transacted at the said meeting was required to be passed by the postal ballot for the financial year 2003-04.

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

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

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

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

At the ensuing fourteenth Annual General Meeting there is no agenda item requiring special resolution and neither any agenda item requiring 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.

### MD / VP (Finance) certification

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

### Means of Communication

Half-yearly report sent to each household of shareholders:	No, the abridged results of the Company are uploaded on the website of the company.
Quarterly Results:	--do-
Presentation made to institutional investors or to the Analysts:	No
Whether Management Discussions and Analysis is a part of annual report or not:	Yes

### BRAND ESTABLISHMENT

A brand is not a trademark or a logo its much more then that. It is a 'trust mark'- a promise of quality and authenticity that clients can rely on. Brand equity is the value addition provided to a product or a company by its brand name. It can be construed as the financial premium that a buyer is willing to pay for the brand over a generic or less worthy brand. It's one of those assets, which is not created overnight. Its the result of relentless pursuit of quality in manufacturing, selling, service, advertising and marketing. It is integral to the quality of client experiences in dealing with the Company and its services over a period. It's proud for the company that's its positioned 16th for extraordinary profit growth and 18th for Sales Growth for the year 2006 in magazine called DATAQUEST (leading software magazine); DALALSTREET (leading investment magazine) ranked FCS in top 125 Companies.

### SHAREHOLDERS INFORMATION

#### Annual General Meeting

<b>Date and Time:</b>	Wednesday, July 25, 2007 at 9.30 A. M.
<b>Venue:</b>	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, 2007	July, 2007
Unaudited financial results for the quarter and half year ended	September 30, 2007	October, 2007
Unaudited financial results for the quarter ended.	December 31, 2007	January, 2008
Audited financial results for the year ended.	March 31, 2008	May/ June, 2008

<b>Date of Book Closure:</b>	Monday, July 16, 2007 to Wednesday, July 25, 2007 (both days inclusive).
------------------------------	--

**Dividend:** On or after 25th July 2007, but within the statutory limit of 30 days, subject to shareholders approval.

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

**Listing fee for 2007-08** Paid for all the above stock exchanges.

**ISIN No.:** INE512B01014

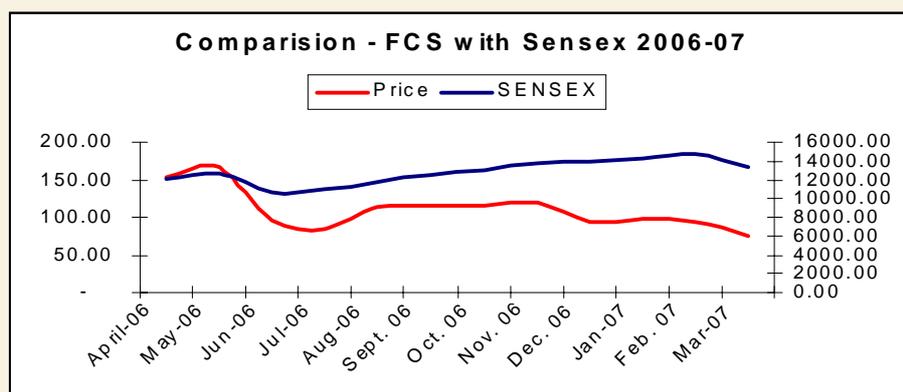
**Stock Market Price Data:**

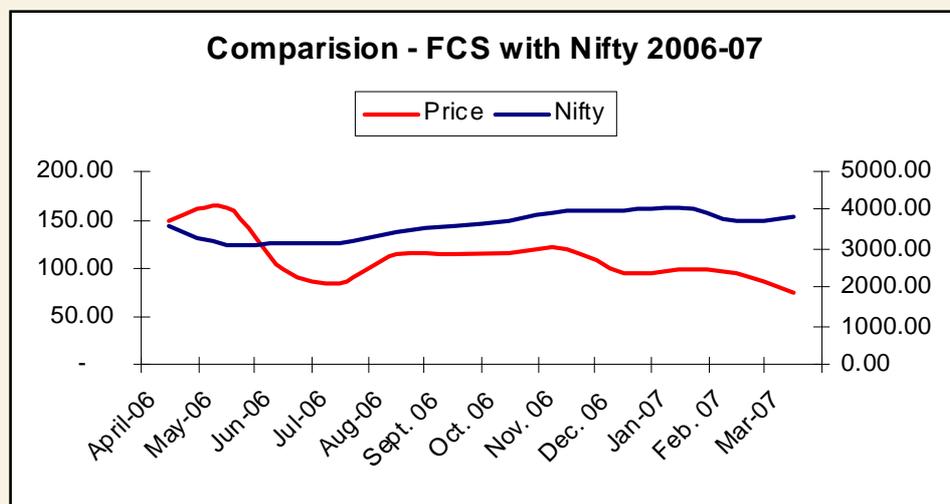
	BSE			NSE			Total Volume (Nos.)
	High (Rs.)	Low (Rs.)	Volume (Nos.)	High (Rs.)	Low (Rs.)	Volume (Nos.)	
April 2006	152.40	82.05	40,49,364	149.45	81	54,11,477	94,60,841
May	166.00	94.05	31,93,219	163	94.3	36,45,388	68,38,607
June	97.00	66.80	3,18,514	97.8	66.7	4,24,214	7,42,728
July	84.65	69.60	1,82,519	83.9	71.1	23,0,610	4,13,129
August	112.90	72.00	7,62,573	113.5	72.4	10,53,941	18,16,514
September	115.00	91.25	16,37,103	114.5	91.05	11,47,336	27,84,439
October	115.30	94.10	32,96,654	115.65	94.1	16,21,816	49,18,470
November	118.90	90.55	47,59,642	118.8	90.5	51,52,748	99,12,390
December	94.95	73.10	15,55,389	94.8	73.4	20,23,778	35,79,167
January 2007	97.50	84.35	14,41,737	97.55	82.1	15,71,240	30,12,977
February	94.60	71.25	5,86,932	94.95	70	6,33,278	12,20,210
March	75.00	60.30	4,16,461	73.8	60.15	5,35,312	9,51,773
<b>Total</b>			<b>2,22,00,107</b>			<b>2,34,51,138</b>	<b>4,56,51,245</b>

**Liquidity**

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

**Performance Comparison with Indices:**





#### Legal Proceedings

There are certain pending cases relating to disputes over taxation & some other matters, in which we had been made a party. However, these cases are not material in nature. The total value for all the case does not exceed for more then Rs. 75 lacs.

We are also party to the dispute relating to land and building lying near at our corporate office at Noida. This land & building was subject to auction and your company was the highest bidder in the auction conducted by the Official Liquidator. The sale was confirmed by the High Court and we paid the full amount for the land & building as directed by the Hon'ble High Court. This case is sub-judice under the Punjab & Haryana High Court.

#### Share Transfer System:

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

#### Share transfers in physical form

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

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

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

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

#### ECS mandate

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

#### Distribution of Shareholding (As on March 31, 2007)

Shareholding of Nominal Value (Rs.)	No. of Shareholders	% of Total	No. of Shares held	% of Total
1-5000	12,076	90.585	15,53,350	10.886
5001-10000	680	5.101	5,40,064	3.785
10001-20000	296	2.220	4,40,145	3.085
20001-30000	120	0.900	3,10,277	2.174
30001-40000	39	0.293	1,36,334	0.955
40001-50000	24	0.180	1,11,107	0.779
50001-100000	55	0.413	3,86,173	2.706
100001 and above	41	0.308	1,07,91,635	75.630
<b>TOTAL</b>	<b>13,331</b>	<b>100.000</b>	<b>1,42,69,085</b>	<b>100.000</b>

#### Shareholding Pattern as on March 31, 2007

Categories	No. of Shares held	% of holding
Promoters -		
o Indian	97,98,428	68.7
o Foreign	0	0
Mutual Funds & UTI	0	0
Banks, Financial Institutions and Insurance Companies	300	0.02
Foreign Institutional Investors	0	0
Private Corporate Bodies	11,19,726	7.78
Indian Public	30,56,652	21.5
NRI / OCB's	74,861	0.5
Others (Directors & their relatives, HUF, Clearing Members )	2,19,118	1.5
<b>TOTAL</b>	<b>1,42,69,085</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 Dematerialisation as on March 31, 2007 is as under:

Segment	No. of Shareholders	%	No. of Shares	%
Physical	30	0.23	71,355	0.50%
Demat	13,305	99.77	1,41,97,730	99.50%
Total	13,335	100.00	1,42,69,085	100.00%

**Investors Contact Information:**

**Abhishek Anand**  
Compliance Officer

Tel. +91 120 3061122  
Email: [investors@fcsltd.com](mailto:investors@fcsltd.com)

**Registered Office:**

205, 2nd Floor, Agrawal Chamber IV,  
27, Veer Sawarkar Block, Vikas Marg,  
Shakerpur, Delhi - 110 092  
Ph. : 011-42444235  
Fax: 011-42444235  
[www.fcsltd.com](http://www.fcsltd.com)

**Corporate Office:**

FCS House, A-86, Sector-57,  
Noida - 201301 (Uttar Pradesh)  
Ph-0120-3061100  
Fax-0120-3061111  
[www.fcsltd.com](http://www.fcsltd.com)

**Registrar and Share  
Transfer Agents:**

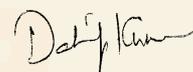
M/s Intime Spectrum Registry Ltd.  
A-31, 3rd Floor, Naraina Industrial Area,  
Phase -I, Near PVR Naraina,  
New Delhi - 110028.  
Ph.: 011-41410592, 93, 94,  
Fax: 011-41410591  
[www.intimespectrum.com](http://www.intimespectrum.com)

**Information regarding Directors, pursuant to Part VI (A) of Clause 49 of the Listing Agreement to be entered in to with the Stock Exchanges:**

I.

1. **Name of Director** - Shri Shyam Sunder Sharma
2. **Date of Birth** - 27th Nov. 1958.
3. **Date of Appointment** - December 8, 2000.
4. **Expertise in specific functional areas** - Shri. Shyam Sunder Sharma is an Engineering Graduate from Roorkee Engineering College, Roorkee. He has more than 26 years of experience in IT industry and is currently employed with DCM Data Products as a Senior Vice President. He has in depth knowledge of IT and brings his large exposure to FCS Board. He is an expert in field of System Administrator with focus on AIX and UNIX based systems.
5. **Qualifications** - Engineering Graduate (Roorkee Engineering College, Roorkee)
6. **List of outside Directorship held** - Itcon India (P) Ltd.
7. **Committee/ executive positions held in other companies** - Nil
8. **Other information** - Non-Executive Independent Director
9. **Remark** - Retiring by rotation at the ensuing Annual General Meeting

For and on behalf of the Board of Directors



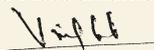
Noida  
June 25, 2007

(Dalip Kumar)  
Chairman & Managing Director

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

1. We have audited the attached Balance Sheet of FCS Software Solutions Ltd., as at 31st March 2007, the Profit and Loss Account for the year ended on that date annexed thereto and cash flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principals used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956 we enclose in the annexure hereto a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the annexure referred to in paragraph 3 above, we report that:
  - a) We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
  - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the mandatory accounting standards referred in sub-section (3C) of section 211 of the Companies Act, 1956;
  - e) On the basis of written representation received from the directors, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2007, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
  - f) In our opinion and to the best of our information and according to the explanation given to us, the said accounts read together with the Significant Accounting Policies and other notes thereon give the information required by the companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principal generally accepted in India;
    - i) In so far as it relates to Balance Sheet, of the state of affairs of the company as at 31st March, 2007;
    - 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.

for SPMG & COMPANY  
Chartered Accountants

  
(VINOD GUPTA)  
Partner  
Membership No. 90687

Place: New Delhi  
Date: 25-06-2007

## ANNEXURE TO THE AUDITOR'S REPORT

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

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

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. In our opinion and according to the information and explanations given to us, the company is not a chit fund or a nidhi/ mutual fund/ society. Accordingly, the provisions of paragraph 4(xiii) of the order are not applicable to the company.
15. According to the information and explanations given to us, the company is not trading in shares, securities, debentures and other investments.
16. According to the information and explanations given to us, the company has not given any guarantee for loans taken by others from banks or financial institutions.
17. 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.
18. The company has not raised any money by public issue.
19. Other clauses of the order are not applicable to the company.

Place: New Delhi  
Date: 25-06-2007

for SPMG & COMPANY  
Chartered Accountants



(VINOD GUPTA)  
Partner

Membership No. 90687

**FCS SOFTWARE SOLUTIONS LTD.**  
**BALANCE SHEET AS AT 31ST MARCH 2007**

PARTICULARS	SCHEDULE	As on 31-03-2007 AMOUNT (RS)	As on 31-03-2006 AMOUNT (RS)
<b>SOURCE OF FUNDS</b>			
<b>1. SHARE HOLDER'S FUND</b>			
Share Capital	A	142,689,850.00	140,728,270.00
Reserve and Surplus	B	764,470,272.43	560,807,988.05
<b>2. LOAN FUND</b>			
Secured Loan	C	35,043,751.00	130,550,241.88
Unsecured Loan	D	2,402,793.35	3,534,758.35
<b>DEFERRED TAX LIABILITY</b>		8,138,617.00	6,044,981.00
<b>TOTAL</b>		<b>952,745,283.78</b>	<b>841,666,239.28</b>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross Block	E	218,420,611.14	147,434,377.14
Less : Depreciation		93,128,003.34	67,562,201.54
Net Block		125,292,607.80	79,872,175.60
Add: Capital Work in Progress		2,738,300.00	—
		128,030,907.80	79,872,175.60
<b>INVESTMENTS</b>	F	104,159.00	99,800.00
<b>Current Assets Loan and Advances</b>			
<b>A. CURRENT ASSETS</b>			
Cash and Bank Balance	G	170,636,769.57	380,302,851.81
Debtors	H	449,688,033.73	311,533,056.60
Work-in-Process		243,249,886.00	121,634,016.00
Loans & Advances	I	44,676,168.53	36,227,596.64
		908,250,857.83	849,697,521.05
Less : Current Liabilities	J	50,677,721.75	64,836,316.75
Provisions	K	40,281,625.50	32,932,698.00
		90,959,347.25	97,769,014.75
<b>NET CURRENT ASSETS</b>		817,291,510.58	751,928,506.30
<b>PRELIMINARY &amp; OTHER MISC. EXPENSES</b>	L	7,318,706.40	9,765,757.38
		<b>952,745,283.78</b>	<b>841,666,239.28</b>
<b>SIGNIFICANT ACCOUNTING POLICY &amp; NOTES ON ACCOUNTS</b>			
AS PER OUR REPORT OF EVEN DATE			
<b>For SPMG &amp; COMPANY.</b>		<b>For FCS SOFTWARE SOLUTIONS Ltd.</b>	
Chartered Accountants		<b>Dalip Kumar</b> (Mg. Director)	<b>K. K. Arora</b> (Director)
<b>Vinod Gupta</b> (Partner)		<b>Anil Sharma</b> (V.P. Finance)	<b>G. P. Singh</b> (AVP (Legal) & Co. Secretary)
Place : Delhi			
Date : 25.06.2007			

**FCS SOFTWARE SOLUTIONS LTD.**  
**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2007**

	For the Year ended on 31-03-2007	For the Year ended on 31-03-2006
<b>INCOME</b>		
SOFTWARE DEVELOPMENT & OTHER SERVICES	1,312,710,763.00	1,154,092,715.40
DECREASE/INCREASE IN WORK-IN-PROCESS	121,615,870.00	24,958,074.00
	<b>1,434,326,633.00</b>	<b>1,179,050,789.40</b>
<b>EXPENDITURE</b>		
FOREX FLUCTUATION ACCOUNT	5,525,137.60	(4,235,672.20)
SOFTWARE DEVELOPMENT EXPENSES	1,043,515,416.75	886,866,117.60
ADMINISTRATIVE AND OTHER EXPENSES	123,786,483.43	126,676,206.19
	<b>1,172,827,037.78</b>	<b>1,009,306,651.59</b>
<b>OPERATING PROFIT (PBIDT)</b>	<b>261,499,595.22</b>	<b>169,744,137.81</b>
MISC. INCOME	9,222,712.00	5,602,892.43
FINANCE CHARGES	4,597,541.04	1,832,584.48
DEPRECIATION	25,565,801.80	21,275,970.00
PRIOR PERIOD ITEMS - Income/(Expenses)	(243,251.00)	47,415.00
<b>PROFIT BEFORE TAX</b>	<b>240,315,713.38</b>	<b>152,285,890.76</b>
<b>PROVISION FOR TAX :-</b>		
PROVISION FOR INCOME TAX - CURRENT	6,000,000.00	4,400,000.00
PROVISION FOR FBT - CURRENT	656,555.00	—
DEFERRED TAX ASSETS/(LIABILITY)	(2,093,636.00)	45,610.00
INCOME TAX PAID	6,199.50	—
<b>PROFIT AFTER TAX</b>	<b>231,559,322.88</b>	<b>147,931,500.76</b>
Balance Brought Forward	407,702,000.05	301,029,056.29
AMOUNT TRANSFER TO GENERAL RESERVE	100,000,000.00	1,500,000.00
<b>APPROPRIATIONS</b>		
INTERIM DIVIDEND PAID	14,268,985.00	14,001,627.00
DIVIDEND TAX	2,001,225.00	1,963,728.00
INTEREST PAID	—	26,430.00
PROPOSED DIVIDEND	21,403,477.50	21,109,241.00
PROVISION FOR TAX ON PROPOSED DIVIDEND	3,637,521.00	2,960,572.00
PROVISION WRITTEN OFF	91,297.00	—
IPO EXPENSES ADJUSTMENT	—	303,041.00
<b>BALANCE IN THE PROFIT &amp; LOSS ACCOUNT</b>	<b>498,041,411.43</b>	<b>407,702,000.05</b>
SIGNIFICANT ACCOUNTING POLICY & NOTES ON ACCOUNTS	P	
AS PER OUR REPORT OF EVEN DATE	<b>For FCS SOFTWARE SOLUTIONS Ltd.</b>	
<b>For SPMG &amp; COMPANY.</b> Chartered Accountants	<b>Dalip Kumar</b> (Mg. Director)	<b>K. K. Arora</b> (Director)
<b>Vinod Gupta</b> (Partner)	<b>Anil Sharma</b> (V.P. Finance)	<b>G. P. Singh</b> (AVP (Legal) & Co. Secretary)

Place : Delhi  
Date : 25.06.2007

<b>SCHEDULE - A</b>	<b>As on 31-03-2007</b>	<b>As on 31-03-2006</b>
<b>AUTHORISED CAPITAL</b>		
2,50,00,000 EQUITY SHARES OF Rs 10/- EACH	250,000,000.00	250,000,000.00
<b>ISSUED, SUBSCRIBED &amp; PAIDUP</b>		
142,69,085 EQUITY SHARES OF Rs 10/- EACH (Out of which 142,68,885 shares fully paidup Rs.10/- each and 200 shares partly paidup Rs.5/- each) [Out of the above 30,00,000 shares of Rs. 10/- each have been issued as bonus shares by capitalisation of general reserve dt. 29.9.99] [Out of the above 35,00,000 shares of Rs. 10/- each have been issued as bonus shares by capitalisation of general reserve dt. 20.4.00]	142,690,850.00	140,730,270.00
Less: Unpaid Share Capital Money	1,000.00	2,000.00
	<b>142,689,850.00</b>	<b>140,728,270.00</b>
<b>SCHEDULE - B</b>		
<b>RESERVES AND SURPLUS</b>		
PROFIT & LOSS ACCOUNT	498,041,411.43	407,702,000.05
<b>SHARE PREMIUM ACCOUNT</b>		
SHARE PREMIUM	145,466,430.00	
Less: Unpaid Premium	4,000.00	
Add: On conversion of Stock Option Issued to Employees	14,606,394.00	
	160,068,824.00	145,458,430.00
<b>GENERAL RESERVE</b>		
As per last Balance Sheet	2,130,982.00	
Add: Trf. From P&L Account	100,000,000.00	
	102,130,982.00	2,130,982.00
Foreign Currency Translation Reserve	135,823.00	52,779.00
<b>EMPLOYEE STOCK OPTION</b>	28,592,106.00	54,888,600.00
Less: Deferred Employee Compensation	24,498,874.00	49,424,803.00
	<b>764,470,272.43</b>	<b>560,807,988.05</b>
<b>SCHEDULE - C</b>		
<b>SECURED LOAN</b>		
Canara Bank-Working capital (Secured against Land & Building at Gurgaon and Export Receivables and noida land & building and other assets at noida and personal guarantee of the Directors)	35,043,751.00	19,387,544.00
Centurion Bank OD Account	—	111,162,697.88
	<b>35,043,751.00</b>	<b>130,550,241.88</b>
<b>SCHEDULE - D</b>		
<b>UNSECURED LOAN</b>		
LOAN FROM DIRECTORS & OTHERS	2,402,793.35	3,534,758.35
	<b>2,402,793.35</b>	<b>3,534,758.35</b>

**SCHEDULE - E**

**SCHEDULE OF FIXED ASSETS**

PARTICULARS	RATE	GROSS BLOCK			DEPRECIATION			NET BLOCK		
		ASON 01-04-2006	ADDITION DURING THE PERIOD	SALE/ADJ. DURING THE PERIOD	ASON 31-03-2007	UPTO 31-03-2006	FOR THE PERIOD	UPTO 31-03-2007	ASON 31-03-2006	ASON 31-03-2007
LAND	0	7,743,011.80	10,185,552.00	—	17,928,563.80	—	—	—	7,743,011.80	17,928,563.80
BUILDING	5	27,489,843.74	409,230.00	—	27,899,073.74	6,756,524.74	7,807,792.74	1,051,268.00	20,733,319.00	20,091,281.00
Furniture&fixture Office Equipment, Electrical, AC, GenSetEtc.	181	12,432,576.26	1,326,698.00	—	13,759,274.26	7,605,060.26	8,708,341.26	1,103,281.00	4,827,516.00	5,050,933.00
COMPUTERS& SOFTWARES	1391	18,736,739.80	1,991,003.00	—	20,727,742.80	8,644,733.00	10,743,080.80	2,088,347.80	10,152,006.80	10,044,662.00
Vehicle	40	79,592,952.50	57,033,201.00	—	136,626,153.50	43,774,444.50	64,927,513.50	21,153,069.00	35,818,508.00	71,698,640.00
Capital Work-in-Progress	2589	1,379,253.04	40,550.00	—	1,419,803.04	781,439.04	941,275.04	159,836.00	597,814.00	478,528.00
		147,434,377.14	70,986,234.00	—	218,420,611.14	67,552,201.54	93,128,003.34	25,555,801.80	79,872,175.60	125,232,607.80
<b>TOTAL</b>		<b>147,434,377.14</b>	<b>73,724,534.00</b>	<b>—</b>	<b>221,153,911.14</b>	<b>67,552,201.54</b>	<b>93,128,003.34</b>	<b>25,555,801.80</b>	<b>79,872,175.60</b>	<b>128,000,977.80</b>
Figures of the Previous Year		126,238,831.34	23,255,184.80	2,059,639.00	147,434,377.14	48,251,740.54	67,552,201.54	21,275,970.00	77,987,030.80	79,872,175.60

	As on 31-03-2007	As on 31-03-2006
<b>SCHEDULE - F</b>		
<b>INVESTMENTS</b>		
EQUITY SHARES NON TRADED AND UNQUOTED 9980 Equity shares of Rs.10/- each fully paidup in M/s.Enstaserv eServices Ltd	99,800.00	99,800.00
<b>COMMON STOCK</b> (USD 0.01 PAR VALUE OF 10,000 COMMON STOCK SHARES (FCS Software Solutions America Ltd)	4,359.00	—
	<b>104,159.00</b>	<b>99,800.00</b>
<b>SCHEDULE - G</b>		
<b>CASH &amp; BANK BALANCE</b>		
CASH IN HAND (Includes US Dollar inhand at US Branch)	303,495.00	23,176,597.00
<b>BALANCES WITH BANKS</b>		
Canara Bank	15,802,441.50	10,979,648.57
Canara Bank(EEFC A/C)	4,157,363.00	1,053,290.00
Centurion Bank	1,913,986.15	17,811.24
HDFC- Bank	62,460.00	55,020.00
Cupertino National Bank	128,763,363.00	53,376,000.00
Bank of America	5,071,013.00	62,644,185.00
Fixed Deposits	14,562,647.92	229,000,300.00
	<b>170,636,769.57</b>	<b>380,302,851.81</b>
<b>SCHEDULE - H</b>		
<b>SUNDRY DEBTORS</b>		
(Debtors outstanding for a period exceeding six months considered good)	77,989,353.00	67,967.15
Other debtors	371,698,680.73	311,465,089.45
	<b>449,688,033.73</b>	<b>311,533,056.60</b>
<b>SCHEDULE - I</b>		
<b>LOANS AND ADVANCES</b>		
SUNDRY SECURITY DEPOSITS	2,383,719.00	1,797,202.00
IMPREST/ADV. TO EMPLOYEES	2,515,183.95	1,436,722.00
ADVANCES	9,512,886.75	6,225,641.75
PREPAID EXPENSES	1,744,581.00	1,530,491.00
T.D.S. (Includes refundable of earlier years)	4,587,116.44	3,416,217.10
ADVANCE INCOME TAX	200,000.00	200,000.00
ADVANCE FRINGE BENEFIT TAX	570,000.00	579,848.00
INTT. ACCRUED	135,858.39	2,234,704.79
EXCISE DEPOSIT (PLA)	6,070.00	1,770.00
INPUT CREDIT RECOVERABLE (SERVICE TAX)	151,455.00	—
ADVANCE AGAINST PROPERTY	22,869,298.00	18,805,000.00
	<b>44,676,168.53</b>	<b>36,227,596.64</b>

	As on 31-03-2007	As on 31-03-2006
<b><u>SCHEDULE - J</u></b>		
<b><u>CURRENT LIABILITIES</u></b>		
SUNDRY CREDITORS	35,110,000.75	64,131,409.75
OTHER ADVANCES	15,567,721.00	704,907.00
	<b><u>50,677,721.75</u></b>	<b><u>64,836,316.75</u></b>
<b><u>SCHEDULE - K</u></b>		
<b><u>PROVISIONS</u></b>		
PROVISION FOR TAXATION		
-CORPORATE TAX	6,000,000.00	3,800,000.00
-ON INTRIM/ PROPOSED DIVIDEND	5,638,746.00	2,960,572.00
PROPOSED DIVIDEND	21,403,477.50	21,109,241.00
PROVISION FOR GRATUITY	1,514,403.00	1,286,905.00
PROVISION FOR LEAVE ENCASHMENT	5,068,444.00	3,175,980.00
FRINGE BENEFIT TAX	656,555.00	600,000.00
	<b><u>40,281,625.50</u></b>	<b><u>32,932,698.00</u></b>
<b><u>SCHEDULE - L</u></b>		
<b><u>PRELIMINARY &amp; OTHER MISC. EXPENSES</u></b>		
PRELIMINARY EXPENSES	7,482.18	14,964.18
IPO EXPENSES	9,758,275.20	12,197,844.00
	9,765,757.38	12,212,808.18
LESS : WRITTEN OFF DURING THE YEAR	7,482.18	7,482.00
LESS : IPO EXPENSES WRITTEN OFF	2,439,568.80	2,439,568.80
	<b><u>7,318,706.40</u></b>	<b><u>9,765,757.38</u></b>
	<b>For the Year ended on 31-03-2007</b>	<b>For the Yearended on 31-03-2006</b>
<b><u>SCHEDULE-M</u></b>		
<b><u>MISC. INCOME</u></b>		
INTEREST	9,211,147.00	4,956,300.00
AMOUNT W/BACK	11,565.00	646,592.43
	<b><u>9,222,712.00</u></b>	<b><u>5,602,892.43</u></b>

	For the Year ended on 31-03-2007	For the Yearended on 31-03-2006
<b><u>SCHEDULE-N</u></b>		
<b><u>SOFTWARE DEVELOPMENT EXPENSES</u></b>		
COMPUTER CONSUMABLE STORES	194,453.00	559,890.00
SALARIES & OTHER PROJECT EXP.	1,033,431,649.75	881,784,539.60
EMPLOYEE COMPENSATION EXPENSES	9,889,314.00	4,521,688.00
	<b><u>1,043,515,416.75</u></b>	<b><u>886,866,117.60</u></b>
<b><u>SCHEDULE-O</u></b>		
<b><u>ADMINISTRATIVE AND OTHER EXPENSES</u></b>		
SALARIES & STAFF BENEFITS	60,112,819.00	70,393,946.00
EMPLOYEE COMPENSATION EXPENSES	3,346,515.00	6,327,459.00
ADVERTISEMENT EXPENSES	650,081.00	846,400.00
BANK CHARGES/INTEREST	893,366.15	189,047.60
BUSINESS PROMOTION	1,911,234.00	2,495,982.00
TRAVELLING & CONVEYANCE	11,635,423.00	12,343,555.00
POWER & FUEL	6,998,994.00	5,947,176.00
MEDICAL EXPENSES	5,358.00	—
TELEPHONE,POSTAGE & TELEGRAPH	22,063,042.00	16,685,348.30
RENT	2,243,725.00	475,442.00
LEGAL & PROFESSIONALCHARGES	1,717,489.00	938,083.70
SOFTWARE CONSULTANCY CHARGES	1,173,110.00	1,590,932.00
INSURANCE CHARGES	628,715.00	364,217.00
DIRECTOR'S REMUNERATION	425,000.00	900,000.00
MEETING FEES	121,520.00	90,000.00
AUDITOR'S REMUNERATION		
-Audit Fees	224,480.00	220,400.00
-Tax Audit Fee	44,896.00	44,080.00
PRINTING & STATIONARY	1,560,125.50	857,962.79
REPAIR AND MAINTENANCE	2,300,581.30	1,826,731.00
SECURITY CHARGES	560,412.00	361,046.00
SERVICE CHARGES	150,000.00	250,000.00
MEMBERSHIP & SUBSCRIPTION	135,597.00	95,243.00
RATES & TAXES	1,425,090.00	103,312.00
FILING FEE/ OTHER ROC EXPENSES	16,260.00	5,150.00
NEWS PAPERS, BOOKS & PRIODICALS	68,913.00	180,445.00
CONFERENCE EXP.	270,606.00	133,295.00
OFFICE MAINTENANCE	596,891.50	473,118.00
PRELIMINARY EXPENSES	7,482.18	7,482.00
IPO EXPENSES	2,339,568.80	2,339,568.80
LOSS ON SALE OF ASSETS	—	80,880.00
AMOUNT WRITTEN OFF	26,598.00	—
CAPITAL ENHNCEMENT W/O	100,000.00	100,000.00
MICS. EXPENSES	32,591.00	9,904.00
	<b><u>123,786,483.43</u></b>	<b><u>126,676,206.19</u></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 mandatory 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. Revenue from Annual Technical Services (ATS) is recognized as a pro-rata basis over the period in which such services are rendered. 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.

##### **P.1.4. Fixed Assets**

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

##### **P.1.5. Depreciation**

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

##### **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 considered as per certificate given by the management.

**P.1.7. Foreign Currency Transactions.**

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

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

**P.1.8. Investment**

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

**P.1.9. Investment in subsidiary**

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

**P.1.10. Retirement Benefits.**

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

**P.1.11. Employee Stock option based compensation.**

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

**P.1.12. Earning per Share.**

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

**P.1.13. Advances**

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

**P.1.14. Income Tax**

- a. Provision is made for income tax on a yearly basis, under the tax-payable method, based on the tax liability as computed after taking credit for allowances and exemptions as the case may be.

- b. In compliance of Accounting Standard-22 on "Accounting for taxes on Income" issued by ICAI, the company has recorded the deferred tax Liability of Rs. 20,93,636/- for the year ended March 31,2007, has been provided and the post tax profit has accordingly reduced.

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

	Year Ended 31st March 2007 (Rupees)	Year Ended 31st March 2006 (Rupees)
Deferred Tax Liability		
(1) Depreciation	1,03,54,403.00	74,66,683.00
Less: Deferred Tax Assets		
(2) Provision for Retirement Benefits		
-For Gratuity	5,09,748.00	4,12,782.00
-Leave Encashment	17,06,038.00	10,08,920.00
Deferred Tax Liability (Net)	81,38,617.00	60,44,981.00

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

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

In the fiscal 2005, the company instituted an ESOS Scheme comprising the issue of 110,000 equity shares and ESOS scheme comprising the issue of 590,200 equity shares having the vesting period of three years. The Board of Directors and shareholders in the meeting duly approved the scheme. Under the ESOS Scheme the company has issued 39,000 equity shares and pursuant to scheme ESOS 157058 equity share were issued to the eligible employees.

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

**Stock Option Scheme 2005**

	Year Ended 31st March 2007 (No. Of Shares)	Year Ended 31st March 2006 (No. Of Shares)
Option Outstanding at the beginning of the year	5,90,200	Nil
Instituted During the Year	Nil	5,90,200
Option Granted	Nil	Nil
Option Forfeited	1,25,700	Nil
Option Exercised	1,57,058	Nil
	<b>3,07,442</b>	<b>5,90,200</b>

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

	Year Ended 31st March 2007 (Rupees)	Year Ended 31st March 2006 (Rupees)
Balance brought forwarded	49,424,803.00	Nil
Add: Recognized during the year	Nil	54,888,600.00
Less: Amortization expenses	1,73,14,020.00	5,463,797.00
Less: Reversal due to forfeiture	76,11,909.00	Nil
<b>Balance carried forward</b>	<b>2,44,98,874.00</b>	<b>49,424,803.00</b>

**P.1.16 Managerial Remuneration\***

	Year Ended 31st March 2007 (Rupees)	Year Ended 31st March 2006 (Rupees)
<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	4,25,000	9,00,000
Contribution to Provident Fund and other funds	Nil	Nil
Commission	Nil	Nil
	4,25,000	9,00,000
<b>C. Non Executive Directors</b>		
Salary and perquisites	Nil	Nil
Contribution to Provident Fund and other funds	Nil	Nil
Commission	Nil	Nil
Sitting Fee	1,21,520	90,000
	1,21,520	90,000

\*Does not include expenses towards retirement benefits.

**P.1.17. Related parties disclosure.**

	Year Ended 31st March 2007 (Rupees)	Year Ended 31st March 2006 (Rupees)
Ace Technologies Inc. USA	36,89,34,743	17,38,92,681

**P.1.18. Earning per share**

	Year Ended 31st March 2007	Year Ended 31st March 2006
Profit After taxation available to equity shareholders (Rupees)	231,559,323	147,931,501
Weighted average number of equity shares used in Calculating basic earning per share	14,073,027	14,002,027
Add: Effect of diluted issue of shares	196,058	71,000
Weighted average number of equity shares used in Calculating diluted earning per share	14,269,085	14,073,027
Basic earning per share (Rupees)	16.45	10.57
Diluted earning per share (Rupees)	16.23	10.51

**P.1.19. 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.1.20. 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 2007 has been considered and accounted as certified by the certified public accountant and further certified by the management.

**P.1.21. Segment Reporting**

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

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

<b>For the Year Ended 31st March 2007</b>				( Amount in lacs.)
Description	India	USA	Total	
Revenue from external customers	585.68	12,541.43	13,127.11	
Expenses	181.15	9,093.09	9,274.25	
Segment Result	404.53	3,448.33	3,852.86	
Unallocated Expenses			1,493.52	
Operating Profit Before Taxation			2,359.34	
Other Income			92.23	
Finance Charges			45.98	
Profit Before Tax & Prior Period Adj.			2,405.59	
Prior Period Adjustment			2.43	
Provision for Taxation			66.63	
Provision for Deferred Tax			20.94	
<b>Net Profit After Tax</b>			<b>2,315.59</b>	

**For the Year Ended 31st March 2006***( Amount in lacs.)*

Description	India	USA	Total
Revenue from external customers	446.95	11,136.33	11,583.28
Expenses	69.96	8,549.02	8,618.98
Segment Result	376.89	2,587.31	2,964.20
Unallocated Expenses			1,479.52
Operating Profit Before Taxation			1484.68
Other Income			56.03
Finance Charges			18.33
Profit Before Tax and Prior Period Adj.			1522.38
Prior Period Adjustment			(0.47)
Provision for Taxation			44.00
Provision for Deferred Tax			(0.46)
<b>Net Profit After Tax</b>			<b>1479.31</b>

**P.1.22. 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.1.23. Material Events.**

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

**P.2.1. Notes on accounts.**

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

**P.2.2. Contingent liabilities**

The company has no letters of credit outstanding issued to various vendors as at March 31, 2007. The corresponding figure for the previous year was Rs. Nil.

**P.2.3. Payment to Auditors.**

	Current Year	Previous Year
Audit Fee	2,24,480	2,20,400
Tax Audit Fee	44,896	44,080
In other capacity	NIL	NIL

**P.2.4 Quantitative Details.**

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

**P.2.5 Imports on CIF basis.**

(Amt. in Rs.)

	<b>31/03/2007</b>	<b>31/03/2006</b>
Capital Goods	38,00,547.00	38,62,952.00
Software Packages	4,25,59,026.00	Nil

**P.2.6 Expenditure in Foreign Currency.**

	<b>31/03/2007</b>	<b>31/03/2006</b>
Professional Charges and Other expenditure incurred overseas for software development	95,54,02,072.00	84,86,31,802.00

**P.2.7 Earning in foreign exchange**

	<b>31/03/2007</b>	<b>31/03/2006</b>
Income from software development services and production on a receipts basis	125,41,42,474.00	110,93,97,146.40

AUDITOR'S REPORT

AS PER OUR REPORT OF EVEN DATE

**For FCS SOFTWARE SOLUTIONS Ltd.**

**For SPMG & COMPANY.**

Chartered Accountants

**Dalip Kumar**  
(Mg. Director)

**K. K. Arora**  
(Director)

**Vinod Gupta**  
(Partner)

**Anil Sharma**  
(V.P. Finance)

**G. P. Singh**  
(AVP (Legal) &  
Co. Secretary)

Place : Delhi  
Date : 25.06.2007

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH,2007

	(Amount in Rs.)	
	as at 31-03-07	as at 31-03-06
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Net Profit after tax as per Profit &amp; Loss Account</b>	<b>231,559,322.88</b>	<b>146,424,374.76</b>
<b>Adjusted for:</b>		
Deferred Tax Provision	2,093,636.00	(45,610.00)
Provision for income tax	6,006,199.50	3,800,000.00
Provision for Fringe Benefit	656,555.00	600,000.00
Depreciation/Preliminary Expenses written off/Employee Stock Compensation	41,248,681.78	36,079,293.80
Prior Period Adjustments	243,251.00	(47,415.00)
Interest Expenses	4,597,541.04	1,832,584.48
<b>Operating Profit before Working Capital Changes</b>	<b>286,405,187.20</b>	<b>188,643,228.04</b>
Adjustment in Operating Profit		
<b>Adjusted for:</b>		
Sale of Assets Net	—	94,130.00
Trade and Other Receivables	(138,154,977.13)	(143,637,824.60)
Work in Process	(121,615,870.00)	(24,958,074.00)
Trade Payable	(14,158,595.00)	10,812,167.67
Increase in Provision	2,119,962.00	2,865,917.00
Loan & Advances	(8,448,571.89)	(10,866,891.37)
<b>Net Cash From Operating Activities</b>	<b>6,147,135.18</b>	<b>22,952,652.74</b>
<b>B Cash Flow From Investing Activities</b>		
Purchase of Fixed Assets	73,724,534.00	23,255,184.80
Investment in Subsidiary	4,359.00	
Increase in IPO Exp.	—	10,682,637.00
<b>Net Cash used in Investing Activities</b>	<b>73,728,893.00</b>	<b>33,937,821.80</b>
<b>C CASH FLOW FROM FINANCIAL ACTIVITIES:</b>		
Proceed from Issue of Share Capital	1,000.00	35,018,270.00
Proceed from Issue of Share Premium	4,000.00	140,073,080.00
Proceeds from Employee Stock Option Exercised	1,960,580.00	710,000.00
Proceed from Long Term Borrowings	(95,506,490.88)	130,550,241.88
Increase in Foreign Currency transaction Reserve	83,044.00	(4,729.00)
Repayment of Long Term Borrowings	(1,131,965.00)	5,791.00

Dividend Paid/Dividend Tax	(38,338,798.00)	(16,288,591.00)
Tax Paid	(4,314,902.50)	(907,330.00)
Prior Period Adjustments	(243,251.00)	47,415.00
Interest Expenses	(4,597,541.04)	(1,832,584.48)
<b>Net Cash used in Financial Activities</b>	<b>(142,084,324.42)</b>	<b>287,371,563.40</b>
<b>Net Increase/ Decrease in Cash and Cash Equivalents</b>	<b>(209,666,082.24)</b>	<b>276,386,394.34</b>
<b>Opening Balance of Cash and Cash Equivalents</b>	<b>380,302,851.81</b>	<b>103,916,457.47</b>
<b>Closing Balance of Cash &amp; Cash Equivalents</b>	<b>170,636,769.57</b>	<b>380,302,851.81</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

**Dalip Kumar**  
(Mg. Director)

**K. K. Arora**  
(Director)

**Vinod Gupta**  
(Partner)

**Anil Sharma**  
(V.P. Finance)

**G. P. Singh**  
(AVP (Legal) &  
Co. Secretary)

Place : Delhi  
Date : 25.06.2007

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

### I. Registration Details

CIN: 

L	7	2	1	0	H	R	1	9	9	3	S	G	C	0	3	1	9	9	6
---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

 State Code: 

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

  
 Balance Sheet Date: 

3	1	-	0	3	-	0	7
---	---	---	---	---	---	---	---

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

Public Issue: 

								1	9
--	--	--	--	--	--	--	--	---	---

 Right Issue: 

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

  
 Bonus Issue: 

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

 Private Placement: 

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

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

Total Liabilities: 

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

 Total Assets: 

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

#### Source of Funds

Paid up Capital: 

				1	4	2	7
--	--	--	--	---	---	---	---

 Reserve & Surplus: 

			7	6	4	5
--	--	--	---	---	---	---

  
 Secured Loans: 

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

 Unsecured Loans: 

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

  
 Deferred Tax Liability: 

					8	1
--	--	--	--	--	---	---

#### Application of Funds

Net Fixed Assets: 

				1	2	8	0
--	--	--	--	---	---	---	---

 Investments: 

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

  
 Net Current Assets: 

				8	1	7	3
--	--	--	--	---	---	---	---

 Misc. Expenditure: 

						7	3
--	--	--	--	--	--	---	---

  
 Accumulated Losses: 

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

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

Turnover: 

			1	3	1	2	7
--	--	--	---	---	---	---	---

 Total Expenditure: 

	1	0	7	2	4
--	---	---	---	---	---

  
 Profit/(loss) before Tax: 

			2	4	0	3
--	--	--	---	---	---	---

 Profit/(loss) after Tax: 

		2	3	1	6
--	--	---	---	---	---

  
 Earnings per Share: 

		1	6	.	2	3
--	--	---	---	---	---	---

 Dividend Rate %: 

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

  
 In Rs.

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

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

AS PER OUR REPORT OF EVEN DATE

For FCS SOFTWARE SOLUTIONS Ltd.

#### For SPMG & COMPANY.

Chartered Accountants

**Dalip Kumar**  
(Mg. Director)

**K. K. Arora**  
(Director)

**Vinod Gupta**  
(Partner)

**Anil Sharma**  
(V.P. Finance)

**G. P. Singh**  
(AVP (Legal) &  
Co. Secretary)

Place : Delhi  
Date : 25.06.2007

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

We have audited the attached consolidated Balance Sheet of FCS Software Solutions Ltd. ("the Company") and its subsidiary, as described in summary of significant accounting policies to the consolidated financial statements as at 31 March 2007, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date, annexed thereto. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

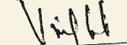
The financial statements of FCS Software Solutions America Ltd., whose financial statements reflect total assets of Rs.3,80,61,785 as at 31 March 2007, total revenues of Rs. 230,783,929/- and total cash flows amounting to Rs 4,36,553/-for the year then ended have been audited by other auditors. The audit reports for the above mentioned entities have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of those subsidiaries, is based solely upon the report of the other auditors.

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

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

- (i) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Company and its subsidiaries as at 31 March 2007;
- (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 : 25th June 2007

**FCS SOFTWARE SOLUTIONS LTD.**  
**CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2007**

PARTICULARS	SCHEDULE	As on 31-03-2007 AMOUNT (RS)	As on 31-03-2006 AMOUNT (RS)
<b>SOURCE OF FUNDS</b>			
<b>1. SHARE HOLDER'S FUND</b>			
Share Capital	A	142,689,850.00	140,728,270.00
Reserve and Surplus	B	763,816,901.43	560,807,988.05
<b>2. LOAN FUND</b>			
Secured Loan	C	35,043,751.00	130,550,241.88
Unsecured Loan	D	2,402,793.35	3,534,758.35
<b>DEFERRED TAX LIABILITY</b>		8,138,617.00	6,044,981.00
<b>TOTAL</b>		<b>952,091,912.78</b>	<b>841,666,239.28</b>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>			
Gross Block	E	218,420,611.14	147,434,377.14
Less : Depreciation		93,128,003.34	67,562,201.54
Net Block		125,292,607.80	79,872,175.60
Add: Capital Work in Progress		2,738,300.00	—
		128,030,907.80	79,872,175.60
<b>INVESTMENTS</b>	F	99,800.00	99,800.00
<b>Current Assets Loan and Advances</b>			
<b>A. CURRENT ASSETS</b>			
Cash and Bank Balance	G	171,073,322.57	380,302,851.81
Debtors	H	485,467,490.73	311,533,056.60
Work-in-Process	I	243,249,886.00	121,634,016.00
Loans & Advances	I	46,521,943.53	36,227,596.64
		946,312,642.83	849,697,521.05
Less : Current Liabilities	J	89,388,518.75	64,836,316.75
Provisions	K	40,281,625.50	32,932,698.00
		129,670,144.25	97,769,014.75
<b>NET CURRENT ASSETS</b>		816,642,498.58	751,928,506.30
<b>PRELIMINARY &amp; OTHER MISC. EXPENSES</b>	L	7,318,706.40	9,765,757.38
		<b>952,091,912.78</b>	<b>841,666,239.28</b>

SIGNIFICANT ACCOUNTING POLICY &  
NOTES ON ACCOUNTS

AS PER OUR REPORT OF EVEN DATE

**For SPMG & COMPANY.**

Chartered Accountants

**Vinod Gupta**  
(Partner)

Place : Delhi  
Date : 25.06.2007

**For FCS SOFTWARE SOLUTIONS Ltd.**

**Dalip Kumar**  
(Mg. Director)

**K. K. Arora**  
(Director)

**Anil Sharma**  
(V.P. Finance)

**G. P. Singh**  
(AVP (Legal) &  
Co. Secretary)

**FCS SOFTWARE SOLUTIONS LTD.**  
**CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED**  
**31ST MARCH 2007**

	<b>For the Year ended on 31-03-2007</b>	<b>For the Year ended on 31-03-2006</b>
<b>INCOME</b>		
SOFTWARE DEVELOPMENT & OTHER SERVICES	1,543,494,742.00	1,154,092,715.40
DECREASE/INCREASE IN WORK-IN-PROCESS	121,615,870.00	24,958,074.00
	<b>1,665,110,612.00</b>	<b>1,179,050,789.40</b>
<b>EXPENDITURE</b>		
FOREX FLUCTUATION ACCOUNT	5,525,137.60	(4,235,672.20)
SOFTWARE DEVELOPMENT EXPENSES	N 1,271,176,576.75	886,866,117.60
ADMINISTRATIVE AND OTHER EXPENSES	O 127,571,366.43	126,676,206.19
	<b>1,404,273,080.78</b>	<b>1,009,306,651.59</b>
<b>OPERATING PROFIT (PBIDT)</b>		
MISC. INCOME	M 260,837,531.22	169,744,137.81
FINANCE CHARGES	4,597,541.04	1,832,584.48
DEPRECIATION	25,565,801.80	21,275,970.00
PRIOR PERIOD ITEMS - Income/(Expenses)	(243,251.00)	47,415.00
PROFIT BEFORE TAX	239,653,649.38	152,285,890.76
<b>PROVISION FOR TAX :-</b>		
PROVISION FOR INCOME TAX - CURRENT	6,000,000.00	4,400,000.00
PROVISION FOR FBT - CURRENT	656,555.00	—
DEFERRED TAX ASSETS/(LIABILITY)	(2,093,636.00)	45,610.00
INCOME TAX PAID	6,199.50	—
<b>PROFIT AFTER TAX</b>	<b>230,897,258.88</b>	<b>147,931,500.76</b>
Balance Brought Forward	407,702,000.05	301,029,056.29
AMOUNT TRANSFER TO GENERAL RESERVE	100,000,000.00	1,500,000.00
<b>APPROPRIATIONS</b>		
INTERIM DIVIDEND PAID	14,268,985.00	14,001,627.00
DIVIDEND TAX	2,001,225.00	1,963,728.00
INTEREST PAID	—	26,430.00
PROPOSED DIVIDEND	21,403,477.50	21,109,241.00
PROVISION FOR TAX ON PROPOSED DIVIDEND	3,637,521.00	2,960,572.00
PROVISION WRITTEN OFF	91,297.00	—
IPO EXPENSES ADJUSTMENT	—	303,041.00
<b>BALANCE IN THE PROFIT &amp; LOSS ACCOUNT</b>	<b>497,379,347.43</b>	<b>407,702,000.05</b>
SIGNIFICANT ACCOUNTING POLICY & NOTES ON ACCOUNTS	P	
AS PER OUR REPORT OF EVEN DATE	<b>For FCS SOFTWARE SOLUTIONS Ltd.</b>	
<b>For SPMG &amp; COMPANY.</b>	<b>Dalip Kumar</b>	<b>K. K. Arora</b>
Chartered Accountants	(Mg. Director)	(Director)
<b>Vinod Gupta</b>	<b>Anil Sharma</b>	<b>G. P. Singh</b>
(Partner)	(V.P. Finance)	(AVP (Legal) & Co. Secretary)
Place : Delhi		
Date : 25.06.2007		

<b>SCHEDULE - A</b>	<b>As on 31-03-2007</b>	<b>As on 31-03-2006</b>
<b>AUTHORISED CAPITAL</b>		
2,50,00,000 EQUITY SHARES OF Rs 10/- EACH	250,000,000.00	250,000,000.00
<b>ISSUED, SUBSCRIBED &amp; PAIDUP</b>		
142,69,085 EQUITY SHARES OF Rs 10/- EACH <i>(Out of which 142,68,885 shares fully paidup Rs.10/- each and 200 shares partly paidup Rs.5/- each)</i> <i>[Out of the above 30,00,000 shares of Rs. 10/- each have been issued as bonus shares by capitalisation of general reserve dt. 29.9.99]</i> <i>[Out of the above 35,00,000 shares of Rs. 10/- each have been issued as bonus shares by capitalisation of general reserve dt. 20.4.00]</i>	142,690,850.00	140,730,270.00
Less: Unpaid Share Capital Money	1,000.00	2,000.00
	<b>142,689,850.00</b>	<b>140,728,270.00</b>
<b>SCHEDULE - B</b>		
<b>RESERVES AND SURPLUS</b>		
PROFIT & LOSS ACCOUNT	497,379,347.43	407,702,000.05
<b>SHARE PREMIUM ACCOUNT</b>		
SHARE PREMIUM	145,466,430.00	
Less: Unpaid Premium	4,000.00	
Add: On conversion of Stock Option Issued to Employees	14,606,394.00	
	160,068,824.00	145,458,430.00
<b>GENERAL RESERVE</b>		
As per last Balance Sheet	2,130,982.00	
Add: Trf. From P&L Account	100,000,000.00	
	102,130,982.00	2,130,982.00
Foreign Currency Translation Reserve	144,516.00	52,779.00
EMPLOYEE STOCK OPTION	28,592,106.00	54,888,600.00
Less: Deferred Employee Compensation	24,498,874.00	49,424,803.00
	<b>763,816,901.43</b>	<b>560,807,988.05</b>
<b>SCHEDULE - C</b>		
<b>SECURED LOAN</b>		
Canara Bank-Working capital (Secured againt Land & Building at Gurgaon and Export Receivables and noida land & building and other assets at noida and personal guarantee of the Directors)	35,043,751.00	19,387,544.00
Centurion Bank OD Account	—	111,162,697.88
	<b>35,043,751.00</b>	<b>130,550,241.88</b>
<b>SCHEDULE - D</b>		
<b>UNSECURED LOAN</b>		
LOAN FROM DIRECTORS & OTHERS	2,402,793.35	3,534,758.35
	<b>2,402,793.35</b>	<b>3,534,758.35</b>

**SCHEDULE - E**

**SCHEDULE OF FIXED ASSETS**

PARTICULARS	RATE	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		ASON 01-04-2006	ADDITION DURING THE PERIOD	SALE/ADJ. DURING THE PERIOD	ASON 31-03-2007	UPTO 31-03-2006	SALE/ADJ. DURING THE PERIOD	FOR THE PERIOD	UPTO 31-03-2007	ASON 31-03-2006	ASON 31-03-2007
LAND	0	7,743,011.80	10,185,552.00	—	17,928,563.80	—	—	—	—	7,743,011.80	17,928,563.80
BUILDING	5	27,489,843.74	409,230.00	—	27,899,073.74	6,756,524.74	1,051,268.00	7,807,792.74	20,091,281.00	20,733,319.00	20,091,281.00
Furniture & fixture	181	12,432,576.26	1,326,688.00	—	13,759,274.26	7,605,060.26	1,103,281.00	8,708,341.26	4,827,516.00	4,827,516.00	5,060,933.00
Office Equipment, Electrical, AC, Genset Etc.	1391	18,796,739.80	1,991,003.00	—	20,787,742.80	8,644,733.00	2,088,347.80	10,743,080.80	10,152,006.80	10,152,006.80	10,044,662.00
COMPUTERS & SOFTWARES	4	79,592,962.50	57,033,201.00	—	136,626,163.50	43,774,444.50	21,153,069.00	64,927,513.50	36,818,508.00	36,818,508.00	71,698,640.00
Vehicle	25.89	1,379,253.04	40,550.00	—	1,419,803.04	781,439.04	159,836.00	941,275.04	597,814.00	597,814.00	478,528.00
		147,434,377.14	70,986,234.00	—	218,420,611.14	67,562,201.54	25,565,801.80	93,128,003.34	79,872,175.60	79,872,175.60	125,292,607.80
Capital Work -in-Progress			2,738,300.00	—	2,738,300.00	—	—	—	—	—	2,738,300.00
<b>TOTAL</b>		<b>147,434,377.14</b>	<b>73,724,534.00</b>	<b>—</b>	<b>221,158,911.14</b>	<b>67,562,201.54</b>	<b>25,565,801.80</b>	<b>93,128,003.34</b>	<b>79,872,175.60</b>	<b>128,060,907.80</b>	
Figures of the Previous Year		126,238,891.34	23,255,184.80	2,059,639.00	147,434,377.14	48,251,740.54	1,965,509.00	21,275,970.00	77,987,090.80	77,987,090.80	79,872,175.60

	As on 31-03-2007	As on 31-03-2006
<b>SCHEDULE - F</b>		
<b>INVESTMENTS</b>		
EQUITY SHARES NON TRADED AND UNQUOTED 9980 Equity shares of Rs.10/- each fully paidup in M/s.Enstaserv eServices Ltd	99,800.00	99,800.00
	<b>99,800.00</b>	<b>99,800.00</b>
<b>SCHEDULE - G</b>		
<b>CASH &amp; BANK BALANCE</b>		
CASH IN HAND <i>(Includes US Dollar inhand at US Branch &amp; Subsidiy)</i>	588,704.00	23,176,597.00
<b>BALANCES WITH BANKS</b>		
Canara Bank	15,802,441.50	10,979,648.57
Canara Bank(EEFC A/C)	4,157,363.00	1,053,290.00
Centurion Bank	1,913,986.15	17,811.24
HDFC- Bank	62,460.00	55,020.00
Cupertino National Bank	128,763,363.00	53,376,000.00
Bank of America	5,222,357.00	62,644,185.00
Fixed Deposits	14,562,647.92	229,000,300.00
	<b>171,073,322.57</b>	<b>380,302,851.81</b>
<b>SCHEDULE - H</b>		
<b>SUNDRY DEBTORS</b>		
(Debtors outstanding for a period exceeding six months)	77,989,353.00	67,967.15
Other debtors	407,478,137.73	311,465,089.45
	<b>485,467,490.73</b>	<b>311,533,056.60</b>
<b>SCHEDULE - I</b>		
<b>LOANS AND ADVANCES</b>		
SUNDRY SECURITY DEPOSITS	2,383,719.00	1,797,202.00
IMPREST/ADV. TO EMPLOYEES	2,515,183.95	1,436,722.00
ADVANCES	10,989,977.75	6,225,641.75
PREPAID EXPENSES	2,113,265.00	1,530,491.00
T.D.S. <i>(Includes refundable of earlier years)</i>	4,587,116.44	3,416,217.10
ADVANCE INCOME TAX	200,000.00	200,000.00
ADVANCE FRINGE BENEFIT TAX	570,000.00	579,848.00
INTT. ACCRUED	135,858.39	2,234,704.79
EXCISE DEPOSIT (PLA)	6,070.00	1,770.00
INPUT CREDIT RECOVERABLE (SERVICE TAX)	151,455.00	—
ADVANCE AGAINST PROPERTY	22,869,298.00	18,805,000.00
	<b>46,521,943.53</b>	<b>36,227,596.64</b>

	<b>As on 31-03-2007</b>	<b>As on 31-03-2006</b>
<b><u>SCHEDULE - J</u></b>		
<b><u>CURRENT LIABILITIES</u></b>		
SUNDRY CREDITORS	73,820,797.75	64,131,409.75
OTHER ADVANCES	15,567,721.00	704,907.00
	<b><u>89,388,518.75</u></b>	<b><u>64,836,316.75</u></b>
<b><u>SCHEDULE - K</u></b>		
<b><u>PROVISIONS</u></b>		
PROVISION FOR TAXATION		
-CORPORATE TAX	6,000,000.00	3,800,000.00
-ON INTRIM/ PROPOSED DIVIDEND	5,638,746.00	2,960,572.00
PROPOSED DIVIDEND	21,403,477.50	21,109,241.00
PROVISION FOR GRATUITY	1,514,403.00	1,286,905.00
PROVISION FOR LEAVE ENCASHMENT	5,068,444.00	3,175,980.00
FRINGE BENEFIT TAX	656,555.00	600,000.00
	<b><u>40,281,625.50</u></b>	<b><u>32,932,698.00</u></b>
<b><u>SCHEDULE - L</u></b>		
<b><u>PRELIMINARY &amp; OTHE MISC. EXPENSES</u></b>		
PRELIMINARY EXPENSES	7,482.18	14,964.18
IPO EXPENSES	9,758,275.20	12,197,844.00
	<u>9,765,757.38</u>	<u>12,212,808.18</u>
LESS : WRITTEN OFF DURING THE YEAR	7,482.18	7,482.00
LESS : IPO EXPENSES WRITTEN OFF	2,439,568.80	2,439,568.80
	<b><u>7,318,706.40</u></b>	<b><u>9,765,757.38</u></b>
	<b>For the Year</b>	<b>For the Year</b>
	<b>ended 31-03-2007</b>	<b>ended 31-03-2006</b>
<b><u>SCHEDULE-M</u></b>		
<b><u>MISC. INCOME</u></b>		
INTEREST	9,211,147.00	4,956,300.00
AMOUNT W/BACK	11,565.00	646,592.43
	<b><u>9,222,712.00</u></b>	<b><u>5,602,892.43</u></b>
<b><u>SCHEDULE-N</u></b>		
<b><u>SOFTWARE DEVELOPMENT EXPENSES</u></b>		
COMPUTER CONSUMABLE STORES	194,453.00	559,890.00
SALARIES & OTHER PROJECT EXP.	1,261,092,809.75	881,784,539.60
EMPLOYEE COMPENSATION EXPENSES	9,889,314.00	4,521,688.00
	<b><u>1,271,176,576.75</u></b>	<b><u>886,866,117.60</u></b>

	For the Year ended on 31-03-2007	For the Yearended on 31-03-2006
<b><u>SCHEDULE-O</u></b>		
<b><u>ADMINISTRATIVE AND OTHER EXPENSES</u></b>		
SALARIES & STAFF BENEFITS	63,435,551.00	70,393,946.00
EMPLOYEE COMPENSATION EXPENSES	3,346,515.00	6,327,459.00
ADVERTISEMENT EXPENSES	650,081.00	846,400.00
BANK CHARGES/INTEREST	893,366.15	189,047.60
BUSINESS PROMOTION	1,911,234.00	2,495,982.00
TRAVELLING & CONVEYANCE	11,805,257.00	12,343,555.00
POWER & FUEL	6,998,994.00	5,947,176.00
MEDICAL EXPENSES	5,358.00	—
TELEPHONE,POSTAGE & TELEGRAPH	22,243,653.00	16,685,348.30
RENT	2,325,616.00	475,442.00
LEGAL & PROFESSIONALCHARGES	1,747,304.00	938,083.70
SOFTWARE CONSULTANCY CHARGES	1,173,110.00	1,590,932.00
INSURANCE CHARGES	628,715.00	364,217.00
DIRECTOR'S REMUNERATION	425,000.00	900,000.00
MEETING FEES	121,520.00	90,000.00
AUDITOR'S REMUNERATION		
-Audit Fees	224,480.00	220,400.00
-Tax Audit Fee	44,896.00	44,080.00
PRINTING & STATIONARY	1,560,125.50	857,962.79
REPAIR AND MAINTENANCE	2,300,581.30	1,826,731.00
SECURITY CHARGES	560,412.00	361,046.00
SERVICE CHARGES	150,000.00	250,000.00
MEMBERSHIP & SUBSCRIPTION	135,597.00	95,243.00
RATES & TAXES	1,425,090.00	103,312.00
FILING FEE/ OTHER ROC EXPENSES	16,260.00	5,150.00
NEWS PAPERS, BOOKS & PRIODICALS	68,913.00	180,445.00
CONFERENCE EXP.	270,606.00	133,295.00
OFFICE MAINTENANCE	596,891.50	473,118.00
PRELIMINARY EXPENSES	7,482.18	7,482.00
IPO EXPENSES	2,339,568.80	2,339,568.80
LOSS ON SALE OF ASSETS	—	80,880.00
AMOUNT WRITTEN OFF	26,598.00	—
CAPITAL ENHNCEMENT W/O	100,000.00	100,000.00
MICS. EXPENSES	32,591.00	9,904.00
	<b>127,571,366.43</b>	<b>126,676,206.19</b>

## **SCHEDULE - P**

### **CONSOLIDATED FINANCIAL STATEMENT**

#### **SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS**

##### **P.1. Significant Accounting Policies**

###### **P.1.1. Basis for preparation.**

The consolidated Financial statements are prepared under the historical-cost convention, in accordance with the Generally Accepted Accounting Principles (GAAP) and mandatory 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 consolidated financial statements are recognized on the accrual Basis. Accounting policies have been consistently applied except where a newly issued accounting standard if initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. Management evaluates all recently issued or revised accounting standards on an ongoing basis.

###### **P.1.2. Principles of consolidation**

These consolidated financial statements relate to FCS Software Solutions Ltd., the parent company and its subsidiary (hereinafter collectively referred as "the Group"), which are as follows:

<b><i>Name of the Company</i></b>	<b><i>Country of incorporation</i></b>
FCS Software Solutions America Ltd.	United States of America

The consolidated financial statements have been prepared in accordance with the principles and procedures for the preparation and presentation as laid down under Accounting Standard 21 on "Consolidated Financial Statements" issued by the ICAI.

The financial statements of the parent company and its subsidiary have been combined on a line by line basis by adding together the book values of all items of assets, liabilities, incomes and expenses after eliminating inter company balances/transactions and resulting unrealized profits in full. Unrealized losses resulting from inter company transactions have also been eliminated. The amount shown in respect of reserves comprise the amount of relevant reserves as per the balance sheet of the parent company and its share in the post acquisition increase in the relevant reserves of the subsidiary.

The consolidated financial statements are prepared, to the extent possible, in the same format as that adopted by the parent company for its separate financial statements.

The consolidated financial statements are prepared using uniform accounting policies for the transaction and other events in similar circumstances, except as disclosed otherwise.

###### **P.1.3. Use of estimates**

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, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Examples of such estimates include estimates of expected contract costs to be incurred to complete contracts, provision for doubtful debts, future obligations under employee retirement benefit plans. Actual results could differ from these estimates. Any changes in estimates are adjusted prospectively.

**P.1.4. Foreign exchange transactions and translation of financial statements of foreign subsidiary**

The functional currency of the company is the Indian Rupee. The functional currency for USA is the USD. The consolidated statements are reported in US Dollars. The translation of Rs. To USD is performed for balance sheet accounting using the exchange rate at the balance sheet date and for revenue, expense and cash flow using monthly average rate for respective periods. The gains or losses resulting from such translation are accumulated in a foreign currency translation reserve which is reflected under reserves and surplus. However, sundry debtors are accounted upon the prevailing rates on the date of invoice issuance.

**P.1.5. 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. Revenue from Annual Technical Services (ATS) is recognized as a pro-rata basis over the period in which such services are rendered. Interest on development of surplus funds is recognized using the time-proportion method, based on interest rates implicit in the transaction.

**P.1.6. Expenditure**

Expenses are accounted for on accrual basis and provisions are made for all known losses and liabilities.

**P.1.7. 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.1.8. Depreciation**

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

**P.1.9. 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 considered as per certificate given by the management.

**P.1.10. Investment**

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

**P.1.11. Investment in subsidiary**

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

**P.1.12. Retirement Benefits.**

**India**

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.

**USA**

The subsidiary has no employee(s), works are being conducted by way of subcontracting and hence no such benefits charged in profit and loss account.

**P.1.13. Employee Stock option based compensation.**

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

**P.1.14. 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.1.15. Advances**

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

**P.1.16. Income Tax**

- a. Provision is made for income tax on a yearly basis, under the tax-payable method, based on the tax liability as computed after taking credit for allowances and exemptions as the case may be.
- b. In compliance of Accounting Standard-22 on "Accounting for taxes on Income" issued by ICAI, the company has recorded the deferred tax Liability of Rs. 20,93,636/- for the year ended March 31,2007, has been provided and the post tax profit has accordingly reduced.

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

	Year Ended 31st March 2007 (Rupees)	Year Ended 31st March 2006 (Rupees)
Deferred Tax Liability		
(1) Depreciation	1,03,54,403.00	74,66,683.00
Less: Deferred Tax Assets		
(2) Provision for Retirement Benefits		
-For Gratuity	5,09,748.00	4,12,782.00
-Leave Encashment	17,06,038.00	10,08,920.00
Deferred Tax Liability (Net)	81,38,617.00	60,44,981.00

#### **P.1.17. Employees Stock Option Plan (ESOP).**

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

In the fiscal 2005, the company instituted an ESOS Scheme comprising the issue of 110,000 equity shares and ESOS scheme comprising the issue of 590,200 equity shares having the vesting period of three years. The Board of Directors and shareholders in the meeting duly approved the scheme. Under the ESOS Scheme the company has issued 39,000 equity shares and pursuant to scheme ESOS 157058 equity share were issued to the eligible employees.

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

#### **Stock Option Scheme 2005**

	<b>Year Ended 31st March 2007 (No. Of Shares)</b>	<b>Year Ended 31st March 2006 (No. Of Shares)</b>
Option Outstanding at the beginning of the year	5,90,200	Nil
Instituted During the Year	Nil	5,90,200
Option Granted	Nil	Nil
Option Forfeited	1,25,700	Nil
Option Exercised	1,57,058	Nil
	<b>3,07,442</b>	<b>5,90,200</b>

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

	<b>Year Ended 31st March 2007 (Rupees)</b>	<b>Year Ended 31st March 2006 (Rupees)</b>
Balance brought forwarded	49,424,803.00	Nil
Add: Recognized during the year	Nil	54,888,600.00
Less: Amortization expenses	1,73,14,020.00	5,463,797.00
Less: Reversal due to forfeiture	76,11,909.00	Nil
<b>Balance carried forward</b>	<b>2,44,98,874.00</b>	<b>49,424,803.00</b>

#### **P.1.18. Managerial Remuneration\***

	<b>Year Ended 31st March 2007 (Rupees)</b>	<b>Year Ended 31st March 2006 (Rupees)</b>
<b>A. Managing Director</b>		
Salary and perquisites	Nil	Nil
Contribution to Provident Fund and other funds	Nil	Nil
Commission	Nil	Nil

**B. Executive Directors**

Salary and perquisites	4,25,000	9,00,000
Contribution to Provident Fund and other funds	Nil	Nil
Commission	Nil	Nil
	<b>4,25,000</b>	<b>9,00,000</b>

**C. Non Executive Directors**

Salary and perquisites	Nil	Nil
Contribution to Provident Fund and other funds	Nil	Nil
Commission	Nil	Nil
Sitting Fee	1,21,520	90,000
	<b>1,21,520</b>	<b>90,000</b>

\*Does not include expenses towards retirement benefits.

**P.1.19. Related parties disclosure.**

	<b>Year Ended 31st March 2007 (Rupees)</b>	<b>Year Ended 31st March 2006 (Rupees)</b>
Ace Technologies Inc. USA	36,89,34,743	17,38,92,681

**P.1.20. Earning per share**

	<b>Year Ended 31st March 2007</b>	<b>Year Ended 31st March 2006</b>
Profit After taxation available to equity shareholders (rupees)	230,897,259	147,931,501
Weighted average number of equity shares used in Calculating basic earning per share	14,073,027	14,002,027
Add: Effect of diluted issue of shares	196,058	71,000
Weighted average number of equity shares used in Calculating diluted earning per share	14,269,085	14,073,027
Basic earning per share (Rupees)	16.40	10.57
Diluted earning per share (Rupees)	16.18	10.51

**P.1.21. 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.1.22. 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 2007 has been considered and accounted as certified by the certified public accountant and further certified by the management.

### **P.1.23. Composition of reportable segment**

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

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

#### **For the Year Ended 31st March 2007**

( Amount in lacs.)

Description	India	USA	Total
Revenue from external customers	585.68	14,849.27	15,434.95
Expenses	181.15	11,369.71	11,550.86
Segment Result	404.53	3,479.56	3884.09
Unallocated Expenses			1,531.37
Operating Profit Before Taxation			2,352.72
Other Income			92.23
Finance Charges			45.98
Profit Before Tax & Prior Period Adj.			2,398.97
Prior Period Adjustment			2.43
Provision for Taxation			66.63
Provision for Deferred Tax			20.94
<b>Net Profit After Tax</b>			<b>2,308.97</b>

#### **For the Year Ended 31st March 2006**

( Amount in lacs.)

Description	India	USA	Total
Revenue from external customers	446.95	11,136.33	11,583.28
Expenses	69.96	8,549.02	8,618.98
Segment Result	376.89	2,587.31	2,964.20
Unallocated Expenses			1479.52
Operating Profit Before Taxation			1,484.68
Other Income			56.03
Finance Charges			18.33
Profit Before Tax & Prior Period Adj.			1,522.38
Prior Period Adjustment			( 0.47)
Provision for Taxation			44.00
Provision for Deferred Tax			(0.46)
<b>Net Profit After Tax</b>			<b>1,479.31</b>

**Note :** figures for the year ended 31st March, 2006 comprises only parent company data as the subsidiary incorporated on 2.10.2006 .

### **P.1.24. Material Events.**

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

**P.2.1 Notes on accounts.**

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

**P.2.2 Contingent liabilities**

The company has no letters of credit outstanding issued to various vendors as at March 31, 2007. The corresponding figure for the previous year was Rs. Nil.

**P.2.3 Payment to Auditors.**

	Current Year	Previous Year
Audit Fee	2,53,903	2,20,400
Tax Audit Fee	44,896	44,080
In other capacity	NIL	NIL

**P.2.4 Quantitative Details.**

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

**P.2.5 Imports on CIF basis.**

	31/03/2007	31/03/2006
Capital Goods	38,00,547.00	38,62,952.00
Software Packages	4,25,59,026.00	Nil

**P.2.6 Expenditure in Foreign Currency.**

	31/03/2007	31/03/2006
Professional Charges and Other expenditure incurred overseas for software development	118,68,48,115.00	84,86,31,802.00

**P.2.7 Earning in foreign exchange**

	31/03/2007	31/03/2006
Income from software development services and production on a receipts basis	148,49,26,453.00	110,93,97,146.40

AUDITOR'S REPORT

AS PER OUR REPORT OF EVEN DATE

For FCS SOFTWARE SOLUTIONS Ltd.

For SPMG & COMPANY.

Chartered Accountants

**Dalip Kumar**  
(Mg. Director)

**K. K. Arora**  
(Director)

**Vinod Gupta**  
(Partner)

**Anil Sharma**  
(V.P. Finance)

**G. P. Singh**  
(AVP (Legal) &  
Co. Secretary)

Place : Delhi

Date : 25.06.2007

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH,2007

	(Amount in Rs.)	
	as at 31-03-07	as at 31-03-06
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Net Profit after tax as per Profit &amp; Loss Account</b>	<b>230,897,258.88</b>	<b>146,424,374.76</b>
<b>Adjusted for:</b>		
Deferred Tax Provision	2,093,636.00	(45,610.00)
Provision for income tax	6,006,199.50	4,400,000.00
Provision for Fringe Benefit	656,555.00	—
Depreciation/Preliminary Expenses written off/Employee Stock Compensation	41,248,681.78	36,079,293.80
Prior Period Adjustments	243,251.00	(47,415.00)
Interest Expenses	4,597,541.04	1,832,584.48
<b>Operating Profit before Working Capital Changes</b>	<b>285,743,123.20</b>	<b>188,643,228.04</b>
Adjustment in Operating Profit		
<b>Adjusted for:</b>		
Sale of Assets Net	—	94,130.00
Trade and Other Receivables	(173,934,434.13)	(143,637,824.60)
Work in Process	(121,615,870.00)	(24,958,074.00)
Trade Payable	24,552,202.00	10,812,167.67
Increase in Provision	2,119,962.00	2,865,917.00
Loan & Advances	(10,294,346.89)	(10,866,891.37)
<b>Net Cash From Operating Activities</b>	<b>6,570,636.18</b>	<b>22,952,652.74</b>
<b>B Cash Flow From Investing Activities</b>		
Purchase of Fixed Assets	73,724,534.00	23,255,184.80
Increase in IPO Exp.	—	10,682,637.00
Net Cash used in Investing Activities	73,724,534.00	33,937,821.80
<b>C CASH FLOW FROM FINANCIAL ACTIVITIES:</b>		
Proceed from Issue of Share Capital	1,000.00	35,018,270.00
Proceed from Issue of Share Premium	4,000.00	140,073,080.00
Proceeds from Employee Stock Option Exercised	1,960,580.00	710,000.00
Proceed from Long Term Borrowings	(95,506,490.88)	130,550,241.88
Increase in Foreign Currency transaction Reserve	91,737.00	(4,729.00)
Repayment of Long Term Borrowings	(1,131,965.00)	5,791.00
Dividend Paid/Dividend Tax	(38,338,798.00)	(16,288,591.00)

Tax Paid	(4,314,902.50)	(907,330.00)
Prior Period Adjustments	(243,251.00)	47,415.00
Interst Expenses	(4,597,541.04)	(1,832,584.48)
Net Cash used in Financial Activities	(142,075,631.42)	287,371,563.40
Net Increase/ Decrease in Cash and Cash Equivalents	(209,229,529.24)	276,386,394.34
Opening Balance of Cash and Cash Equivalents	380,302,851.81	103,916,457.47
Closing Balance of Cash & Cash Equivalents	171,073,322.57	380,302,851.81

**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

**Dalip Kumar**  
(Mg. Director)

**K. K. Arora**  
(Director)

**Vinod Gupta**  
(Partner)

**Anil Sharma**  
(V.P. Finance)

**G. P. Singh**  
(AVP (Legal) &  
Co. Secretary)

Place : Delhi  
Date : 25.06.2007

## 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 31,2007
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 31.03.2007	Nil
b) Not dealt with in the Accounts for the period ended 31.03.07	US\$ (14,989) (Equivalent to Rs. 6,53,371)
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 31.03.07	Nil
b) Not dealt with in the Accounts for the period ended 31.03.07	NIL (first balance sheet since inception)

**For FCS SOFTWARE SOLUTIONS Ltd.**

**Dalip Kumar**  
(Mg. Director)

**K. K. Arora**  
(Director)

**Anil Sharma**  
(V.P. Finance)

**G. P. Singh**  
(AVP (Legal) &  
Co. Secretary)

Place : Delhi  
Date : 25.06.2007

## Director's 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 October 2, 2006 to March 31, 2007.

### Director

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

Name	Position
Dalip Kumar	Director

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

### Principal Activity

The principal activity of the Company during the financial year was providing IT & ITES services to US clients.

### Results

The turnover of the Company during the year was US \$ 52,24,903.30. The Company made a loss of US \$ 14989/-.

### Dividends

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

### Review of Operations

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

### Event after Balance Sheet Date

There are no significant events to report since the book-close and balance sheet date of March 31, 2007.

### Likely Developments and Future Results

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

### Director' Interests

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

### **Indemnification of Officers**

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

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

### **Directors' Responsibility Statement**

Your Director confirm that -

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

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

For and on behalf of the Board of Directors

California  
4th June, 2007

Dalip Kumar  
Director

## Auditor's Report

The Director

**FCS Software Solutions America LTD.**

I have compiled the accompanying balance sheets of FCS Software Solutions America LTD as of March 31, 2007 and the related statements of income and retained earnings for the year ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

**M. Oscar Akbar**  
(CPA)

Date : 4th June, 2007

Place : California



**FCS SOFTWARE SOLUTIONS AMERICA LIMITED  
BALANCE SHEET AS AT 31ST MARCH 2007**

**ASSETS**

	Schedule	As at Mar 31, 07 (Amt. in USD)	As at Mar 31, 07 (Amt. in Rs.)	As at Mar 31, 06 (Amt. in USD)	As at Mar 31, 06 (Amt. in Rs.)
<b>Current assets</b>					
Cash and Bank Balances	4	10,015.00	436,553.00	—	—
Sundry Debtors	3	820,818.00	35,779,457.00	—	—
Other current assets	5	42,344.00	1,845,775.00	—	—
<b>Total current assets</b>		<b>873,177.00</b>	<b>38,061,785.00</b>	<b>—</b>	<b>—</b>

**LIABILITIES AND  
STOCKHOLDERS' EQUITY**

**Current liabilities**

Accounts payables	6	625,846.00	27,280,627.00	—	—
Accounts payable- expenses		262,220.00	11,430,170.00	—	—
<b>Total current liabilities</b>		<b>888,066.00</b>	<b>38,710,797.00</b>	<b>—</b>	<b>—</b>
Share Capital	1	100.00	4,359.00	—	—
Reserves and surplus	2	(14,989.00)	(653,371.00)	—	—
<b>Total liabilities and stockholder's equity</b>		<b>873,177.00</b>	<b>38,061,785.00</b>	<b>—</b>	<b>—</b>

Significant Accounting Policies  
and Notes to Accounts

9

For FCS Software Solutions America Limited

M. Oscar Akbar  
(CPA)

Director

Date : 4th June, 2007  
Place: California

**FCS SOFTWARE SOLUTIONS AMERICA LIMITED  
STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE PERIOD  
ENDED 31ST MARCH 2007**

	Schedule	As at Mar 31, 07 (Amt. in USD)	As at Mar 31, 07 (Amt. in Rs.)	As at Mar 31, 06 (Amt. in USD)	As at Mar 31, 06 (Amt. in Rs.)
<b>Income</b>					
Software Development Services		5,224,903.30	230,783,979.00	—	—
<b>TOTAL</b>		<b>5,224,903.30</b>	<b>230,783,979.00</b>	<b>—</b>	<b>—</b>
<b>Expenses</b>					
Software Development, Delivery and Support Expenses	7	5,154,203.30	227,661,160.00	—	—
Administration, Selling and Other Expenses	8	85,689.00	3,784,883.00	—	—
<b>Total Operating Expenses</b>		<b>5,239,892.30</b>	<b>231,446,043.00</b>	<b>—</b>	<b>—</b>
Income (loss) before income taxes		(14,989.00)	(662,064.00)	—	—
Provision for income taxes		—	—	—	—
Net Income (loss)		(14,989.00)	(662,064.00)	—	—
Retained earnings, beginning of period		—	—	—	—
Distribution		—	—	—	—
<b>Retained earnings, end of period &amp; transferred to balance sheet</b>		<b>(14,989.00)</b>	<b>(662,064.00)</b>	<b>—</b>	<b>—</b>
Significant Accounting Policies and Notes to Accounts	9				

For FCS Software Solutions America Limited

M. Oscar Akbar  
(CPA)

Director

Date : 4th June, 2007  
Place: California

Schedule	As at Mar 31, 07 (Amt. in USD)	As at Mar 31, 07 (Amt. in Rs.)	As at Mar 31, 06 (Amt. in USD)	As at Mar 31, 06 (Amt. in Rs.)
<b>SCHEDULE 1 : SHARE CAPITAL</b>				
<b>Authorised</b>				
10,000 common stock of par value 0.01 each	100.00	4,359.00	—	—
<b>Issued, subscribed and paid up</b>				
10,000 common stock of par value 0.01 each	100.00	4,359.00	—	—
<b>Total</b>	<b>100.00</b>	<b>4,359.00</b>	<b>—</b>	<b>—</b>
<b>SCHEDULE 2: RESEVES AND SURPLUS</b>				
Retained earnings, beginning of period		—		
Add: During the period	(14,989.00)	(662,064.00)	—	—
Foreign exchange translation reserve		8,693.00	—	—
<b>Total</b>	<b>(14,989.00)</b>	<b>(653,371.00)</b>	<b>—</b>	<b>—</b>
<b>SCHEDULE 3: SUNDARY DEBTORS</b>				
Accounts receivable	820,818.00	35,779,457.00	—	—
<b>Total</b>	<b>820,818.00</b>	<b>35,779,457.00</b>	<b>—</b>	<b>—</b>
<b>SCHEDULE 4: CASH AND BANK BALANCES</b>				
Cash Balance	6,543.00	285,209.00	—	—
Cash with bank	3,472.00	151,344.00	—	—
<b>Total</b>	<b>10,015.00</b>	<b>436,553.00</b>	<b>—</b>	<b>—</b>
<b>SCHEDULE 5: OTHER CURRENT ASSETS</b>				
Loan & Advances	33,886.00	1,477,091.00	—	—
Prepaid expenses	8,458.00	368,684.00	—	—
<b>Total</b>	<b>42,344.00</b>	<b>1,845,775.00</b>	<b>—</b>	<b>—</b>
<b>SCHEDULE 6: CURRENT LIABILITIES</b>				
Sundry Creditors	625,846.00	27,280,627.00	—	—
Expenses payables	262,220.00	11,430,170.00	—	—
Advances from client	—	—	—	—
<b>Total</b>	<b>888,066.00</b>	<b>38,710,797.00</b>	<b>—</b>	<b>—</b>
<b>SCHEDULE 7: SOFTWARE DEVELOPMENT, DELIVERY AND SUPPORT EXPENSES</b>				
Software Development expenses	3,089,885.00	134,688,087.00	—	—
Cost of Outside services	2,059,792.30	89,786,346.00	—	—
Recruitment expenses	4,526.00	197,288.00	—	—
<b>Total</b>	<b>5,154,203.30</b>	<b>224,671,721.00</b>	<b>—</b>	<b>—</b>
<b>SCHEDULE 8: ADMINISTRATION SELLING AND OTHER EXPENSES</b>				
Office Administration Expenses	75,226.00	3,279,101.00	—	—
Traveling & entertainment Expenses	3,845.00	167,604.00	—	—
Postage and courier expenses	354.00	15,431.00	—	—
Communication Expenses	3,735.00	162,809.00	—	—
Rent Expenses	1,854.00	80,816.00	—	—
Accounting and Legal	675.00	29,423.00	—	—
<b>Total</b>	<b>85,689.00</b>	<b>3,735,184.00</b>	<b>—</b>	<b>—</b>

**NOTES TO FINANCIAL STATEMENTS MARCH 31, 2007**

**SCHEDULE: 9 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 Sate 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 820,818, Accounts receivable as on March 31, 2007, is fully collectable.

**3. Income Taxes**

The company has a net operating loss carry forwards USD 14,989, which are available to offset future federal and State taxable income.

**4. Shareholder's Equity**

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

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

**5. Concentration of Credit Risks**

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

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

**6. Lines of Credit**

The Company does not have a line of Credit

For FCS Software Solutions America Limited

M. Oscar Akbar  
(CPA)

Director

Date : 4th June, 2007  
Place: California

**Statutory Auditors**

M/S SPMG & Company  
Chartered Accountants  
3322A, 2nd Floor, Bank Street,  
Karol Bagh, New Delhi - 110005  
Phone: 011-25728769, 25817385  
E mail: [vinodgupta\\_fca@yahoo.co.in](mailto:vinodgupta_fca@yahoo.co.in)  
Web site: [www.spmgindia.com](http://www.spmgindia.com)

**Registered Office**

205, 2nd Floor, Agrawal Chamber IV,  
27, Veer Sawarker Block, Vikas Marg,  
Shakerpur, Delhi - 110 092  
Phone: 011-42444235  
Fax : 011-42444235  
E mail: [investors@fcsltd.com](mailto:investors@fcsltd.com)  
Web site: [www.fcsltd.com](http://www.fcsltd.com)

**Internal Auditors**

M/S KRA & Co.,  
Chartered Accountants  
H 109, 1st floor, Garg Tower  
Netaji Subhas Place, Pitampura  
New Delhi -110 034  
Ph.: 011- 47082855  
E mail: [Kapil.kraindia@gmail.com](mailto:Kapil.kraindia@gmail.com)

**Corporate office**

FCS House, A-86, Sector - 57  
Noida - 201 301[U.P.]  
Phone: 0120-3061100  
Fax : 0120-3061111  
E mail: [investors@fcsltd.com](mailto:investors@fcsltd.com)  
Web site: [www.fcsltd.com](http://www.fcsltd.com)

**Registrar & Share Transfer Agent (RTA)**

Intime Spectrum Registry Ltd.  
A-31, 3rd Floor, Naraina Ind. Area,  
Phase I, New Delhi - 110 028  
Phone: 011-41410592-94  
Fax : 011-41410591  
E mail: [delhi@intimespectrum.com](mailto:delhi@intimespectrum.com)  
Web site: [www.intimespectrum.com](http://www.intimespectrum.com)

**Branch office**

- (i) 2880 Zanker Road, Suit 208  
San Jose, CA - 95134  
Phone: 1-800-566-4046
- (ii) 368 Industrial Area, Phase II,  
Punchkula, Haryana

**Compliance Officer**

Abhishek Anand  
FCS House, A-86, Sector - 57  
Noida - 201 301[U.P.]  
Phone: 0120-3061122  
Fax : 0120-3061111  
E mail: [aanand@fcsltd.com](mailto:aanand@fcsltd.com)  
Web site: [www.fcsltd.com](http://www.fcsltd.com)

**Subsidiary**

FCS Software Solutions America Ltd.  
42 Reads Way , New Castle  
State of Delaware 19720  
California

## FCS SOFTWARE SOLUTIONS LIMITED

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

**Corporate Office:** FCS House, A-86, Sector 57, Noida-201301 (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 failing him/her.....of.....in the district of.....as my/our proxy to attend and vote for me/us our behalf at the Annual General Meeting of the company to held on Wednesday, July 25, 2007 at The Executive Club, 439, Village Shahoorpur, Fatehpur Beri, New Delhi - 110 074, at 9.30 A.M. , and any adjournment thereof.

Signed this.....day of.....2007.

Signature.....



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

## FCS SOFTWARE SOLUTIONS LIMITED

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

**Corporate Office:** FCS House, A-86, Sector 57, Noida-201301 (U. P.)

### ATTENDANCE SLIP

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

**FOLIO NO.** .....

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

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

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

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

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

I hereby record my presence at the Annual General Meeting of the company to held on Wednesday the July 25, 2007.

.....  
Signature of the Member/Proxy

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