

# ANNUAL REPORT

2009 - 2010

PAYMENT INDUSTRY

RS SOFTWARE



R.S. SOFTWARE (INDIA) LTD.

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**Mr. R. R. Jain**  
Chairman & Managing Director



**Mr. S.K. Jain**  
Director



**Mr. R. Ramaraj**  
Director



**Mr Richard Launder**  
Additional Director



**Mrs Sarita Jain**  
Director



**Mr. R. R. Jain**  
Chairman & Managing Director



**Ms. Diana Adachi**  
President



**Mr. Biswanath Sengupta**  
Senior Vice President,  
Execution & Delivery



**Mr. Bibek Das**  
Vice President, Corporate



**Mr. Vijendra Surana**  
CFO & Company Secretary



**Mr. Rakesh Srivastava**  
General Manager,  
Business Development



**Mr. Aniruddha Rai Chaudhuri**  
General Manager,  
Quality & Benchmarking



**Mr. Sumit Misra**  
General Manager, Technology



**Mr. Colonel Perminder Gill**  
Senior Manager  
(Operations & Support)



The Twenty Second Annual General Meeting of R S Software (India) Limited will be held on Saturday, July 24, 2010 at 11 am at Aikatan Cultural Centre, Eastern Zonal Cultural Centre, IA- 190, Sector III, Salt Lake City, Kolkata 700 097 to transact the following business:

**ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Balance Sheet as on 31.03.2010 and Profit & Loss Account for the year ended on that date and the Report of Auditors and Directors thereon.
2. To appoint a Director in place of Mr. Shital Kumar Jain who retires by rotation and being eligible offers himself for reappointment.
3. To appoint Auditors and to fix their remuneration and for this purpose to consider and, if thought fit, to pass the following resolution as an Ordinary Resolution.  
“Resolved that pursuant to the provision of Sec 224 and other appropriate provision, if any, of the Companies Act 1956, Messrs Chaturvedi & Company to retire at the conclusion of the Meeting be and are hereby re-appointed Auditors of the company to hold office from conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company at a remuneration to be decided by the Board of Directors of the Company”.

**SPECIAL BUSINESS**

4. To appoint Mr. Richard Launder, the Additional Director whose office expires at this Annual General Meeting as a Director and to consider and, if thought fit to pass, with or without modifications the following Ordinary Resolution:  
“Resolved that Mr. Richard Launder who had been appointed as an Additional Director by the Board at its Meeting held on July 28, 2009 and whose term expires at this Annual General Meeting and in respect of whom the Company has received a Notice u/s 257 of the Companies Act, 1956, from a Member proposing the candidature of Mr. Richard Launder for the Office of Director be and is hereby appointed a Director of the Company whose period of Office will be liable to determine through retirement by rotation,”
5. To consider and, if thought fit to pass, with or without modifications the following Special Resolution:  
“RESOLVED THAT pursuant to the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 [including any statutory modification(s) or re-enactment thereof] and subject to the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and subject to such approvals, permissions and sanctions as may be necessary and subject to such conditions as may be prescribed or imposed while granting such approvals and which may be agreed to or accepted by the Board of Directors (hereinafter referred to as “the Board” which expression shall include a committee thereof) at its sole discretion, the consent of the Company be and is hereby accorded to the Board to grant 20,00,000 stock options.
  - 1) to the eligible Employees of the Company working in India or out of India;
  - 2) to the Directors of the Company and of its Subsidiary Companies, whether in India or outside India, whether whole time directors or otherwise excluding Promoters;
  - 3) to the eligible Employees of its Subsidiaries in India or out of India; through “Employee Stock Option Scheme” (ESOS), which entitles the Option holders to subscribe to 2000000 Equity Shares of the Company.”  
“Further Resolved that the Company's aforesaid ESOS Scheme shall conform to the Accounting Policy as specified in Clause 13.1 of SEBI (ESOS & ESOS) Guidelines, 1999, as amended.”  
“Further Resolved that the Company's aforesaid ESOS Scheme shall also be applicable to the employees of the Subsidiary Companies in India or outside India and the Directors of the Company whether whole – time or otherwise.”

By Order of the Board

Corporate Office  
234/3A, A.J.C. Bose Road  
Kolkata – 700 020  
April 26, 2010

Vijendra Surana  
CFO & Company Secretary

**NOTES**

1. A member entitled to attend and vote at this meeting is entitled to appoint a Proxy to attend and vote instead of himself. A Proxy need not be a member of the Company. Proxies, in order to be effective, must be received at the registered office of the Company not less than 48 hours before the meeting.
2. The Register of Members and Transfer Books of the Company will remain closed from July 23, 2010 to July 24, 2010 (both days inclusive).
3. A Corporate Member shall be deemed to be personally present only if it is represented in accordance with Section 187 of the Companies Act, 1956, i.e. only if the Corporate Member sends certified true copy of the board resolution / power of attorney authorizing the representative to attend and vote at the Annual General Meeting.
4. Members desirous of any information on the Accounts at the Meeting are requested to send their queries at least 10 days before the Meeting.
5. Please bring your copy of the Annual Report at the meeting.

**EXPLANATORY STATEMENT TO THE ITEM OF SPECIAL BUSINESS SET OUT IN THE ANNEXED NOTICE****Item 4**

Mr. Richard Launder has 20 years experience in the Payments Business. He understands the overall payments landscape, the key players, the issues they are facing, the unique aspects of the payments arena, the nature of payments solutions and the drivers behind the decisions to change, the suppliers and competitors in the payments arena and a lot of the people in this industry. This could help in sales campaigns and for recruiting. Mr. Launder has grown and developed a Payments Company from revenues of \$15 million to \$150 million. He built a distribution model spanning all EMEA. That covers, acquiring companies, opening direct operations, forming JV's, distributors and sales agents and therefore understand a lot about the various geographic markets and their unique aspects. He built a very successful sales operation and understands strategic selling and all aspects of the sales process (including building company plans that direct how sales behave, in line with company direction). He has been a key player in the setting company strategy and plans and helping to build value propositions. He has a good understanding of senior management company plans and share option schemes. He has been involved with, acquisitions, fund raising, and due diligence.

Mr. Richard Launder would bring in value addition by virtue of his experience and knowledge in payments business.

**Item 5**

The last ESOS Scheme was approved by the Shareholders on 10th August 2007. That Scheme was valid for 3 years effective 1st April 2007 and lapsed on 31st March 2010. The said Scheme had a total ceiling of 21,00,000 Options of which 760400 Options were granted during those 3 years. We have therefore to introduce a new Scheme with a total ceiling of 20,00,000 option which would be effective from 1st April 2010 for a further period of 3 years. The Remuneration Committee would decide on the vesting and the exercise period for Employees, which includes Directors. The ESOS Scheme has always been useful in rewarding and attracting talents and the Company therefore wants to get the new ESOS approved by the shareholders for a period 3 years from April 1, 2010.

The Board of Directors recommends the approval by the shareholders of the new Employee Stock Option Scheme (ESOS) for a period of three years starting with effective from 1st April, 2010 to the eligible Employees of the Company as well as to the eligible employees of its Subsidiaries.

The information for ESOS as per SEBI (ESOS & ESPS) Guidelines, 1999, as amended is as follows:

- (a) The total number of options to be granted: 2000000 options.
- (b) Identification of classes of employees entitled to participate in the ESOS:
  - ❖ Permanent employees of the Company and of its holding and/or Subsidiary Companies, whether working in India or outside India; and
  - ❖ Directors, whether whole time or not, of the Company and of its Subsidiary Companies, whether working in India or outside India, excluding the Promoters.
- (c) Requirements of vesting and period of vesting: The Employees Stock Options to be granted to the employees shall vest in a minimum period of one year and a staggered vesting period over 4 years from the date of grant of options. 25% of the total options granted to an employee will become vested after each year from the date of grant of the options and for Directors 100% of the total options granted will become vested after one year from the date of grant of the options.

- (d) Maximum period within which the options shall be vested: Maximum period of 4 years from the date of grant of options for the employees and maximum period of 1 year from the date of grant of options for the Directors of the Company.
- (e) Exercise price or pricing formula: Exercise price will either be equal to the market price of RS shares on the date of grant or alternately a price recommended by the Evaluation Committee, and approved thereafter by the Remuneration Committee. For the purpose of the market price it will be determined as per the SEBI Guidelines on ESOS.
- (f) Exercise period and process of exercise: 25% of the total options granted to an employee will become vested and will be eligible to exercise of the options by the employees after each year from the date of grant of the options and for the Directors 100% of the total option granted will become vested and will be eligible to exercise after one year from the date of grant.
- (g) The appraisal process for determining the eligibility of employees to the ESOS: The appraisal process for determining the eligibility of the Employees will be specified by the Remuneration Committee and will be based on the criteria such as performance record, role & criticality of the employees, future contribution potential of the employees and /or such other criteria as may be determined by the Remuneration Committee at its sole discretion.
- (h) Maximum number of options to be issued per employee and in aggregate: The maximum number of options that may be granted in any financial year to any specific employee under the ESOS shall not exceed 1% of the total issued capital of the Company.
- (i) A statement to the effect that the Company shall conform to the accounting policies specified in clause 13.1: The Company shall confirm to the Accounting Policies specified in Clause 13.1 of SEBI (ESOS & ESPS) Guidelines, 1999 as amended.
- (j) The method, which the company shall use to value its options whether, fair value or intrinsic value: Intrinsic Value considering the market price of share.
- (k) The following statement;  
'In case the company calculates the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed in the Directors' Report and also the impact of this difference on profits and on EPS of the company shall also be disclosed in the Directors' Report.'
- (l) The price of the shares and also the number of shares to be offered to each employee: To be decided by the Remuneration Committee.
- (m) Total number of shares to be issued: To be decided by the Remuneration Committee.

Corporate Office  
234/3A, A.J.C. Bose Road  
Kolkata – 700 020

April 26, 2010

By Order of the Board

**Vijendra Surana**  
CFO & Company Secretary





Mr. R. R. Jain, CMD

Dear Member,

Your Directors are pleased to present the Twenty Second Annual Report and the audited statement of Accounts, highlighting the business operations and financial results for the year ended 31st March 2010.

### Financial Highlights

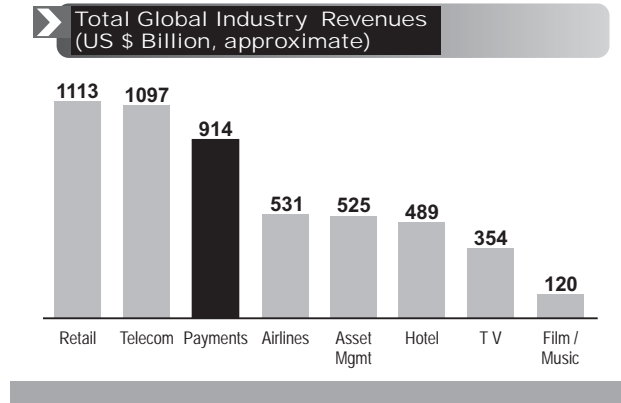
(Rs. in Millions)

| Particulars              | R S Software (I) Ltd. |         | R S Software (I) Ltd.<br>(Consolidated) |         |
|--------------------------|-----------------------|---------|---|---------|
|                          | 2009-10               | 2008-09 | 2009-10                                 | 2008-09 |
| Gross Revenue            | 1618.74               | 1494.55 | 1665.10                                 | 1494.55 |
| Operating Profit (PBDIT) | 211.84                | 191.71  | 236.37                                  | 180.85  |
| Interest                 | 22.72                 | 40.16   | 23.15                                   | 40.17   |
| Depreciation             | 71.18                 | 57.40   | 71.33                                   | 57.48   |
| Profit before Tax        | 117.94                | 94.15   | 141.88                                  | 83.19   |
| Provision for Tax        | 22.37                 | 30.92   | 22.50                                   | 30.92   |
| Profit after Tax         | 95.57                 | 63.23   | 119.38                                  | 52.27   |

### Review & Analysis of the Financial Performance

During this fiscal year when Nasscom industry growth has been the lowest in years, averaging around 7%, your company has achieved a growth rate of 12%. The continued focus on a single domain, and aligning the sales and marketing investments with this domain are helping to increase the quality of revenues, and at the same time helping the company to get traction with some of the key players in the Electronic Payments Industry. The most significant part of the performance improvement has been the 120% growth in Net Profits, made possible through effective implementation of strategic cost management initiatives. The Finance process is maintaining a crucial balance between debt reduction levels, and making investments from internal accruals to build the foundation for achieving high growth rates. There is an organization-wide effort to enhance the productivity in each process area, and company's management methodology is constantly benchmarked to best practices globally. Your company is committed to take leadership from India in building a domain focused, high value add partner for its customers, and a uniquely rewarding investments for its stakeholders. The growth of five times in the market capitalization value of your company is a testimony to pursuance of this philosophy by your management.

**The Electronic Payments Industry**



The Payment Industry is an archaic restricted industry which is finally opening up to competition and innovation. Decentralization of the market is occurring accelerated by the economic contraction and changes in the regulations. R S Software is committed to a business model that leverages opportunistic global outsourcing against mastery or market – changing and value – creating innovations that obviate historic product, market and processing silos to ensure secure and efficient end-to-end transacting for the 21st Century

**Business Model**

**Delivering Technology that Drives Innovation**  
**RS Software is the glue that makes critical applications doable**



Our marketing strategy to reposition the Company as a domain focused player has already started to pay off already and as we continue to develop more competencies, we are in discussion with and confident of winning strategic clients in the payments domain during 2010-11.

**Issue of Bonus Shares**

Your Directors are pleased to recommend issue of 28 bonus equity shares against every 100 equity shares held by the Members as on the record date subject to approval of shareholders and pursuant to the Guidelines issued by the Securities and Exchange Board of India (SEBI) in this behalf, out of the Capital Redemption Reserve account of Rs. 245 lacs.

**Performance of Subsidiaries**

Your company has started operations of its Singapore Subsidiary Company which was incorporated on April 09, 2010. The US subsidiary Responsive Solutions Inc. has also bagged a new contract and is now focusing on Non Payments Business of the company. Your company draws strength from its 100% subsidiaries in US and Singapore.

**Allotment of Equity Warrants on Preferential Basis**

Your Directors are pleased to update you that out of 1000000 equity warrants issued on preferential basis to the Promoter and the Chairman & Managing Director of the Company at Rs. 19.50 per warrant to be converted into equity shares at Rs. 10/- each at the ratio 1:1, during the year further 380000 equity warrants were converted into equity shares upon receipt of the amount due. This equity warrants were allotted pursuant to the relevant Guidelines on such Issues by SEBI and Shareholders' approval accorded at the EGM held on 13th January 2009.

**Fixed Deposits**

The Company has not accepted any Deposits within the meaning of Section 58A of the Companies Act 1956.

**Directors**

- 1) Mr. Shital Kumar Jain retires by rotation and being eligible offer himself for re-appointment. Your Directors recommend appointment of Mr. Shital Kumar Jain, for a further tenure, as this would be entirely in the larger business interest of your Company.
- 2) Mr. R Launder was appointed as an Additional Director on 28th July, 2009 and his tenure will expire at this Annual General Meeting of the Company. The Company has received a Notice u/s 257 of the Companies Act, 1956 from a Member proposing the candidature of Mr. Richard Launder for the office of the Director. Mr. Launder is also recommended for appointment as Director.

**Auditor's Report**

Your Directors have taken note of the Auditor's Report and comments thereupon on the accounts for the year ended March 31, 2010. The Auditor's Report read together with the notes to accounts thereupon are self-explanatory.

**Directors' Responsibility Statement**

Pursuant to the requirement under section 217(2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed:

- (i) that in the preparation of the annual accounts for the financial year ended 31st March, 2010 the applicable accounting standards have been followed along with appropriate explanation relating to material departures;
- (ii) that the Directors 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 states of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review;
- (iii) that the Directors 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;
- (iv) that the Directors have prepared the accounts for the financial year ended 31st March, 2010 on a "going concern" basis.

**Social Responsibility**

Your company continues to be committed to fulfill its responsibilities towards various constituents of society including various stakeholders of the company. The company keeps making contributions to charitable institution for imparting basic education. The company undertakes various activities including development of skill and capabilities of its employees. It organizes sports and cultural events at organizational level to promote harmony and sense of belongingness amongst its employees.

**Statutory Auditors**

M/s Chaturvedi & Co., Chartered Accountants and Statutory Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting, and being eligible, offer themselves for reappointment. Their reappointment for a further term is recommended by your Board at such remuneration as the Board may be allowed to fix by the General Body.

**Conservation of Energy, Technology Absorption.**

The particulars as prescribed under sub-section (1)(e) of the 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 given at Annexure 'A' to the Directors' Report.

**Employees Stock Option**

The last ESOS Scheme was approved by the Shareholders on 10th August 2007. The Scheme was valid for 3 years effective 1st April 2007 and lapsed on 31st March 2010. The said Scheme had a total ceiling of 2100000 Options of which 760400 Options were granted during those 3 years. Your Directors have recommended a new Employees Stock Option Scheme effective from 1st April 2010 for a further period of 3 years subject to approval of the shareholders. The status of the earlier ESOS is given in the Annexure 'B1' to Directors' Report. The Disclosure under Clause 12.1 of SEBI (ESOS & ESPS) Guidelines for the new ESOS of the Company is in the Annexure 'B2' of the Directors' Report.

**Corporate Governance and Disclosures**

Our Company's philosophy on corporate governance envisages attainment of highest level of transparency, accountability and fairness in respect of its operations and achievement of highest international standards in corporate governance. The Company believes that all actions and operations must sub serve its best business interest and enhance overall shareholders' value. Refer Annexure 'C' of Directors' Report.

**Particulars of Employees**

Information as per Section 217(2A) of the Companies Act 1956 read with Companies (Particulars of Employees) Rules, 1975 forming part of this Report does not apply to our Company because the employees of the Company engaged in Information Technology sector like our Company not being Directors or their relatives and drawing salary exceeding the prescribed limits are exempted from being included in such statement of the Board's Report as per the Government's Notification no.: G.S.R 212 (E) dated 24.3.2004.

**Acknowledgements**

Your Directors' place on record their deep appreciation of the continued assistance and co-operation extended to the Company by its customers, investors, bankers, Government agencies and its dedicated band of employees. Above all, the Board expresses deep sense of gratitude to the Members of the Company who have reposed faith in their Board and the Management.

Thanking you,

For and on behalf of the Board of Directors

KOLKATA  
April 26, 2010

**Raj Jain**  
Chairman

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

**A. Details of Conservation of Energy:**

The Company uses electric energy for all its equipment such as air conditioners, computer terminals, lighting and utilities in the work premises. All possible measures have been taken to conserve energy.

- ❖ Through periodic energy audits to identify potential areas for saving
- ❖ By incorporating energy- efficient equipment
- ❖ Through automation i.e., using timers, automatic level controllers etc.

**B. Technology Absorption** : The details are given below:

**(a) Research & Development**

1. Specific area in which R & D work has been done by the Company : Business Intelligence, Mobile Payments and Merchant Boarding.
2. Benefits expected from the R & D : Going ahead the company plans to actively acquire new customers using the knowledge and competency acquired.
3. Future plan of action : BI & Data Monetization, Base 24 Mobile, Architecture, COE for Java / .NET  
Team size: (10 average)

**(b) Technology Absorption , Adaptation and Innovation**

1. Efforts made towards technology, absorption, adaptation an innovation : Research on Acquiring Solution, Merchant Boarding and Reporting, Cognos and Micro Strategy, BI & Mobile.
2. Benefits derived as a result of the above efforts : Going ahead the company plans to actively acquire new customers using the knowledge and competency acquired.

**C. Foreign Exchange Earnings and Outgo**

1. Initiatives like increasing exports, development of new export markets etc. to foreign exchange earnings
2. Foreign Exchange earned : Rs. 1,583,722,448.00
3. Foreign Exchange Outgo : Rs. 1,242,352,299.00

**Status of the ESOS approved by the Shareholders in the AGM held on 10th August 2007.**

|   |   |   |
|---|---|---|
| <b>Option granted</b>   | : | <b>186700 options granted on October 30, 2007.</b>  |
| a. The pricing  | : | Rs.29.90 per option.  |
| b. Options vested   | : | For employees 25% of the total options granted would be vested on completion of each year and for Directors 100% of the total options granted would be vested on completion of one year for the date of grant of options. |
| c. Options exercised in the Financial Year 2009-10                      | : | 15600 options.  |
| d. The total number of shares arising as a result of exercise of option | : | 15600 equity shares.  |
| e. Variation of terms of options  | : | NA.   |
| f. Money realized by exercise of options                                | : | Rs. 466,440.00.   |
| g. Equity Shares allotted under ESOS                                    | : | 15600 equity shares.  |

|   |   |  |
|---|---|--|
| <b>Option granted</b>   | : | <b>275200 options granted on October 4, 2008.</b>  |
| a. The pricing  | : | Rs.15.95 per option.   |
| b. Options vested   | : | For employees 25% of the total options granted would be vested on completion of each year and for Directors 100% of the total options granted would be vested on completion of one year from the date of grant of options. |
| c. Options exercised in the Financial Year 2009-10                      | : | 48150 options.   |
| d. The total number of shares arising as a result of exercise of option | : | 48150 equity shares.   |
| e. Variation of terms of options  | : | NA   |
| f. Money realized by exercise of options                                | : | Rs. 767,992.50.  |
| g. Equity Shares allotted under ESOS                                    | : | 48150 equity shares.   |

|   |   |  |
|---|---|--|
| <b>Option granted</b>   | : | <b>298500 options granted on July 28, 2009.</b>  |
| a. The pricing  | : | Rs. 27.95 per option.  |
| b. Options vested   | : | For employees 25% of the total options granted would be vested on completion of each year and for Directors 100% of the total options granted would be vested on completion of one year from the date of grant of options. |
| c. Options exercised in the Financial Year 2009-10                      | : | Nil.   |
| d. The total number of shares arising as a result of exercise of option | : | N.A.   |
| e. Variation of terms of options  | : | N.A.   |
| f. Money realized by exercise of options                                | : | N.A.   |
| g. Equity Shares allotted under ESOS                                    | : | N.A.   |

**Disclosure under Clause 12.1 of SEBI (ESOS & ESPS) Guidelines for the new ESOS of the Company is as under:**

- |  |   |   |
|--|---|---|
| a. Options granted   | : | 2000000 options.                                |
| b. The pricing   | : | Would be decided by the Remuneration Committee. |
| c. Options vested  | : | Nil   |
| d. Options exercised   | : | Nil   |
| e. The total number of shares arising as a result of exercise of option  | : | N.A.  |
| f. Options lapsed  | : | N.A.  |
| g. Variation of terms of options   | : | N.A.  |
| h. Money realized by exercise of options   | : | N.A.  |
| i. Total number of options in force  | : | 2000000 options.                                |
| j. Employee wise details of options granted to   | : | Would be granted by the Remuneration Committee. |
| k. Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard(IAS)33   | : | N.A.  |
| l. Where the company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed. The impact of this difference on profits and on EPS of the company shall also be disclosed | : | N.A.  |
| m. Weighted-average exercise prices and weighted-average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock  | : | N.A.  |
| n. A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following Weighted- average information  | : | N.A.  |
| (i) Risk-free interest rate,   |   |   |
| (ii) Expected life,  |   |   |
| (iii) Expected volatility,   |   |   |
| (iv) Expected dividends, and   |   |   |
| (v) The price of the underlying share in market at the time of option grant.   |   |   |

### Corporate Governance and Disclosures

While the Companies Act, 1956 provides the basic framework for corporate governance and defines the powers, duties and responsibilities of the Board, the Managing Director and other important functionaries and also emphasizes on “the public interest”, aspect of various statutory provisions and prescribes penalties and punishment for the infraction of legal provisions, it was growingly felt that there should be specific ground rules and comprehensive code for Corporate Governance. Consequently, Birla Committee was constituted which submitted its report on the subject towards the close of 1999. The recommendations of this Committee after their acceptance by SEBI/Government have now been given mandatory effect. These, by and large, set out new benchmarks for adequate, appropriate and timely corporate disclosures on relevant matters consistent with ethical business conduct by the Corporate Management so as to turn out performance which is fair, true and transparent and takes as much care of the interests of the Corporate Management as of its various stakeholders including shareholders, employees, debtors and creditors and is equally responsive to the requirements of various governmental and regulatory agencies.

Our Company's philosophy on corporate governance envisions attainment of highest level of transparency, accountability and fairness in respect of its operations and achievement of highest international standards in its governance. The Company believes that all this actions and operations must sub serve its best business interest and enhance overall shareholders' value.

#### A. The Board of Directors

The Board of Directors of the Company consists of five Directors among them two Promoter Directors of which one is an Executive Director who is the Chairman & Managing Director, one Non-Executive Non-Independent Director, two Non-Executive Independent Directors and one Additional Director. During the fiscal 2009-2010 the Board met on 4 occasions as per the statutory requirements.

The table below gives the details of Directors attendance at the Board Meetings and at the last Annual General Meeting and information regarding Directorship, Committee Membership and Chairmanship in other Companies:

| Name of the Directors | Attendance Particulars |          |          | Number of other Directorship, Committee Membership and Chairmanship |                      |                        |
|-----------------------|------------------------|----------|----------|---|----------------------|------------------------|
|                       | Board Meetings         | Category | Last AGM | Other Directorship  | Committee Membership | Committee Chairmanship |
| Mr. R R Jain          | 4                      | CMD      | Yes      | —   | —                    | —                      |
| Mr. S. K. Jain        | 4                      | NED      | Yes      | 2   | —                    | —                      |
| Mrs. S. Jain          | 3                      | NED      | Yes      | —   | —                    | —                      |
| Mr. R. Ramaraj        | 4                      | NED      | Yes      | 14  | —                    | —                      |
| Mr. R. Launder        | 3                      | NED      | Yes      | —   | —                    | —                      |

C: Chairman, CMD: Chairman & Managing Director, NED: Non-Executive Director.

|                        |                  |
|------------------------|------------------|
| Board Meetings held on | May 1, 2009      |
|                        | July 28, 2009    |
|                        | October 13, 2009 |
|                        | January 29, 2010 |

#### Code of Conduct

The Company has adopted a Code of Conduct specifically for the members of the Board of Directors and/or members of the Senior Management of the Company, which sets out as follows:



### 1. Conflict of Interest

- ❖ To conduct them ethically and honestly and act in the interests of the Company
- ❖ To avoid situations that might lead to a conflict between his personal interests and the interests of the Company. Although it is difficult to describe all situations, which could create a conflict of interest, the following are some examples:
  - ❖ Working for a competitor/ supplier/ client while working for a Company. To serve as a Director/Employee in Top Executive Management of any Company that competes with the Company. One may accept Directorship or Employment of a Company / Supplier or Business Partner only after obtaining approval from the Company's Legal Department.
  - ❖ Accepting gifts/ receiving discounts from competitors
  - ❖ Personally taking a business opportunity that arises due to a Senior Manager's position
  - ❖ Receiving a loan or a guarantee of an obligation arising due to his position

### 2. Confidential Information

- ❖ Each Director & Senior Manager is expected to protect the Company's confidential proprietary business information.
- ❖ Each Director & Senior Manager's commitment is evidenced by a confidentiality agreement.
- ❖ Being a Director / Senior Member, one is expected to keep certain information confidential which have been discussed in the Senior Management Meetings.
- ❖ Re-enforcing the confidentiality agreement as stated in the appointment terms and conditions as well as in the service rule of the Organization
- ❖ Only authorized Company spokespeople may communicate with the press on behalf of the Company

### 3. Public Disclosures

The Company is committed to all of its public disclosures and reports being full, fair, accurate, timely and understandable.

### 4. Legal Compliance

The Company recognizes to conduct its business with honesty, integrity and in full compliance with all applicable laws, rules and regulations. All Directors & Senior Managers are required to abide by the statutory requirements.

### 5. Share Transactions

All Board Members & Senior Managers should report their holding in the Company. There should exist a block period of two weeks (before the quarterly results etc.) when one cannot trade in the Company's securities.

In accordance with the SEBI Guidelines, one is expected to refrain from "Insider trading" by misusing any unpublished price-sensitive information.

### 6. Fair Business Practices

Each Director / Senior Manager of the Organization is committed to conduct business fairly without engaging in corrupt practices and unfair competition. Therefore, manipulation, concealment, abuse of privileged information, misrepresentation of facts are not considered as fair business practice.

### 7. Supporting Loyalty & Respect

Each Director & Senior Manager will abide by and promote Company's environment of mutual trust and loyalty. If any Director / Senior Member breaches this trust, then he/ she will be subject to appropriate corrective action including dismissal or removal from office.

### 8. Open Communication

Each Senior Manager is encouraged to discuss concerns raised by anyone in the Company, or report any suspected breach to the MD. The Company will not tolerate any form of retaliation for reports or concerns that were made in good faith.

**9. Corporate Policy Awareness**

All Senior Managers must be aware of all the corporate policies governing the Code of Conduct of employees and the Company's Management System.

**10. Company Branding**

All Director & Senior Managers are expected to give responsible views about the Company and its performance.

**Amendment of the Code**

The Company recognizes that only the Managing Director of the Company may amend this Code as and when required.

**Violation of the Code of Conduct**

If there is a violation of the above-mentioned Code of Conduct by any of the Senior Managers, depending on the seriousness/ severity of the issue will be taken up by a Committee, headed by the MD of the Company for appropriate action as deemed fit.

**B. Audit Committee**

The Audit Committee is constituted by two Non-Executive Independent Directors (NED) and one Executive Director (ED). The Chairman of the Committee is among the Non-Executive Independent Directors. Mr. Vijendra Kumar Surana, the CFO & Company Secretary services the said Committee Meetings. The constitution of the Committee, number of meetings held and attendance of the members are given below.

| Members        | Category | Attendance at Audit Committee Meetings |
|----------------|----------|--|
| Mr. S.K. Jain  | Chairman | 4                                      |
| Mr. R. R. Jain | ED       | 4                                      |
| Mr. R. Ramaraj | NED      | 4                                      |

The Audit Committee functions as a bridge between the administration of the Company and its Board in all financial and accounting matters including budget. It also interacts between the Board, Statutory Auditors and Internal Auditors. The Committee oversees the Company's financial reporting process and ensures that the financial accounting rules and the information on the subject furnished to the Board or to any other governmental authorities is correct, appropriate and the image of the Company is projected appropriately before its stakeholders. The basic objective of the Audit Committee are to maximize the utilization of Company's financial resources, to promote its plans and objectives while fulfilling its obligations towards public accountability. It also ensures that the financial reporting, internal control and monitoring mechanism is transparent, adequate and fair. In its review and appraisals, the Audit Committee interacts both with the Statutory Auditors and the top Management on any matter regarding changes in accounting policies, procedures and practices and presentation of the Audit Reports to the Board and the Shareholders. It also ensures that there is due compliance of the accounting philosophy and accounting norms as laid by the Institutes of Chartered Accountant, Company Secretary, Dept of Company Affairs and/or SEBI. The Audit Committee also reviews the Company's financials and risk management policies, complaints of substantial defaults in matter of payments to the creditors, debentures holders and the shareholders.

|                         |                  |
|-------------------------|------------------|
| <b>Audit</b>            | May 1, 2009      |
| <b>Committee</b>        | July 28, 2009    |
| <b>Meetings held on</b> | October 13, 2009 |
|                         | January 29, 2010 |

**Statutory Audit Observations**

While reviewing the financial records for the year under report, the Audit Committee took note that there were no observations of the Statutory Auditors.

**C. Shareholders' Committee**

Shareholders' Servicing & Grievances Committee comprises of two Directors Mr. S.K. Jain and Mr. R.R. Jain (Chairman) and Mr. Vijendra Kumar Surana, CFO & Company Secretary services this Committee and he may also be co-opted as a member in case of need. Mr. Vijendra Kumar Surana is also the Compliance Officer of the Company. Such meetings are held on quarterly basis and the Shareholders' complaints and grievances are reviewed in detail by the Committee and prompt and effective directions given to the Registrars for proper disposal. During the year the Company has not received any complaints from the Shareholders/Investors of the Company and no complaints are pending to be resolved. Share transfers are also effected fortnightly basis through the 'Share Transfer Committee' constituted by the CFO & Company Secretary of the Company. The Company has processed all share transfer requests received during the year. The constitution of the Committee, number of meetings held and attendance of the members are given below.

| Members        | Category | Attendance at Shareholders' Servicing and Grievance Committee Meetings |
|----------------|----------|--|
| Mr. R. R. Jain | Chairman | 4  |
| Mr. S.K. Jain  | NED      | 4  |

|  |                  |
|--|------------------|
| <b>Shareholders' Servicing and Grievances Committee Meetings held on</b> | April 30, 2009   |
|  | July 29, 2009    |
|  | October 13, 2009 |
|  | January 29, 2010 |

**D. Remuneration Committee**

The Remuneration Committee of the Company comprises of three Non-Executive Independent Directors and one Executive Director, who is the Chairman & Managing Director of the Company. The Chairman of the Committee is among the Non-Executive Independent Directors.

This Committee recommends and reviews the Compensation packages of the individuals and grant of ESOS (Refer: Annexure B1 & B2 to Directors Report) to eligible candidates. The Compensation Policy is directed towards rewarding performance based on review of achievements on a periodical basis and has the overall approval from the Board of Directors. The constitution of the Committee, number of meetings held and attendance of the members are given below.

| Members        | Category | Attendance at Compensation / Remuneration Committee Meetings |
|----------------|----------|--|
| Mr. S.K. Jain  | Chairman | 4  |
| Mr. R. R. Jain | ED       | 4  |
| Mr. R. Ramaraj | NED      | 2  |
| Mr. R. Launder | NED      | 1  |

|  |                  |
|--|------------------|
| <b>Compensation/ Remuneration Committee Meetings held on</b> | April 30, 2009   |
|  | July 28, 2009    |
|  | October 12, 2009 |
|  | January 28, 2010 |

**Remuneration paid to the Directors**

| Name of the Director | Basic Salary | House Rent Allowance | Retiral Benefit | Other Allowances | Sitting Fees | Total Amount Paid (Rs.) |
|----------------------|--------------|----------------------|-----------------|------------------|--------------|-------------------------|
| Mr. R. R. Jain       | 2400000      | 1200000              | 288000          | 204100           | —            | 4092100                 |
| Mr. R. Ramaraj       | —            | —                    | —               | —                | 195000       | 195000                  |
| Mr. S. K. Jain       | —            | —                    | —               | —                | 300000       | 300000                  |
| Mrs. Sarita Jain     | —            | —                    | —               | —                | 45000        | 45000                   |
| Mr. R. Launder       | —            | —                    | —               | —                | 45000        | 45000                   |

**E. General Body Meetings**

The previous 3 Annual General Meetings (AGMs) were held on Friday, the 10th August 2007, on Thursday, the 31st July, 2008 and on Wednesday, the 29th July, 2009. All the aforesaid Meetings were held at Sisir Mitra Hall, West Bengal Electronics Industry Development Corporation Ltd., Webel Bhavan, Block EP & GP, Sector V, Salt Lake, Kolkata – 700 091 at 3.30 pm, at the aforesaid venue at 11.30 am and at Aikatan Cultural Centre, Eastern Zonal Cultural Centre. IA- 190, Sector III, Salt Lake City, Kolkata 700 097 at 11 am respectively. The Company had passed 5 special resolutions in the previous 3 Annual General Meetings.

**F. Disclosures**

1. There were no materially significant transactions with related parties i.e. Promoters, Directors or the Management, their subsidiaries or relatives conflicting with the Company's interests.
2. There were no instances of non-compliance on any matter related to the capital markets during the last 3 years.

**G. Means of Communications**

The Company published its audited quarterly results for the year under report in Business Standard or Economic Times (in English – All India editions) and in Pratidin or Aajkaal (Vernacular) and also displayed them at the website: [www.rsssoftware.com](http://www.rsssoftware.com).

—X—

To the Members of **R S Software India Limited**  
Kolkata

We have examined the compliance of conditions of Corporate Governance by R S Software (India) Limited for the year ended 31st March, 2010 as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchange in India.

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

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

We state that generally no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Company.

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.

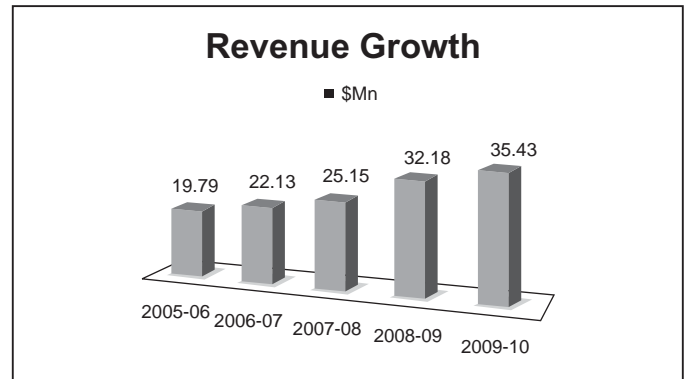
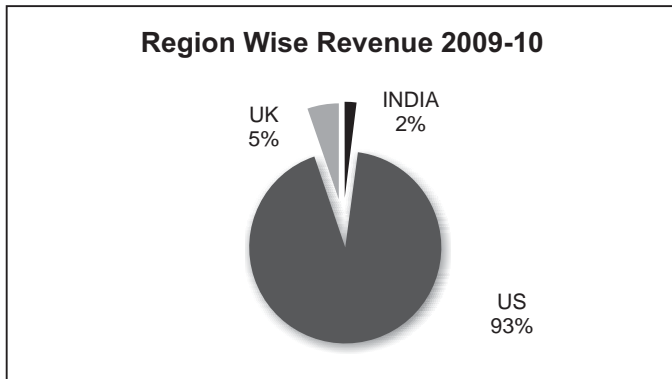
For **Chaturvedi & Company**  
Chartered Accountants

**Nilima Joshi**  
**Partner**

Place : Kolkata  
Date : 26th April, 2010



2009-10 has been a good year for your company despite the market downturn and while we have endured many challenges of late, RS continues to outperform India's IT services industry revenue growth as reported by Nasscom. This is due to the hard work and dedication of RSites around the globe, resulting in revenue growth for the organization.



Sales Engine development and continued investment in RS' Payments domain has been the primary focus this year. A critical development has been our ability to put in place the repeatability of our pursuit methodology involving the three phases of credibility, capability and opportunity selling. The year witnessed multiple important visits by key clients who have expressed a keen interest in working with RS given our unique combination of Payments knowledge and experience coupled with our proprietary Global Execution Model. Visits from CXO level executives to our worldclass facilities in Kolkata have endorsed their confidence in RS as they shared their future direction and possible RS' participation. Our goal is for them to view RS as the 'Partner of Choice'.

**Launch of Singapore operations**

Recognizing the growth potential in the Asia Pacific region, we have set up our Singapore operations, and this subsidiary is already generating revenues and contributing to the growth of the organization.

In tandem, the delivery organization has been restructured into Payment Industry segments to leverage our capabilities, optimize our scalability and fulfill new business from our existing as well as new accounts, ultimately enhancing RS' ability to service our customers better. We established optimized application and production services in 24x7 mode, specific to the Payments domain. The formation of the Project Management Office (PMO) and the Payment Systems Competency Center are some of these developments to enhance delivery and customer delight. The Delivery team has also taken up RS' Knowledge Management initiatives aggressively to harness our knowledge across the organization.

Nilson Report, a leading source of news and proprietary research on consumer payment systems, recently conducted an interview with your CMD and President to profile RS Software. RS has also entered into an OEM agreement with MicroStrategy a leading worldwide provider of business intelligence (BI) software and plans to embed MicroStrategy software into its BI solution. These are just the beginning of our marketing communication and branding initiatives. Our Payments domain experience has been the key in positioning RS in this pursuit.

Your organization is committed to continue working on the many transformation initiatives started with a view to accelerate the pace of growth while working towards our goals of being a 'Partner of Choice', 'Employer of Choice' and an 'Investment of Choice'.



### HR

During this review period, HR continued with its focus on effective talent management through increased employee satisfaction level which in turn ensured retention of key resources. In order to transform the organization, the Extended Management Team was formed which is entrusted with the responsibility of driving change management initiatives across the organization. HR along with EMT implemented several initiatives like Talent Profiling, ERP implementation, Suggestion box and policies to address the changed needs of the organization.

In order to provide a conducive and favorable work environment and to augment employee bonding, the HR Team focused on an array of employee motivation activities this year. HR was also involved in overhauling the appraisal system to effectively capture the achievement of each individual against the corporate goals. The scope was also enhanced to capture KRAs & KPIs of new roles and responsibilities as per the talent profile framework. Keeping in mind the significance of employees' contribution in shaping the organization's growth, the rewards and recognition program went through a transformation. New Award categories such as 'Best Project Awards' and 'Long Service Awards for completion of 15 years' were introduced.

### Singapore subsidiary

With the growing focus on Singapore as the emerging business hub, HR was dedicated to formulating compensation & benefit policies for our employees operating from this location. HR had the dual responsibility of ensuring the welfare of our Singapore employees as well as statutory requirements as per Singapore Government norms.

### Sourcing

During the year, the Sourcing Function has been enhanced and customized for recruiting globally payments domain focused talent. The team with its meticulous & disciplined approach generated enough traction in the talent market, a fact that is highly evident from the improved service level and customer confidence.

### Quality & Benchmarking

In its relentless quest to deliver quality products and services, Q&B has taken up key initiatives during the year, such as ERP implementation, ISMS team restructuring and assignment of dedicated QA Representatives to each project. As the guardian of all processes, Q&B has taken up the mandate of facilitating a companywide implementation of ERP (Oracle Apps R12) to replace the legacy system and bring different processes under a single umbrella to ensure data sharing and higher levels of security. So far, Human Resources, Customer Relationship Management, Resource Allocation, Sourcing and Project Management modules have been implemented successfully. Finance and Purchasing modules are in the UAT phase and will go live soon.

To ensure effective implementation of the Information Security Management System (ISMS) and to improve our processes continuously, the ISMS team was restructured to include team members from Q&B. Regular activities such as Quality Awareness Surveys and ISMS Awareness Surveys have been conducted as usual, and the results have been analyzed. ISMS and client specific awareness training has been imparted to all employees including Project Leaders and Project Managers based on the analysis of survey results.

### Training

During the year Training played a major role in the growth process and in transitioning to a more adaptive and matured organization while continuing to reinvest in our payments domain. This has helped your company to meet the needs of your customers as well as align organizational performance parameters by equipping employees with appropriate development opportunities and implementing a measurement system to define the value generated through learning. The primary target was to ensure continuous flow of Payments domain knowledge. There is a balanced mix of programs/workshops in the technical, business, security and behavioral segments in the continuing education program category. Training addressed the needs of project-specific requirements while meeting individual career aspirations.

During this period, the Leadership team attended Growth Summit, a management development program in Dallas, USA. In December 2009, the Extended Management team at offshore attended a day long interactive session conducted by Verne Harnish on Gazelles Methodology linking the Rockefeller Habits to RS' business. The goal is to enhance company's management bandwidth to meet the dynamics of a growth organization. We have institutionalized training programs in all geographies the company operates globally.

### **Facility**

The Facility team was busy round the year with new technology initiatives. With a view to enhance environmental conscientiousness, Server consolidation was initiated using hardware and software technologies to optimize utilization of computing resources while reducing power, cooling and space costs. In this direction, we successfully adopted blade technology on a 64-bit platform as our core hardware computing platform. On the software side, Server Virtualization on Citrix XenServer has been the essence of the Server consolidation strategy. We have also re-engineered the external access architecture of the Intranet applications to enable stronger security controls.

### **Operations & Support**

Maintaining fiscal prudence while balancing the needs of our stakeholders and increasing productivity was the major challenge successfully faced by the Operations & Support (O&S) group. Meeting the delivery timeline for requirements, provisioning quality vendor services and maintaining statutory compliance were among the major achievements. While process improvement efforts are in progress towards achievement of these goals, the O&S team continues to interlock with other functions to establish greater synergy and cohesiveness.

### **Corporate Communications & Branding**

The Corporate Communications team has been instrumental in enhancing both the external and internal face of your company. The team has been an integral part of our marketing communications and branding initiatives and has helped build our professional network with the rest of the industry. During the year, the team supported the Sales and Execution organizations by designing smart, slick and professional business collateral in the form of presentations, brochures, cutsheets and mailers for client visits and external events. The team also assisted the CMD's office by designing professional presentations for the YPO Global Leadership Summit held at Barcelona, Spain where our CMD addressed an audience of CEOs from all over the world. And during the onset of the New Year, the team added a personal touch by creating personalized greeting cards for all clients.

A key focus during the fiscal was on delivering appropriate messages to external and internal entities, which included both deciding on the appropriate communication channel and carefully structuring the messages to be delivered in alignment with your organization's vision. The team continued to work on internal branding initiatives to communicate the benefits of the company's people policies to employees. The Intranet was revamped functionally and aesthetically and reorganized to highlight and focus on the company's vision. As part of RS' security policies and guidelines, posters on the same were designed and created. Specially designed messages on the thematic goals for every quarter were created thus ensuring that all within the company were aligned to the company's objectives and goals. The RS Club continued to conduct various activities throughout the year to bring about greater sense of belonging amongst RS-ites.

During the year we have strengthened the process architecture, and enhanced the global team to build a strong foundation for growth in the coming years.





|  |  |
|--|--|
| <b>Corporate HQ &amp; Registered Office</b>  | <p>“FMC FORTUNA”, 1st Floor, A-2,<br/>234/3A, AJC Bose Road, Kolkata - 700 020<br/>Phone # 033 - 22876254/6255 / 2281 0106-09<br/>Fax # 033-22876256<br/>Website: <a href="http://www.rssoftware.com">www.rssoftware.com</a></p>   |
| <b>Date and Venue of Annual General Meeting</b>                                      | <p>11 am. on July 24, 2010<br/>at Aikatan Cultural Center, Eastern Zonal<br/>Cultural Centre, IA-190, Sector III, Salt Lake<br/>City, (Opposite Columbia Asia Hospital),<br/>Kolkata 700 097</p>   |
| <b>Tentative Calendar of Events for the Financial Year 2007 – 08 (April – March)</b> | <p>First Quarter - July 2009<br/>Second Quarter - October 2009<br/>Third Quarter - January 2010<br/>Financial Year - May 2010</p>  |
| <b>Shareholders Services, Enquiries, Complaints</b>                                  | <p><b>Mr. Vijendra Kumar Surana</b> <a href="mailto:vijendras@rssoftware.com">vijendras@rssoftware.com</a><br/>OR<br/><b>Mr. Anindya Sen</b> <a href="mailto:anindyasen@rssoftware.co.in">anindyasen@rssoftware.co.in</a></p>  |
| <b>Registrars &amp; Share Transfer Agent</b>   | <p><b>C.B. Management Services (P) Ltd.</b><br/>P- 22, Bondel Road, Kolkata – 700 019<br/>Phone # 033-22806692/ 40116700/711/718/723<br/>Fax # 033-22870263</p>  |
| <b>Book Closure for AGM</b>  | <p>23rd July, 2010 to 24th July, 2010 (Both days inclusive)</p>  |
| <b>Listing on Stock Exchanges of</b>   | <p><b>Bombay Stock Exchange Ltd.</b><br/>1st Floor, Phiroze Jeejeebhoy Towers, Dalal<br/>Street, Mumbai 400 001</p> <p><b>National Stock Exchange of India Ltd.,</b><br/>Exchange Plaza, 5th Floor, Plot No. C/1,<br/>G-Block, Bandra – Kurla Complex, Bandra (E),<br/>Mumbai 400 051.</p> |
| <b>Trading of Equity Shares</b>  | <p>Equity Shares are traded through :</p> <p>a. <b>National Securities Depository Ltd. and</b><br/>b. <b>Central Depository Services (India) Ltd.</b><br/>Company's ISIN: <b>INE165B01011</b></p>  |
| <b>Auditors:</b>   | <p><b>Chaturvedi &amp; Company</b><br/>60, Bentinc Street , Kolkata.</p>   |
| <b>Bankers:</b>  | <p><b>ICICI Bank Ltd</b></p>   |
| <b>Attorneys &amp; Solicitors:</b>   | <p><b>Sandersons &amp; Morgans</b><br/>Royal Insurance Buildings,<br/>5, Netaji Subhas Road, Kolkata</p>   |

**Monthly High, Low & Closing Share Price at BSE**

| Month   | High Price | Low Price | Closing Price |
|---------|------------|-----------|---------------|
| Apr' 09 | 17.00      | 11.00     | 15.13         |
| May' 09 | 37.40      | 16.55     | 37.40         |
| Jun' 09 | 39.25      | 23.80     | 25.85         |
| Jul' 09 | 31.25      | 21.70     | 31.25         |
| Aug' 09 | 59.15      | 32.80     | 53.90         |
| Sep' 09 | 60.50      | 44.60     | 50.35         |
| Oct' 09 | 58.45      | 45.40     | 45.50         |
| Nov' 09 | 51.60      | 41.25     | 45.80         |
| Dec' 09 | 52.35      | 45.50     | 48.35         |
| Jan' 10 | 70.70      | 47.55     | 52.05         |
| Feb' 10 | 51.80      | 39.00     | 42.30         |
| Mar' 10 | 46.90      | 39.00     | 39.90         |

**Monthly High, Low & Closing Share Price at NSE**

| Month   | High Price | Low Price | Closing Price |
|---------|------------|-----------|---------------|
| Apr' 09 | 16.90      | 10.25     | 15.10         |
| May' 09 | 36.95      | 16.70     | 36.95         |
| Jun' 09 | 38.80      | 23.00     | 26.00         |
| Jul' 09 | 31.90      | 21.70     | 31.90         |
| Aug' 09 | 60.50      | 33.50     | 54.75         |
| Sep' 09 | 60.70      | 43.75     | 50.10         |
| Oct' 09 | 59.80      | 45.50     | 45.70         |
| Nov' 09 | 51.30      | 42.05     | 46.00         |
| Dec' 09 | 52.00      | 44.10     | 48.65         |
| Jan' 10 | 70.80      | 48.15     | 52.30         |
| Feb' 10 | 53.00      | 41.50     | 42.30         |
| Mar' 10 | 46.50      | 38.70     | 39.20         |

**Pattern of Shareholding as on March 31, 2010**

| Category                         | % of Shareholding |
|----------------------------------|-------------------|
| Promoters, Directors & Relatives | 25.63             |
| FII's, NRIs & OCB                | 1.29              |
| FIs, Bank, MF & Bodies Corporate | 12.72             |
| Resident Individuals             | 60.36             |
| Total                            | 100.00            |

**DISTRIBUTION OF SHAREHOLDING AS ON 31.03.2010**

| RANGE         | NO. OF SHAREHOLDERS | % OF SHAREHOLDERS | NO. OF SHARES  | % OF SHARES   |
|---------------|---------------------|-------------------|----------------|---------------|
| 1-500         | 11333               | 88.10             | 1742969        | 21.50         |
| 501-1000      | 815                 | 6.34              | 657292         | 8.11          |
| 1001-2000     | 390                 | 3.03              | 587260         | 7.24          |
| 2001-3000     | 106                 | 0.83              | 272335         | 3.36          |
| 3001-4000     | 57                  | 0.44              | 205196         | 2.53          |
| 4001-5000     | 40                  | 0.31              | 187535         | 2.31          |
| 5001-10000    | 63                  | 0.49              | 453438         | 5.59          |
| 10001 & ABOVE | 59                  | 0.46              | 4002373        | 49.36         |
| <b>TOTAL</b>  | <b>12863</b>        | <b>100.00</b>     | <b>8108398</b> | <b>100.00</b> |

To  
The Members of  
RS Software India Limited  
Kolkata

1. We have audited the attached Balance Sheet of RS Software India Limited as at 31st March 2010 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. We further draw attention to:
  - a. Note No. 10 of Schedule 12 to the financial statements in respect of non-confirmation from IDBI regarding treatment of all interim payments during the year as deposits and non redemption of 12.5 % Preference Shares of Rs. 25,500,000 issued to IDBI which was due for redemption on May 31, 2004.
  - b. Debtors, Creditor and some security deposit are subject to confirmation.
5. Further to our comments in annexure referred to in para 3, and Para 4 above, we report that:
  - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit:
  - (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from the branches not visited by us;
  - (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
  - (v) On the basis of written representations received from the Directors, as on 31st March 2010, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2010 from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, subject to Para 4 above read together with other notes in Schedule 12, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- a. in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2010;
  - b. in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
  - c. in the case of the Cash Flow Statement, of the Cash Flows for the year ended on that date.

For  
**Chaturvedi & Company**  
Chartered Accountants

**Nilima Joshi**  
Partner (M. No. 52122)

Place : Kolkata  
Date : 26th April 2010

Refer Auditors' Report of RS Software (India) Limited, referred to in paragraph 3 of our report of even date:

- i.
  - a) The Company has generally maintained proper records of all tangible assets showing full particulars including quantitative details except location thereof.
  - b) As explained by the Management, all the assets have been physically verified by the management during the year-end which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
  - c) During the year, the Company has not disposed off any substantial part of the fixed assets so as to affect the going concern status of the Company.
- ii. Spares and consumables are used/charged to revenue in the year in which they are purchased and Company is maintaining proper records of the same. The inventory has been physically verified during the year, procedures of which are reasonable and adequate in relation to the size of the Company and the nature of its business. No material discrepancies were noticed on such verification.
- iii.
  - a) On the basis of examination of records and according to the information and explanation given to us, we report that the Company has not granted any loan, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956 except an advance in the nature of loan of Rs. 46,42,583 to its US subsidiary, maximum amount outstanding during the year Rs.47,83,839 and year end balance is 'Nil'.
  - b) In our opinion the advance in the nature of loan was prejudicial to the interest of the Company, as the interest is being charged w.e.f. Jan '09 on loans taken thereafter. Prior to that no interest had been charged by the Company.
  - c) The above loan has been repaid hence clause 3(d) is not applicable.
  - e) The Company has not taken any loan, secured or unsecured from companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956.
  - f) In view of 3 (e) above, the clauses 3 (f) and 3 (g) are not applicable
- iv. In our opinion and according to the information and explanations given to us, there is adequate internal system commensurate with the size of the Company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in the internal control system.
- v.
  - (a) In our opinion and according to information and explanations given to us, the particulars of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.
  - (b) In our opinion and according to information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees Five lakhs in respect of any party during the year (other than transactions dealt with in Pt (v) (a) above ,have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time, other than providing of services of employees of the company at cost to the subsidiary amounting to Rs.53,12,762
- vi. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public and as such compliance with the provisions of Sections 58A, 58AA or any other relevant provision of the Companies Act, 1956 and the Companies (Acceptance of Deposits) Rules, 1975 does not arise. According to the information and explanation given to us no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal in respect of deposits.
- vii. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- viii. The Central Government has not prescribed for the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956.

- ix. a) According to the records of the Company, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales tax, wealth tax, service tax, custom duty, cess and other material statutory dues applicable to it.
- b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, service tax, sales tax, customs duty, excise duty, value added tax, cess and other material statutory dues were outstanding, as at 31st March 2009 for a period of more than six months from the date they became payable.
- c) According to the records of the Company, there are no dues of sales tax, customs duty / wealth-tax, service tax, excise duty/cess which have not been deposited on account of any dispute. Appeal filed with the Commissioner.
- x. The Company does not have accumulated losses as at 31st March'2010 and has not incurred any cash losses during the financial year covered by our audit and in the immediately preceding financial year.
- xi. Based on our audit procedures and on the information and explanations given by the Management, the Company has not defaulted in repayment of dues to the financial institution and bank. Payment dates of dues for debentures have been extended by the Institution.
- xii. Based on our examination of documents and records, we are of the opinion that the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. The Company is not a chit fund company/nidhi/mutual benefit fund/societies; hence provisions of any special statute are not applicable.
- xiv. In our opinion, the Company is not dealing in, or trading in shares, securities, debentures and other investments. Accordingly the provisions of clause 4(xiv) of the Companies (Auditors Report), Order 2003 are not applicable to the Company.
- xv. The Company has not given any guarantee for loans taken by others from bank or financial institutions.
- xvi. In our opinion the term loans raised during the year have been applied for the purpose for which they were raised.
- xvii. During the accounting period covered by our report, we report that no fund raised on short term basis have been used for long-term investments.
- xviii. The Company has made preferential allotment of Shares to a Parties covered in the register maintained u/s 301 of the Act. The price at which Shares have been issued is not prejudicial to the interest of the Company.
- xix. Non Convertible Debentures are secured against movable asset (except book debts) and personal guarantee of Managing Director.
- xx. According to the information/explanations given to us, the Company has not raised any money by Public Issue during the year.
- xxi. Based on information and explanations 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.

For Chaturvedi & Company  
Chartered Accountants

**Nilima Joshi**  
Partner (M. No. 52122)

Place: Kolkata  
Date: 26th April'2010

| Particular   | Schedule          | March 31, 2010<br>(in Rs) | March 31, 2009<br>(in Rs) |
|--|-------------------|---------------------------|---------------------------|
| <b>Sources of Funds :</b>                                    |                   |                           |                           |
| <b>A Shareholders' Funds</b>                                 |                   |                           |                           |
| Share Capital  | 1                 | 111,713,980               | 132,564,765               |
| Reserve & Surplus  | 2                 | 199,588,426               | 177,243,399               |
|  |                   | <b>311,302,406</b>        | <b>309,808,164</b>        |
| <b>B Loan Funds</b>  |                   |                           |                           |
| Secured Loan   | 3                 | 14,450,000                | 93,525,807                |
|  |                   | <b>14,450,000</b>         | <b>93,525,807</b>         |
| <b>C Deferred Tax Liability</b>                              |                   |                           |                           |
|  |                   | <b>12,359,908</b>         | <b>10,029,998</b>         |
|  | Total (a+b+c)     | <b>338,112,314</b>        | <b>413,363,969</b>        |
| <b>Application Of Funds</b>                                  |                   |                           |                           |
| <b>A Fixed Assets</b>  |                   |                           |                           |
|  | 4                 |                           |                           |
| Gross Block  |                   | 791,340,719               | 761,527,701               |
| Less : Depreciation  |                   | 634,266,747               | 563,088,457               |
| Net Block  |                   | <b>157,073,972</b>        | <b>198,439,244</b>        |
| Capital Work In Progress                                     |                   | 892,500                   | 593,925                   |
| <b>B Investments</b>   |                   |                           |                           |
| (investment In Shares Of Wholly<br>Owned Foreign Subsidiary) | 5                 | 802,500                   | 500                       |
| <b>C Current Assets, Loans And Advances</b>                  |                   |                           |                           |
| Sundry Debtors   | 6                 | 158,027,022               | 93,937,254                |
| Cash And Bank Balances                                       | 7                 | 36,163,466                | 19,161,872                |
| Loans And Advances   | 8                 | 113,583,317               | 161,720,947               |
|  |                   | <b>307,773,805</b>        | <b>274,820,073</b>        |
| Less : Current Liabilities And Provisions                    | 9                 | 130,804,200               | 135,140,367               |
| Net Current Assets   |                   | <b>176,969,605</b>        | <b>139,679,706</b>        |
| <b>D Miscellaneous Expenditure</b>                           |                   |                           |                           |
|  |                   | 2,373,737                 | 3,872,309                 |
| <b>E Profit And Loss Account</b>                             |                   |                           |                           |
|  |                   | —                         | 70,778,285                |
|  | Total (a+b+c+d+e) | <b>338,112,314</b>        | <b>413,363,969</b>        |

Notes On Accounts

12

The Schedule referred to above form an integral part of the Balance Sheet.

This is the Balance Sheet referred to in our report of even date.

For **CHATURVEDI & COMPANY**  
Chartered Accountants

ON BEHALF OF THE BOARD

**NILIMA JOSHI**  
Partner, M. No. 52122  
Dated: April 26th 2010, Kolkata

**V. SURANA**  
CFO & Company  
Secretary

**S. K. JAIN**  
Director

**R. R. JAIN**  
Chairman &  
Managing Director

**PROFIT AND LOSS ACCOUNT** FOR THE YEAR ENDED MARCH 31 ' 2010


| Particular   | Schedule | March 31, 2010<br>(in Rs) | March 31, 2009<br>(in Rs) |
|--|----------|---------------------------|---------------------------|
| <b>I Income :</b>                                  |          |                           |                           |
| Income From Computer Software Development Services |          |                           |                           |
| Export Income                                      |          | 1,587,232,447             | 1,471,640,859             |
| Domestic Income                                    |          | 31,138,972                | 24,071,775                |
| Profit On Foreign Currency Transaction             |          | (5,476,248)               | (3,793,276)               |
| Other Income (refer Note 3 Of Schedule 12)         |          | 5,854,811                 | 2,627,060                 |
| <b>Total</b>                                       |          | <b>1,618,749,982</b>      | <b>1,494,546,418</b>      |
| <b>II Expenditure :</b>                            |          |                           |                           |
| Selling & Marketing Expenses                       |          | 90,556,069                | 78,755,442                |
| Salary And Other Employee Benefit                  | 10       | 1,126,849,099             | 1,002,057,223             |
| Administrative And Other Expenses                  | 11       | 188,005,348               | 220,528,537               |
| Miscellaneous Expenses Written Off                 |          | 1,498,572                 | 1,498,572                 |
| Interest & Finance Charges                         |          | 22,721,719                | 40,160,587                |
| Depreciation                                       |          | 71,178,290                | 57,394,815                |
| <b>Total</b>                                       |          | <b>1,500,809,097</b>      | <b>1,400,395,176</b>      |
| <b>III Profit Before Tax ( I - II ) :</b>          |          | 117,940,886               | 94,151,242                |
| Less : Provision For Income Tax                    |          | 20,047,323                | 10,520,046                |
| Less : Deferred Tax Liability                      |          | 2,329,910                 | 19,104,335                |
| Less : Fringe Benefit Tax                          |          | —                         | 1,300,000                 |
| <b>IV Profit After Tax :</b>                       |          | <b>95,563,653</b>         | <b>63,226,861</b>         |
| <b>Profit &amp; Appropriation :</b>                |          |                           |                           |
| Balance B/F From Last Year                         |          | (70,778,284)              | (134,005,145)             |
| Less : Trf To Preference Share Redemption Reserve  |          | 11,000,000                | —                         |
| <b>V Balance Carried Over To Balance Sheet :</b>   |          | <b>13,785,369</b>         | <b>(70,778,284)</b>       |
| <b>Notes On Accounts</b>                           |          | 12                        |                           |
| Nominal Value Per Share                            |          | 10                        | 10                        |
| Basic Earning Per Share                            |          | 12.03                     | 7.65                      |
| Dilluted Earning Per Share                         |          | 11.35                     | 7.56                      |

The Schedules Referred To Above Form An Integral Part Of The Balance Sheet.

This Is The Balance Sheet Referred To In Our Report Of Even Date.

For **CHATURVEDI & COMPANY**  
Chartered Accountants

ON BEHALF OF THE BOARD

**NILIMA JOSHI**  
Partner, M. No. 52122  
Dated: April 26th 2010, Kolkata

**V. SURANA**  
CFO & Company  
Secretary

**S. K. JAIN**  
Director

**R. R. JAIN**  
Chairman &  
Managing Director



| Particular  | March 31, 2010<br>(in Rs) | March 31, 2009<br>(in Rs) |
|---|---------------------------|---------------------------|
| Schedule 1  |                           |                           |
| Share Capital   |                           |                           |
| Authorised Capital:   |                           |                           |
| 1000000 Equity Share of Rs. 10/- each   | 100,000,000               | 100,000,000               |
| 2500000 Preference Share of Rs. 100/- each  | 250,000,000               | 250,000,000               |
|   | <b>350,000,000</b>        | <b>350,000,000</b>        |
| <b>Issued Subscribed And Paid-up-fully Called And Paid Up</b>   |                           |                           |
| 8108398 Equity Share of Rs. 10/- each<br>(previous Year 76,646,48 Shares)   | 81,083,980                | 76,646,480                |
| 250000 12.5% Cumulative Redeemable Preference Share<br>Of Rs. 100/- Each Fully Paid Up (redeemable In<br>May,2004)<br>(previous Year 50000)   | 25,500,000                | 50,000,000                |
| <b>Employee Stock Option Outstanding</b>  | —                         | 47,285                    |
| Refer Note No.14 of Schedule 12 for details   |                           |                           |
| <b>Preferential Allotment of Equity Warrants</b>  | 780,000                   | 1,521,000                 |
| (The Company has allotted 10,00,000 Equity Warrant @<br>Rs. 19.50 each on Preferential Basis To CMD Mr. Rajnit<br>Rai Jain in terms of resolution passed at Extra Ordinary<br>General Meeting held on 13th Jan ' 09. The same is<br>convertible into Equity Share of Rs. 10 each at a<br>premium of Rs. 9.5 each. of the above 10,00,000<br>warrant 380,000 warrants (previous year 220000<br>warrants) have been converted into Equity Shares<br>during the period in line with Sebi DIP<br>Guidelines.) |                           |                           |
| <b>Share Forfeiture</b>   | 4,350,000                 | 4,350,000                 |
| (The Company has forfeited 10% application money<br>on the 500,000 warrants for preferential allotment to be<br>converted into Equity Shares against each warrant.<br>the nominal value cs Rs. 10/- and the price at which<br>allotted is Rs 87/- inclusive of a premium amount of<br>Rs.77/- the same has been forfeited in the absence of<br>final call money being released within the due date.)  |                           |                           |
|   | <b>111,713,980</b>        | <b>132,564,765</b>        |

| Particular                               | March 31, 2010<br>(in Rs) | March 31, 2009<br>(in Rs) |
|--|---------------------------|---------------------------|
| <b>Schedule -2</b>                       |                           |                           |
| <b>Reserve And Surplus</b>               |                           |                           |
| Share Premium Account                    | 179,431,223               | 175,224,291               |
| Preference Share Redemption Reserve      | 24,500,000                | 13,500,000                |
| Profit And Loss Account                  | 13,785,369                | —                         |
| Inter Branch Foreign Fluctuation Reserve | (18,128,166)              | (11,480,891)              |
|  | <b>199,588,426</b>        | <b>177,243,399</b>        |

| Particular   | March 31, 2010<br>(in Rs) | March 31, 2009<br>(in Rs) |
|--|---------------------------|---------------------------|
| <b>Schedule-3</b>  |                           |                           |
| <b>Secured Loan</b>  |                           |                           |
| Loans And Advances From Banks And Financial Institutions   |                           |                           |
| <b>Bank Overdraft With Icici Bank **</b>   | —                         | 64,362,361                |
| ** (Secured by first charge on all the current assets, second mortgage and charge on all the company's fixed assets, ranking pari passu with other bankers, exclusive charge on the corporate office of the company and personal guarantee of two directors)   |                           |                           |
| <b>12.5 % Non Convertible Debenture</b><br>(Secured as second charge by way of hypothecation of all movable assets except book debts and demand promissory note and personal guarantee of managing director. the same is redeemable in two equal yearly installments 1st installment was due in november 2009, which has been paid and second installment is due to be paid on november 2010.) | 14,450,000                | 28,900,000                |
| <b>Car Loan</b><br>(Secured against the car)   | —                         | 263,446                   |
|  | <b>14,450,000</b>         | <b>93,525,807</b>         |

**Schedule -4**

| Fixed Assets                | Gross Block |                |                   |             | Depreciation             |                             |                    |                          | Net Block   |             |
|-----------------------------|-------------|----------------|-------------------|-------------|--------------------------|-----------------------------|--------------------|--------------------------|-------------|-------------|
|                             | Opening     | Additions      | Sales/ Adjustment | Closing     | Accumulated Depreciation | Depreciation For Year Ended | Sales / Adjustment | Accumulated Depreciation | As At       | As At       |
|                             | Balance     | For Year Ended | Adjustment        | Balance     | Depreciation             | March '10                   | Adjustment         | Depreciation             | 31.03.2010  | 01.04.09    |
|                             | 01.4.09     | March '10      |                   | 31.03.2010  | 01.4.09                  | March '10                   |                    | 31.03.2010               |             |             |
| Land                        | 775,994     | -              | -                 | 775,994     | -                        | -                           | -                  | -                        | 775,994     | 775,994     |
| Building                    | 15,814,206  | -              | -                 | 15,814,206  | 3,401,733                | 209,137                     | -                  | 3,610,870                | 12,203,336  | 12,412,473  |
| Lease Building Expenses     | 13,982,571  | -              | -                 | 13,982,571  | 9,036,797                | -                           | 1,648,584          | 10,685,381               | 3,297,190   | 4,945,774   |
| Lease Plant And Machineries | 1,127,265   | -              | -                 | 1,127,265   | 564,605                  | 375,717                     | -                  | 940,323                  | 186,942     | 562,660     |
| Plant And Machineries       | 593,389,885 | 29,505,717     | -                 | 622,895,602 | 506,529,833              | 63,045,690                  | -                  | 569,575,522              | 53,320,080  | 86,860,053  |
| Office Equipment            | 19,395,677  | 183,405        | -                 | 19,579,082  | 5,196,940                | 759,787                     | -                  | 5,956,727                | 13,622,355  | 14,198,737  |
| Air Conditioner             | 12,655,642  | 13,112         | -                 | 12,668,754  | 4,844,413                | 404,800                     | -                  | 5,249,213                | 7,419,541   | 7,811,229   |
| Electrical Instalations     | 30,173,896  | -              | -                 | 30,173,896  | 6,043,372                | 1,242,804                   | -                  | 7,286,176                | 22,887,720  | 24,130,524  |
| Furniture And Fittings      | 68,738,209  | 110,784        | -                 | 68,848,993  | 25,368,754               | 3,097,822                   | -                  | 28,466,576               | 40,382,416  | 43,369,454  |
| Motor Vehicles              | 5,474,356   | -              | -                 | 5,474,356   | 2,102,008                | 393,949                     | -                  | 2,495,957                | 2,978,399   | 3,372,348   |
| Total                       | 761,527,701 | 29,813,018     | -                 | 791,340,719 | 563,088,457              | 69,529,706                  | 1,648,584          | 634,266,747              | 157,073,972 | 198,439,244 |
| Previous Year 08-09         | 700,436,753 | 61,690,948     | -                 | 761,527,701 | 505,693,639              | 53,184,194                  | 4,210,624          | 563,088,457              | 198,439,244 | 194,743,110 |

**Note:**

1. Land includes Leasehold land amounting to Rs. 458,694/-. The lease expires in year 2086.
2. Asset has taken on Lease from Orix Auto Infrastructure Services Limited for Rs. 3.26 crores of which Rs. 65.40 lakhs is given as Security Deposit. The lease period is for 48 months starting from 10th August 2006 and lease rental are being paid every month.
3. New Building in Sector V comprising of 59600 sq ft has been taken on lease for a period of 36 months starting from May 2009 to April 2012 . Company has incurred additional Expense of Rs 4,999,532 in March '09 and the same is being written over the renewed period of lease i.e 36 months.
4. A Lease agreement for the sum of Rs 101.92 Lac has been entered into with CISCO Systems Capital India Pvt. Ltd as finance Lease for the period of 36 Months w.e.f. 13.10.2007.

| Particular   | March 31, 2010<br>(in Rs) | March 31, 2009<br>(in Rs) |
|--|---------------------------|---------------------------|
| <b>Schedule -5</b>   |                           |                           |
| <b>Investments</b>   |                           |                           |
| <b>Long Term &amp; Unquoted</b>  |                           |                           |
| In Wholly Owned Subsidiary   |                           |                           |
| <b>RS Software Asia Pte Ltd.</b><br>(25000 No. Equity Share Of Sgd 1 Each)               | 802,000                   | —                         |
| <b>Responsive Solution Inc.</b><br>(500 No. Equity Share Of Usd 0.01 Each)               | 16,330,000                | 16,330,000                |
|  | <b>17,132,000</b>         | <b>16,330,000</b>         |
| Less: Provision of diminution in value of investments<br>( For Responsive Solution Inc.) | 16,329,500                | 16,329,500                |
|  | <b>802,500</b>            | <b>500</b>                |

| Particular   | March 31, 2010<br>(in Rs) | March 31, 2009<br>(in Rs) |
|--|---------------------------|---------------------------|
| <b>Schedule-6</b>                                    |                           |                           |
| <b>Sundry Debtors</b>                                |                           |                           |
| <b>Receivables</b>                                   |                           |                           |
| (Unsecured And Considered Good)                      |                           |                           |
| Debts outstanding for a period exceeding six months- | 1,149,583                 | 12,588,577                |
| Other Debts (for period less than six month)         | 156,877,438               | 81,348,677                |
|  | <b>158,027,022</b>        | <b>93,937,254</b>         |

| Particular   | March 31, 2010<br>(in Rs) | March 31, 2009<br>(in Rs) |
|--|---------------------------|---------------------------|
| <b>Schedule -7</b>   |                           |                           |
| <b>Cash And Bank Balances</b>  |                           |                           |
| Cash In Hand   | 39,290                    | 49,782                    |
| Cash At Bank With :  |                           |                           |
| Schedule Banks   |                           |                           |
| — In Current Account<br>(axis Bank Ltd., Icici Bank Ltd., Allahabad Bank)      | 2,207,700                 | 12,383,617                |
| — In No Lien Account   | —                         | 1,742                     |
| — In O/D Account (ICICI Bank)  | 15,405,764                |                           |
| Foreign Bank   |                           |                           |
| — In Current Account<br>( Bk of America, Silicon Valley Bk, ICICI BK UK Ltd. ) | 17,107,094                | 5,616,732                 |
| Fixed Deposits   |                           |                           |
| Axis Bank (on Lien)  | 785,072                   | 492,487                   |
| Allahabad Bank (on Lien)   | 618,546                   | 617,511                   |
|  | <b>36,163,466</b>         | <b>19,161,872</b>         |

| Particular   | March 31, 2010<br>(in Rs) | March 31, 2009<br>(in Rs) |
|--|---------------------------|---------------------------|
| <b>Schedule -8</b>   |                           |                           |
| <b>Loans And Advances</b>                                    |                           |                           |
| (unsecured And Considered Good)                              |                           |                           |
| <b>Advances</b>  |                           |                           |
| (Recoverable in cash or in kind or for value to be received) |                           |                           |
| Advance To Subsidiary  | —                         | 18,505,115                |
| Advance To Staff   | 1,834,953                 | 1,754,169                 |
| Advance Taxes  | 52,967,053                | 50,467,748                |
| Prepaid Expenses   | 10,388,968                | 4,340,171                 |
| Advance Against Expenses                                     | 4,522,737                 | 8,262,227                 |
| Deposits   | 43,869,606                | 78,391,517                |
|  | <b>113,583,317</b>        | <b>161,720,947</b>        |

| Particular                              | March 31, 2010<br>(in Rs) | March 31, 2009<br>(in Rs) |
|---|---------------------------|---------------------------|
| <b>Schedule-9</b>                       |                           |                           |
| <b>Current Liability And Provisions</b> |                           |                           |
| <b>Current Liability</b>                |                           |                           |
| Sundry Creditors                        | 56,492,484                | 89,460,170                |
| Salary And Other Tax Liability          | 17,704,791                | 18,139,979                |
| Liability To The Subsidiary             | 2,543,373                 | —                         |
| <b>Provisions</b>                       |                           |                           |
| Provision For Leave Encashment          | 7,117,542                 | 5,177,972                 |
| Provision For Gratuity                  | 11,059,470                | 6,523,030                 |
| Provision For Fringe Benefit Tax 06-07  | 1,227,390                 | 1,227,390                 |
| Provision For Fringe Benefit Tax 07-08  | 1,300,000                 | 1,300,000                 |
| Provision For Fringe Benefit Tax 08-09  | 1,300,000                 | 1,300,000                 |
| Provision For Income Tax 07-08          | 1,491,780                 | 1,491,780                 |
| Provision For Income Tax 08-09          | 10,520,046                | 10,520,046                |
| Provision For Income Tax 09-10          | 20,047,323                | —                         |
|   | <b>130,804,200</b>        | <b>135,140,367</b>        |

| Particular                               | March 31, 2010<br>(in Rs) | March 31, 2009<br>(in Rs) |
|--|---------------------------|---------------------------|
| <b>Schedule-10</b>                       |                           |                           |
| <b>Salary And Other Employee Benefit</b> |                           |                           |
| Salary, Wages And Bonus                  | 815,996,808               | 714,375,487               |
| Subcontracting Charges                   | 217,338,273               | 231,360,834               |
| Contribution To Pf And Other Funds       | 18,824,641                | 16,608,369                |
| Workman And Staff Welfare Expenses       | 74,689,377                | 39,712,533                |
|  | <b>1,126,849,099</b>      | <b>1,002,057,223</b>      |

| Particular                               | March 31, 2010<br>(in Rs) | March 31, 2009<br>(in Rs) |
|--|---------------------------|---------------------------|
| <b>Schedule-11</b>                       |                           |                           |
| <b>Administrative And Other Expenses</b> |                           |                           |
| Travelling                               | 22,997,436                | 37,139,404                |
| Conveyance                               | 10,900,150                | 6,040,657                 |
| Staff Welfare                            | 7,573,059                 | 3,942,101                 |
| Telephone                                | 20,471,842                | 23,879,881                |
| Printing And Stationery                  | 2,209,167                 | 2,749,868                 |
| Electricity And Power                    | 11,016,390                | 10,855,338                |
| Rent - Equipment                         | 8,335,852                 | 8,660,920                 |
| Rent - Apartment And Ground              | 26,966,571                | 26,018,250                |
| Repairs - Machinery                      | 8,963,763                 | 6,432,894                 |
| Repairs - Building                       | 7,736,959                 | 5,885,967                 |
| Repairs - Others                         | 73,981                    | 453,471                   |
| Education And Training Expenses          | 3,355,359                 | 658,551                   |
| Insurance                                | 7,275,368                 | 9,324,007                 |
| Miscellaneous Expenses                   | 6,190                     | 529,956                   |
| Auditors' Remuneration - Audit Fees      | 150,000                   | 150,000                   |
| Tax Audit Fee                            | 50,000                    | 50,000                    |
| Other Audit Certificate                  | 90,000                    | 73,001                    |
| Books And Periodicals                    | 328,387                   | 586,099                   |
| Directors' Fees                          | 587,914                   | 420,000                   |
| Rates And Taxes                          | 1,353,318                 | 164,857                   |
| Legal / Professional Fee                 | 21,082,214                | 56,211,362                |
| Consultancy Charges                      | 4,808,148                 | 3,759,729                 |
| Recruitment And Relocation Expenses      | 3,592,825                 | 8,093,204                 |
| General And Board Meeting Expenses       | 3,051,879                 | 1,805,101                 |
| Membership And Subscription              | 1,308,098                 | 1,623,461                 |
| Business Promotion                       | 3,801,340                 | 1,928,097                 |
| Advertisement                            | 321,647                   | 817,954                   |
| Seminar And Conferences                  | 340,381                   | 2,092,407                 |
| Deposits Written Off                     | 9,257,112                 |                           |
| Donation                                 | —                         | 132,000                   |
|  | <b>188,005,348</b>        | <b>220,478,537</b>        |

**Schedule 12****1. Significant Accounting Policies****a) Convention**

The financial statements have been prepared under the historical cost convention in accordance with the applicable Accounting Standards in India and the provisions of the Indian Companies Act, 1956.

**b) Basis of Accounting**

The Company follows accrual basis of accounting.

**c) Revenue Recognition**

Revenue is realised on time-and-material basis and billed to clients as per the terms of specific contracts. Revenue from software development on time and material basis is recognised based on software developed and billed to clients as per the terms of specific contracts. Revenue from sale of special import licenses is recognized when the licenses are actually sold. The income from software development is inclusive of value added tax.

**d) Fixed Assets**

Fixed Assets are capitalized at cost inclusive of installation charges, interest & other financial charges on borrowings and other expenses for acquisition of such fixed assets till they are made operational.

**e) Depreciation**

Depreciation on fixed assets is provided using the straight-line method at the rates prescribed under the Schedule XIV of the Indian Companies Act, 1956. However, Plant & Machinery is being depreciated @ 33.33%. Assets costing less than Rs.5,000/- are depreciated in full in the year of purchase. Depreciation on additions due to realignment of rupee value of foreign currency loan or fixed assets has been charged proportionately on the productive life of the assets. Significant purchased application software that is an integral part of the computer system expected to provide lasting benefits is capitalized and amortized in three years. Expenses incurred on leased premises are amortized over the remaining period of lease.

**f) Investments**

Current Investments are valued at lower of cost or market value.

Long term Investments are valued at cost. Provision for diminution is made to recognize the decline, other than temporary, in the value of investments, such reduction being determined and made for each investment individually. Changes in carrying amount of investments are charged or credited to the Profit and Loss Account.

**g) Miscellaneous Expenditure**

Share Issue Expenses are being written off in sixty monthly installments commencing from the date of closing of the Right Issue.

**h) Foreign Currency Translation**

Foreign Currency transactions are recorded at exchange rate prevailing at the closing of the month for respective months. Exchange difference arising on settlement was included in Profit & Loss Account till the accounts ended 30th September '2008. Foreign unit is considered as non-integral and the foreign exchange difference is transferred to "Inter Branch Foreign Fluctuation Reserve Account". Revenue items of the Foreign Branch are converted in equivalent Indian Rupees at the buying rate prevailing at the end of the month. Assets and Liabilities of the Foreign Branch are converted in equivalent Indian rupees at the applicable rate prevailing at the end of the year. The effect of exchange rate fluctuation in respect of fixed assets is adjusted with the cost of the respective assets. Investment in subsidiary Company is being valued at carrying cost adjusted by any non-temporary decline in their value according to the requirements of statute.

**i) Spares and Consumables**

Computer spares, accessories and stationery are charged to revenue in the year they are purchased.

**j) Income Tax**

The Company computes income tax liability under the "Tax Payable" method after taking credit for allowances and exemptions under section 10B of the Income Tax Act, 1961 for the Export Oriented Unit with the assumption that

realization from debtors in convertible foreign exchange shall be received within a period of six months from the end of the previous year or any extended period by competent authority. Minimum Alternate Tax (MAT) to the extent applicable is considered.

Deferred Tax is accounted for by computing the tax effect of timing differences, which arise during the year and reverse in subsequent periods.

**k) Contingent liabilities**

Contingent liabilities are not accounted for but have been disclosed by way of Notes to Accounts.

**l) Employee Benefits**

Contribution of Employers share to Employees' Provident Fund and ESI are worked on accrual basis and charged to Profit & Loss Account. The Company also provides for gratuity and leave encashment based on actuarial valuation made by an independent actuary as per Revised AS 15 Compliance of The Institute of Chartered Accountant of India.

**m) Asset taken on Lease**

Lease rentals on operating leases are charged on a monthly basis to Accounts

Assets taken on Finance Lease have been capitalized during the year of Agreement and charged off in accordance with the applicable rate of Depreciation.

**n) Impairment of Assets**

Property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of expected future post-tax cash flows of the relevant cash generating unit or fair value less cost to sell, whichever is higher. The discount rate is applied, based upon the weighted average cost of capital with appropriate adjustments for the risks associated with the relevant business. Any impairment in value is charged to the Income Statement in the year, which it occurs.

**2. Contingent Liabilities:**

- a) Guarantees outstanding as at 31.3.10 is Rs 1,155,500 (Previous Financial year 31.03.09 Rs. 1,524,900)
- b) Liabilities in respect of bills discounted with Sillicon Valley Bank by the Company as on 31.3.10 is amounting to Rs.69,941,756 (Previous Financial year 31.03.09 Rs. 191,277,731)
- 3. a) Debit in Interest and Finance Charges Account includes Interest to Banks Rs.7,606,153 and Financial Charges to bank Rs. 14,215,747 and other charges paid to bank Rs.899,818 incurred during the year ended 31.3.10 (Previous Financial Year 31.03.09 Rs. 32,360,931). It also includes interest on Debenture amounting to Rs. 2,912,159 (previous year Rs. 3,615,856).
- b) Other income for the year ended 31.3.10 includes FD earlier written off now recovered on reconciliation amount to Rs.3,520,046 (including TDS Rs. 190,680) ,Interest Received from Bank amounting to Rs.1163937 (including TDS Rs.70,252) (Previous Year Rs. 246,140 (including TDS Rs. 35,610)), Interest income received from Income Tax Rs. 1,383,989 interest received from subsidiary Rs 421,983 (Previous Year Rs. 13,884) and Conversion fees amounting to Rs. 479,824 ( Previous year Rs. NIL).
- 4. a. The income tax deducted at source on domestic income during the year is Rs.1,886,750 (Previous Financial Year Rs. 3,033,838).
- 4. b. The Company has provided an amount of Rs.2,329,910 as deferred tax Liability as on 31.3.10 (Previous Financial Year Rs. 10,029,998). The detail for the same is given as below:-



| <b>Deferred Tax Liability</b>                    | <b>As ON 31-03-10</b> |
|--|-----------------------|
| Tax Rate   | 33.99%                |
| Depreciation Difference 2009-10                  | (21,301,904)          |
| As per Companies Act                             | 69,529,716            |
| Amortised Building Expenses as per Companies Act | 1,648,584             |
| As per Income Tax                                | 49,876,396            |
| WDV Difference opening                           | 75,842,281            |
| As per Companies Act                             | 193,493,470           |
| As per Income Tax                                | 117,651,189           |
| Closing TD                                       | 54,540,377            |
| Closing Balance DTL                              | 18,538,274            |
| <b>Deferred Tax Asset</b>                        | <b>As ON 31-3-10</b>  |
| Tax Rate   | 33.99%                |
| Provision for Gratuity & Leave                   | 18,177,012            |
| Originating TD                                   | 18,177,012            |
| Closing TD                                       | 18,177,012            |
| Closing Balance DTA                              | 6,178,366             |
| <b>NET DEFERRED TAX LIABILITY</b>                | <b>12,359,908</b>     |

- 4 c. There is no Impairment of assets during the year.
5. a. Legal /Professional Fees and Taxes is inclusive of value added tax for the year ended 31.3.10 amounting to Rs. 14,812,381 (Previous Financial year 31.03.09 Rs. 36,133,666). It also includes the amount of Rs. 358,994 (Previous Financial Year 31.3.09 Rs. 10,290,260) paid during the year ended 31.3.10 as legal charges for a case filed in USA by Identity Check for infringement of copy right. The company has entered into out of court settlement during the year and has incurred a cost of Rs. 1,649,200. Henceforth the case is resolved.
6. Prior period expenses incurred till date 31.03.10 Rs. 826,875- (Previous Financial Year 31.03.09 Rs. 1,541,425/-) which is on account of re-imburement to the employees.

| <b>Particulars as on 31.3.10</b> | <b>Amount (Rs.)</b> |
|----------------------------------|---------------------|
| Travelling Expenses              | 727,461             |
| Telephone                        | 68,702              |
| Staff Welfare                    | 13,750              |
| Bank & Misc. Charges             | 16,962              |
| <b>TOTAL</b>                     | <b>826,875</b>      |

7. a. i.) In respect of equipment acquired on finance lease , the minimum lease rental outstanding as on 31.3.10 and their present value are as under :-

|                 | Total Minimum Lease Payment outstanding as at 31st Mar' 2010 | Future Interest on Outstanding Lease Payment | Present Value of minimum Lease Payment as at 31st Mar' 2010 |
|-----------------|--|--|---|
| Within One Year | 1,421,922  | 31,959                                       | 1,389,963   |

- ii.) General description of Lease Agreement
  - a) Lease rental are charged on the basis of agreed terms.
  - b) Assets are taken on lease for a period of 3 years

7. b. i.) The Company has taken equipments from Orix Auto Infrastructure Service Ltd. Under operating clause and lease rent and paid an amounting of Rs. 8,328,018 during the year ended 31.3.10 ( previous Year 31.03.09 Rs. 8,277,384) has been charged to the profit & Loss Account. The Future Minimum Lease Payment are as under

|                 | Total Minimum Lease Payment outstanding as at 31st Mar' 2010 |
|-----------------|--|
| Within One Year | 2,749,256  |

ii.) The Company has also entered into an operating lease for Building with Saltee Infotex (India) Pvt. Ltd. for the period of 3 years expiring on 30th April' 12. The amount of Rs. 18,711,420 (Previous Year 31.03.09 Rs. 16,449,600) has been charged to the profit & Loss Account.

|  | Total Minimum Lease Payment outstanding as at 31st Mar' 2010 |
|--|--|
| Within One Year                                  | 18,917,040   |
| Later than One Year and not Later than Five Year | 20,493,460   |

8. DEFINED BENEFIT PLAN

As per Actuarial Valuation as on 31.03.2010, the company has recognized the appreciation in the value of the liability into the books in addition to the One fifth of the Transitional difference arises as on 31.03.08 of the same has been charged to P/L A/c amounting to Rs. 1,440,780 & 770,828 for Leave Encashment & Gratuity respectively. And the balance of Rs 2,881,559, & 1,542,200 are being carried forward to be charged off in balance two installments in respect of Leave Encashment & Gratuity respectively.

|   | PARTICULARS   | Gratuity  | Leave     |
|---|---|-----------|-----------|
| A | Components of Employer Expenses   | Rupees    | Rupees    |
| 1 | Current Service Cost  | 3,351,838 | 383,764   |
| 2 | Interest Cost   | 857,470   | 423,016   |
| 3 | Expected Return on plan assets  | —         | —         |
| 4 | Curtailement cost (credit)  | —         | —         |
| 5 | Settlement cost (credit)  | —         | —         |
| 6 | Amortization of Past Service Cost   | —         | —         |
| 7 | Actuarial Losses/(Gains) on defined benefit obligation                    | 1,748,723 | 2,502,610 |
| 8 | Actuarial (Losses)/Gains on plan Assets                                   | —         | —         |
| 9 | Total Expenses recognised in the Statement of Profit & Loss A/C           | 5,958,031 | 3,309,390 |
| B | Actual Contribution and Benefits Payments for period ending 31 March 2010 | Rupees    | Rupees    |
| 1 | Actual Benefit Payments   | 2,192,419 | 2,810,600 |
| 2 | Actual Contributions  | 2,192,419 | 2,810,600 |

| A  | Funded Status  |     | Rupees       | Rupees      |
|----|--|-----|--------------|-------------|
| 1  | Present value of Defined Benefit Obligation                              |     | 12,601,180   | 5,537,101   |
| 2  | Fair value of plan assets  |     | -            | -           |
| 3  | Funded Status [Surplus/(deficit)]  |     | (12,601,180) | (5,537,101) |
| 4  | Effect of balance sheet asset limit                                      |     | -            | -           |
| 5  | Unrecognised Past Service Costs  |     | -            | -           |
| 6  | Net asset/(liability) recognised in balance sheet                        |     | (12,601,180) | (5,537,101) |
| 1  | Net asset/(liability) recognised in balance sheet at beginning of period |     | (8,835,568)  | (5,038,311) |
| 2  | Employer Expenses  |     | 5,958,031    | 3,309,390   |
| 3  | Employer Contribution  |     | 2,192,419    | 2,810,600   |
| 4  | Net asset/(liability) recognised in balance sheet at end of the period   |     | (12,601,180) | (5,537,101) |
| A  | Change in Defined Benefit Obligation                                     |     | Rupees       | Rupees      |
| 1  | Present value of PBO at beginning of period                              | (+) | 8,835,568    | 5,038,311   |
| 2  | Current Service Cost   | (+) | 3,351,838    | 383,764     |
| 3  | Interest Cost  | (+) | 857,470      | 423,016     |
| 4  | Curtailment cost/(credit)  | (-) | -            | -           |
| 5  | Settlement cost/(credit)   | (-) | -            | -           |
| 6  | Employee contribution  | (-) | -            | -           |
| 7  | Plan amendments  | (-) | -            | -           |
| 8  | Acquisitions   | (-) | -            | -           |
| 9  | Actual (gains)/Losses  |     | 1,748,723    | 2,502,610   |
| 10 | Benefits Paid  | (-) | (2,192,419)  | (2,810,600) |
| 11 | Present value of PBO at the end of period                                | (-) | 12,601,180   | 5,537,101   |
| B  | Change in Fair Value of Assets   |     | —            | —           |
| 1  | Plan Assets at beginning of period                                       |     | —            | —           |
| 2  | Expected return on plan assets   |     | —            | —           |
| 3  | Actual company contributions   |     | 2,192,419    | 2,810,600   |
| 4  | Employee contributions   |     | —            | —           |
| 5  | Acturial Gain/(Loss) on plan assets                                      |     | —            | —           |
| 6  | Benefits paid  |     | (2,192,419)  | (2,810,600) |
| 7  | Plan assets at the end of period   |     | —            | —           |

**9 Related Party Disclosures:**

**a) Enterprises where control exists:**

| Wholly Owned Subsidiaries:   | Percentage of holding | Country of Incorporation |
|------------------------------|-----------------------|--------------------------|
| Responsive Solutions Inc     | 100%                  | United States of America |
| RS Software (Asia) Pte. Ltd. | 100%                  | Singapore                |

**b) Key Management Personnel:**

|                     |   |                                     |
|---------------------|---|-------------------------------------|
| Mr. Rajnit Rai Jain | - | Vice Chairman and Managing Director |
| Mr. Shital Kr. Jain | - | Director                            |
| Mrs. Shital Jain    | - | Director                            |
| Mr. R Ramaraj       | - | Director                            |
| Mr Richard Launder  | - | Additional Director                 |
| Mr. Vijendra Surana | - | CFO and Company Secretary           |

**c) Disclosure of transactions between the Company and Related Parties and the status of outstanding balances as on 31.03.2010**

|   |  | Wholly Owned<br>Subsidiary (WOS) | Key Management<br>Personnel |
|---|--|----------------------------------|-----------------------------|
| 1 | Advances given   |                                  |                             |
|   | Responsive Solution Inc  | 4,220,600                        |                             |
|   | RS Software (Asia) Pte Ltd   | 8,453,306                        |                             |
|   | Advances recovered   |                                  |                             |
|   | Responsive Solution Inc  | 26,347,096                       |                             |
| 2 | Interest Receivable from Subsidiary                                  | 421,983                          |                             |
|   | Reimbursement of expense incurred on behalf of Subsidiary.           |                                  |                             |
|   | Responsive Solution Inc  | 5,312,762                        |                             |
|   | Reimbursing the subsidiary towards service rendered at market price. |                                  |                             |
|   | R S Software Asia (pte.) Ltd.  | 10,194,680                       |                             |
| 3 | Remuneration to Key Personnel:                                       |                                  |                             |
|   | — Directors  |                                  | 587,914                     |
|   | — Managing Director  |                                  | 3,892,100                   |
|   | ESOP Allotted and amount recovered                                   |                                  |                             |
|   | — Shital Kr Jain ( 10000 Shares @ Rs. 15.95 per share)               |                                  | 159,500                     |
|   | — Vijendra Surana (2500 Shares @ Rs.15.95 per share)                 |                                  | 39,875                      |
| 4 | Balance as on 31.3.10 :  |                                  |                             |
|   | Advances given   |                                  |                             |
|   | Responsive Solution Inc  | NIL                              |                             |
|   | Debtors  |                                  |                             |
|   | Responsive Solution Inc  | NIL                              |                             |
|   | Creditors  |                                  |                             |
|   | RS Software (Asia) Pte Ltd   | 1,741,373                        |                             |
| 5 | Maximum balance outstanding during the year                          |                                  |                             |
|   | Advances given   |                                  |                             |
|   | Responsive Solution Inc  | 4,783,839                        |                             |
|   | Debtors  |                                  |                             |
|   | Responsive Solution Inc  | 9,791,263                        |                             |
|   | Creditors  |                                  |                             |
|   | RS Software (Asia) Pte Ltd   | 1,741,373                        |                             |

- d) The company has charged interest on advance given to subsidiary after 1st January'2009. The interest is treated as further advance given.
- e) Company has formed one 100 % subsidiary at Singapore with the name RS Software (Asia) Pte Ltd. with the capital of 25000 Singapore Dollar @ SGD 1 (Rs 32.08) per share on 9th April' 09. Shares have been issued for which payment is due and will be paid subsequently.

10. a) 12.5% Cumulative Redeemable Preference Shares (CRPS) amounting to Rs. 500 Lac issued to IDBI were due to be redeemed on May 30, 2004 but have not been redeemed. Company has paid a total amount of Rs. 592.57 Lac till 31st March '09 against CRPS. The Company had made a provision of Rs. 92.57 lac in the June quarter against deposits with IDBI, Which has been finally written off. During the year company has redeemed the preference shares for Rs. 245 Lac after transferring Rs 110 Lac during the year to Preference Share Redemption Reserve. Due to accumulated past losses incurred by the Company only Rs 110 Lac has been transferred to Preference share redemption reserve during the year ended 31.3.10
- b) 12.5% NCD for 289 Lac had been issued in Nov '07. Debentures were repayable in 2 equal installments payable in November 2009 & 2010 respectively out of which 1st Installment which was due on Nov'09 has been paid on due date.

**11. Auditor's Remuneration**

|  | 31.3.2010 (In Rs.) | 31.03.09 (In Rs.) |
|--|--------------------|-------------------|
| As Statutory Auditors  | 150,000            | 150,000           |
| Tax Audit  | 50,000             | 50,000            |
| In Other Capacity Certification work                                   | 90,000             | 73,000            |
| The above remunerations are not inclusive of service tax as applicable |                    |                   |

**12. EPS has been calculated as per the provisions of AS-20, issued by the Institute of Chartered Accountants of India. The details of calculation are as follows:**

| Particulars                                 | 31.03.10   | 31.03.09   |
|---|------------|------------|
| <b>Numerator for Basic and Diluted EPS:</b> |            |            |
| Profit for the period                       | 95,563,653 | 63,226,861 |
| Less: Dividend on Pref Shares               | 3,187,500  | 6,250,000  |
|   | 92,376,153 | 56,976,861 |
| <b>Denominator for Basic EPS:</b>           |            |            |
| Equity Shares                               | 7,664,648  | 7,444,648  |
| Add: ESOP Conversion                        | 10654      |            |
| Add: Preferential Issue                     | 6247       | 603        |
| Weighted no. of Equity Shares               | 7,681,549  | 7,445,251  |
| <b>Denominator for Diluted Shares</b>       |            |            |
| Weighted No. of Basic Equity Shares         | 7,681,549  | 7,445,251  |
| ESOP Dilutive                               | 216,915    | 17,394     |
| Pref Share allotment                        | 238,208    |            |
| ESOP (2006-07)                              |            | 78,000     |
| Weighted no. of Equity Shares               | 8,136,672  | 7,540,645  |
| Nominal Value of share                      | 10         | 10         |
| Basic Earning per Share                     | 12.03      | 7.65       |
| Diluted Earning per Share                   | 11.35      | 7.56       |

**13. Salary and Other employee benefits include the remuneration to Managing Directors as follows:**

|                | 31.3.2010 (Rs.)  | 31.03.2009 (Rs.) |
|----------------|------------------|------------------|
| Salaries       | 2,400,000        | 2,100,000        |
| Other Benefits | 1,372,149        | 1,253,574        |
| Provident Fund | 288,000          | 252,000          |
| <b>Total</b>   | <b>4,060,149</b> | <b>3,605,574</b> |

Central Government approval for managerial remuneration on ground of his being an NRI as per the definition of the companies Act'1956 has been received as per letter dated 23rd June '2009.

14. a) The Company has granted 275,200 shares to the employees during the year 2007-08 at the fair value and the exercise price of the option is Rs. 15.95 each. As on date 31.3.10 48,150 option has been exercised.
- b) The Company has granted 186,700 shares to the employees during the year 2008-09 at the fair value of and the exercise price of the option is Rs. 29.90 each. As on date 31.3.10 15,600 option has been exercised.
- c) The Earlier provision of liability against Employee Stock option for a sum of Rs. 47,285 has been written off to the employee expenses as the same has not been exercised by any employees during the year and has lapsed as on 31st Dec '2009

- d. 165000 share options in 2004-05 under the Employee Stock Option Scheme @ Rs. 16.76 was given out of which 55350 shares were allotted and balance options have lapsed now.
- e. 176,600 shares options in 2005-06 under the Employee stock option scheme at the closing of the Market Price of Rs 71/- preceding the date of the Board Meeting where ESOS was approved. 2298 options have been exercised and converted into equity shares and balance have now lapsed.
15. The company has received 10% of the application money in the year 2008-09 for 10,00,000 equity warrants @ Rs. 19.50 each from CMD as preferential allotment out of which 380,000 shares (previous year 220000 shares) were allotted to the him @ Rs. 10 per share and Rs. 9.50 as premium. The money received and used for business of the company
16. There is no declaration received from vendor for being Small, Medium & Micro Registration.
17. Additional Information pursuant to provisions of the Para 3 and 4 of Part II Schedule VI for the Companies Act, 1956:-  
The Company is engaged in the business of development & maintenance of computer software and other related services. The production and sale of such software services are not capable of being expressed in generic terms.

|   | 31.03.10 (In Rs.) | 31.03.09 (In Rs.) |
|---|-------------------|-------------------|
| <b>Expenditure in Foreign Currency:</b> |                   |                   |
| a) Foreign branch expenditure           | 1,242,352,299     | 1,181,569,012     |
| b) Interest paid to ICICI Bank          | NIL               | 2,054,079         |
| <b>Earning in Foreign Currency</b>      |                   |                   |
| a) Export of services                   | 1,583,300,465     | 1,477,376,117     |
| b) Interest Income                      | 421,983           | 14,584            |

**18. Reporting of Segment Wise Revenue, Results and Capital Employed:**

| Particulars   | For the year Ended<br>March 31, 2010 | For the year ended<br>March 31, 2009 |
|---|--------------------------------------|--------------------------------------|
| 1. Segment Revenue (net sale/income from each segment should be disclosed)          |                                      |                                      |
| a. Segment – A (USA)  | 1,476,782,743                        | 1,233,037,258                        |
| b. Segment – B (ROW)  | 141,967,240                          | 261,509,160                          |
| <b>Total</b>  | 1,618,749,983                        | 1,494,546,418                        |
| Less: Inter segment revenue   | —                                    | —                                    |
| Net sales/income from operations  | 1,618,749,983                        | 1,494,546,418                        |
| 2. Segment Results Profit (+) / (loss)(-) before tax and interest from each segment |                                      |                                      |
| a. Segment –A (USA)   | 268,119,388                          | 181,638,324                          |
| b. Segment – B (ROW)  | 31,772,006                           | 85,468,489                           |
| <b>Total</b>  | 299,891,394                          | 267,106,813                          |
| Less: i. Interest & Finance Charges   | 22,721,719                           | 40,660,587                           |
| ii. Depreciation  | 71,178,290                           | 57,394,815                           |
| a. Provision for Diminution in value of investments                                 |                                      |                                      |
| b. Share Issue Expenses W/off   | 1,498,572                            | 1,498,572                            |
| c. Selling, General & Administrative Expenses                                       | 86,551,927                           | 73,301,597                           |
| <b>Total Profit/(Loss) Before Tax</b>   | 117,940,886                          | 94,251,242                           |
| 3. Capital Employed   |                                      |                                      |
| <b>Total Assets</b>   | 338,112,314                          | 413,363,969                          |
| <b>Total Liabilities</b>  |                                      |                                      |
| (See note below *)  | 338,112,314                          | 413,363,969                          |

Note : \*Assets used in the Company's business are not capable of being specifically identified with any of the segments, and it is not practicable to provide segmented disclosures in relation to total assets and liabilities with any reasonable degree of accuracy. Unallocated expenses have not been disclosed in any segment.

19. The previous year figures have been recast / restated, wherever necessary, to the current year's classification.
20. Financial figures have been rounded off to nearest rupee.

For **CHATURVEDI & COMPANY**  
Chartered Accountants

ON BEHALF OF THE BOARD

**NILIMA JOSHI**  
Partner, M. No. 52122  
Dated: April 26th 2010, Kolkata

**V. SURANA**  
CFO & Company  
Secretary

**S. K. JAIN**  
Director

**R. R. JAIN**  
Chairman &  
Managing Director

## CASH FLOW STATEMENT



| Particular  | March 31, 2010<br>(in Rs) | March 31, 2009<br>(in Rs) |
|---|---------------------------|---------------------------|
| <b>A Cash Flow From Operating Activities:</b>               |                           |                           |
| Net Profit After Tax And Extra Ordinary Items               | 95,563,653                | 63,226,861                |
| Adjustment For :  |                           |                           |
| Depreciation  | 71,178,290                | 57,394,815                |
| Interest paid   | 22,721,719                | 40,160,587                |
|   |                           | —                         |
| Provision For Tax   | 22,377,233                | 30,924,381                |
| Foreign Exchange Fluctuation Reserve                        | (6,647,275)               |                           |
| Provision For Gratuity, Leave Encashment                    | 6,476,010                 | 4,473,712                 |
| Interest Received   | 5,105,967                 | (260,024)                 |
| Employees Expenses Amortization                             | —                         | (167,225)                 |
| Miscellaneous Expenditure Written Off                       | 1,498,572                 | 1,498,573                 |
| Operating Profit Before Working Capital Charges             | <b>218,274,169</b>        | <b>197,251,680</b>        |
| Adjustment For :  |                           |                           |
| Trade And Other Receivables                                 | (15,952,138)              | (89,899,557)              |
| Trade Payables  | (30,859,500)              | 44,903,438                |
| <b>Cash Generated From Operations</b>                       | <b>171,462,531</b>        | <b>152,255,561</b>        |
| Interest Paid   | (22,721,719)              | (41,520,669)              |
| Cash Flow Before Extraordinary Items                        | 148,740,812               | 110,734,892               |
| <b>Net Cash From Operating Activities</b>                   | <b>148,740,812</b>        | <b>110,734,892</b>        |
| <b>B Cash Flow From Investment Activities :</b>             |                           |                           |
| Purchase Of Fixed Assets                                    | (30,111,593)              | (61,684,872)              |
| Interest Received   | (5,105,967)               | 260,024                   |
| Investment In Subsidiary                                    | (802,000)                 |                           |
| Net Cash From Investment Activities                         | <b>(36,019,560)</b>       | <b>(61,424,848)</b>       |
| <b>C Cash Flow From Finance Activities:</b>                 |                           |                           |
| Proceeds From Share Application                             | 7,856,148                 | (5,669,891)               |
| Proceeds From Long Term Borrowings                          | (64,362,361)              | (14,391,138)              |
| Preference Share Redemption                                 | (24,500,000)              |                           |
| Repayment Of Loan   | (14,713,446)              | (48,102,028)              |
| <b>Net Cash From Financing Activities</b>                   | <b>(95,719,659)</b>       | <b>(68,163,058)</b>       |
| Net Increase /decrease In Cash And Cash Equivalents (a+b+c) | <b>17,001,593</b>         | <b>(18,853,014)</b>       |
| Opening Cash And Cash Equivalents                           | 19,161,872                | 38,014,886                |
| Closing Cash And Cash Equivalents                           | 36,163,465                | 19,161,872                |

The Schedules Referred To Above Form An Integral Part Of The Balance Sheet.  
This Is The Balance Sheet Referred To In Our Report Of Even Date.

For **CHATURVEDI & COMPANY**  
Chartered Accountants

ON BEHALF OF THE BOARD

**NILIMA JOSHI**  
Partner, M. No. 52122  
Dated: April 26th 2010, Kolkata

**V. SURANA**  
CFO & Company  
Secretary

**S. K. JAIN**  
Director

**R. R. JAIN**  
Chairman &  
Managing Director

**INFORMATION PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956**

|            |  |                       |
|------------|--|-----------------------|
| <b>I</b>   | <b>Registration details</b>  |                       |
|            | Registration No.   | L72200WB1987PLC043375 |
|            | State code   | 21                    |
|            | Balance Sheet Date   | 31-03-2010            |
| <b>II</b>  | <b>Capital raised during the year (Amount in Rs. Thousands)</b>                            |                       |
|            | Public Issue (Warrants converted into shares)  | Nil                   |
|            | Rights Issue   | Nil                   |
|            | Bonus Issue  | Nil                   |
|            | Private Placement  | 3,800                 |
|            | ESOS 638   |                       |
| <b>III</b> | <b>Position of Mobilisation and Deployment of funds (Amount in Rs. Thousand)</b>           |                       |
|            | Total Liabilities  | 338,112               |
|            | Total Assets   | 338,112               |
|            | <b>Sources of Funds</b>  |                       |
|            | Paid up Capital  | 111,714               |
|            | Reserves & Surplus   | 199,588               |
|            | Deferred Tax Liability   | 12,360                |
|            | Secured Loans  | 14,450                |
|            | Unsecured Loans  |                       |
|            | <b>Application of Funds</b>  |                       |
|            | Net Fixed Assets   | 157,074               |
|            | Investments  | 803                   |
|            | Deferred Tax Assets  | —                     |
|            | Net Current Assets   | 176,970               |
|            | Misc. Expenditure  | 2,374                 |
|            | Accumulated Losses   | —                     |
| <b>IV</b>  | <b>Performance of Company (Amount in Rs. Thousand)</b>                                     |                       |
|            | Turnover and Other Income  | 1,618,750             |
|            | Total Expenditure  | 1,500,809             |
|            | Profit/(Loss) before Tax and Extraordinary items   | 117,941               |
|            | Profit/(Loss) after Tax and Extraordinary items  | 95,564                |
|            | Earnings per share in Rs.  | 12.03                 |
|            | Dividend %   | Nil                   |
| <b>V</b>   | <b>Generic Names of Two Principal Products/Services of Company (as per monetary terms)</b> |                       |
|            | Item code No.  | N.A.                  |
|            | Item code No.  | N.A.                  |
|            | Product Description  | N.A.                  |

For **CHATURVEDI & COMPANY**  
Chartered Accountants

ON BEHALF OF THE BOARD

**NILIMA JOSHI**  
Partner, M. No. 52122  
Dated: April 26th 2010, Kolkata

**V. SURANA**  
CFO & Company  
Secretary

**S. K. JAIN**  
Director

**R. R. JAIN**  
Chairman &  
Managing Director



STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956



|    |   | Responsive Solution Inc.<br>Amount (Rs) | R S Software (Asia) Pte Ltd<br>Amount (Rs) | Total<br>Amount (Rs) |
|----|---|---|--|----------------------|
| 1. | R S Software (India) Ltd holds the entire paid up Equity Share Capital of wholly Owned Subsidiaries as on March 31 2010.  | 500                                     | 802000                                     | 802500               |
| 2. | Net aggregate amount of the Subsidiary Company's Profit/Loss not dealt with in the Company's account                      |   |  |                      |
|    | For the Subsidiary's financial year ended 31st March 2010   | 22392411                                | 1421882                                    | 23814293             |
|    | For the Subsidiary's previous financial year since it became Subsidiary   | (10960181)                              | NA   | (10960181)           |
| 3. | Net aggregate amount of the Subsidiary Company's Profit Less Losses dealt with or provided for in the Company's accounts: |   |  |                      |
|    | For the subsidiary's financial year ended 31st March 2010   | Nil                                     | Nil  | Nil                  |
|    | For the Subsidiary's previous financial year since it became a subsidiary   | Nil                                     | NA   | Nil                  |

ON BEHALF OF THE BOARD

April 26th 2010  
Kolkata

**V. SURANA**  
CFO & Company  
Secretary

**S. K. JAIN**  
Director

**R. R. JAIN**  
Chairman &  
Managing Director

## DIRECTORS' REPORT

The Directors present their report together with the audited accounts for the period ended 31st March, 2010.

### Review of Financial Performance & Dividend

The company during the year under review reported a profit of \$0.49mn (Previous year Loss \$0.22 mn). The company is exploring different avenues of revenues, particularly in areas where the Parent Company RS Software is not focusing, and the plan is to achieve more profits during the fiscal year 2010-11.

In view of the slowdown in the global economies and that of US in particular, the opportunity for offshore outsourcing only increases and your management team is confident of improved financial performance in years to come.

### Directors' Responsibilities

- (i) That the Directors 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 & 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 the year under review.
- (ii) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records for safeguarding the assets of the Company.
- (iii) That the Directors have prepared the accounts for the financial year ended 31st March, 2010 on a "going concern" basis.

### Acknowledgements

Your Directors' place on record their deep appreciation of the continued assistance and co-operation extended to the Company by its customers, investors, bankers, Government agencies and its dedicated employees. We are particularly grateful to all the shareholders for keeping faith and commitment in the management team to achieve significantly better financial results.

On behalf of the Board of Directors

**R R Jain**  
Chairman

KOLKATA  
April 26, 2010

April 21, 2010

To

The Board of Directors  
Responsive Solutions  
1900 McCarthy Blvd, # 103  
Milpitas, CA 95035

We have reviewed the accompanying balance sheet of Responsive Solutions as of March 31st 2010 and the related statements of operations retained earnings and cash flows for the years then ended in accordance with statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants All information included in these financial statements is the representation of the management.

A review consists principally of inquires of company personnel and analytical procedures applied to financial data it is substantially less in scope than an audit in accordance with generally accepted auditing standards the objective of which is the expression of an opinion regarding the financial statements taken as a whole Accordingly we do not express such an opinion.

Based on our review we are not aware of any maternal modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles. Our review was made for the purpose of expressing limited assurance that there are no maternal modifications that should be made to the financial statements in order for them to be in conformity with generally accepted accounting principles The information contained in the accompanying schedules of sales, cost of sales and operating expenses is presented for supplementary analysis purposes Such information has been subjected to the inquiry and analytical procedures (see the notes below) applied in the review of the basic financial statements and we are not aware of any maternal modifications that should be made thereto

Satya Narayan CPA  
Silicon Valley Books and Taxes, Inc  
440 N Wolfe Road  
Sunnyvale. CA 94087

**Notes:**

**Related Party & Offshore development costs**

Gross margin is high due to the fact that Responsive is using off shore facilities in executing this project that was received from the customers in addition to that parent company RS Software, is billing Responsive for executing this project in India. In other words, related party transactions and off shore development cost benefits exists in the periods in Review for the year 2009-2010. Per discussion with the management. It was noted that there is an added component of cost advantage by executing the work order in India, which is normally prevailing in the industry.

**Loans and Advances**

Company write off Loans & Advances for \$ 200.698 in the current fiscal period as unrecoverable Management informed that these are very old balances and unable to collect payments made over the past several years

## RESULT FOR THE WHOLLY OWNED SUBSIDIARY FOR THE YEAR ENDED 31ST MARCH 2010

| PROFIT AND LOSS ACCOUNT  | Year Ended           | Year Ended             |
|--------------------------|----------------------|------------------------|
|                          | 31st March 2010      | 31st March 2010        |
|                          | (in Us \$)           | (in Us \$)             |
| <b>Income</b>            |                      |                        |
| Sales                    | \$ 952,568.00        |                        |
| <b>Other Income</b>      | \$ 0.62              | \$ 1.31                |
|                          | <b>\$ 952,568.62</b> | <b>\$ 1.31</b>         |
| <b>Expenditure</b>       |                      |                        |
| Payroll                  | \$ 104,378.32        | \$ 90,378.72           |
| Operating Expenses       | \$ 336,348.48        | \$ 124,037.87          |
| Depreciation             | \$ 3,487.64          | \$ 1,743.82            |
| Interest Cost            | \$ 9,637.01          | \$ 274.17              |
|                          | \$ 453,851.45        | \$ 216,434.58          |
| <b>Profit Before Tax</b> | <b>\$ 498,717.17</b> | <b>\$ (216,433.27)</b> |
| Provision For Tax        |                      | \$ —                   |
| <b>Profit After Tax</b>  | <b>\$ 498,717.17</b> |                        |

| BALANCE SHEET As At 31st March 2010      | Year Ended           | Year Ended             |
|--|----------------------|------------------------|
|  | 31st March 2010      | 31st March 2010        |
|  | (in Us \$)           | (in Us \$)             |
| <b>Shareholder's Fund</b>                |                      |                        |
| Share Capital                            | \$ 500,000.00        | \$ 500,000.00          |
| Profit & Loss Accounts (dr. Balance)     | \$ (368,350.44)      | \$ (867,067.61)        |
| <b>Total of Sources</b>                  | <b>\$ 131,649.56</b> | <b>\$ (367,067.61)</b> |
| <b>Fixed Assets</b>                      | \$ 458.99            | \$ 3,946.63            |
| <b>Current Assets Loans And Advances</b> |                      |                        |
| Sundry Debtors                           | \$ 123,996.00        | \$ —                   |
| Cash & Bank Balance                      | \$ 17,194.57         | \$ 1,162.60            |
| Other Current Assets                     |                      | \$ 2,500.00            |
| Loans And Advances                       |                      | \$ 180,542.45          |
| Less:current Liabilities                 | \$ 10,000.00         | \$ 555,219.29          |
| Less : Tax Liability                     | \$ —                 |                        |
| <b>Net Current Assets</b>                | <b>\$ 131,190.57</b> | <b>\$ (371,014.24)</b> |
| Profit & Loss Account (dr. Balance)      |                      |                        |
| <b>Total of Application</b>              | <b>\$ 131,649.56</b> | <b>\$ (367,067.61)</b> |

Note : Previous Year Figures Have Been Regrouped And Rearranged Wherever Necessary

| CASH FLOW STATEMENT  | Year Ended      | Year Ended      |
|--|-----------------|-----------------|
|  | 31st March 2010 | 31st March 2010 |
|  | (in Us \$)      | (in Us \$)      |
| <b>A. Cash Flow From Operating Activities</b>                |                 |                 |
| Net Profit before Tax and Extra Ordinary Items               | \$ 498,717.17   | \$ (216,433.27) |
| Adjustment for :   |                 |                 |
| Depreciation   | \$ 3,487.64     | \$ 1,743.84     |
| Interest Paid  | \$ 9,637.01     | \$ 274.17       |
| Trade and Other Receivables                                  | \$ 59,046.45    | \$ 104,785.69   |
| Net Cash form Operating Activities                           | \$ 570,888.27   | \$ (109,629.59) |
| <b>B. Cash Flow from Investing Activities</b>                |                 |                 |
| Advance given to Company                                     | \$ —            | \$ —            |
| Net Cash from Investing Activities                           | \$ —            | \$ —            |
| <b>C. Cash Flow from Financing Activities</b>                |                 |                 |
| Proceeds from Short Term Borrowings                          | \$ (545,219.29) | \$ 104,274.17   |
| Interest Paid  | \$ (9,637.01)   | \$ (274.17)     |
| Net Cash from Financing Activities                           | \$ (554,856.30) | \$ 104,000.00   |
| <b>Net Increase/Decrease in Cash and Cash Equivalents(A)</b> | \$ 16,031.97    | \$ (5,629.59)   |
| <b>Operating Cash and Cash Equivalents</b>                   | \$ 1,162.60     | \$ 6,792.19     |
| <b>Closing Cash and Cash Equivalents</b>                     | \$ 17,194.57    | \$ 1,162.60     |

**NOTES TO FINANCIAL STATEMENTS :**

Responsive Solutions. Inc. is a 100% wholly owned subsidiary of R S Software (India) Ltd.

## DIRECTORS' REPORT

### For the financial period from 9 April 2009, the date of incorporation, to 31 March 2010

The directors present their report to the members together with the audited financial statements of the Company for the financial period from 9 April 2009, the date of incorporation, to 31 March 2010.

#### Directors

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

Rajnit Rai Jain  
Diana Hall  
Luk Chiew Peng

#### Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial period was the Company a party to any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

#### Directors' interests in shares or debentures

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial period had any interest in the shares or debentures of the Company or its related corporations, except as follows:

|                                       | Holdings registered in name of director  |               | Holdings in which a director is deemed to have an interest |               |
|---------------------------------------|--|---------------|--|---------------|
|                                       | At 09.04.2009<br>(date of incorporation) | At 31.03.2010 | At 09.04.2009<br>(date of incorporation)                   | At 31.03.2010 |
| <b>The Company</b>                    |  |               |  |               |
| (Ordinary shares)                     |  |               |  |               |
| <b>Rajnit Rai Jain</b>                | 2,500                                    | —             | 22,500   | 25,000        |
| <b>R. S. Software (India) Limited</b> |  |               |  |               |
| - holding company                     |  |               |  |               |
| (Ordinary shares of INR 10 each)      |  |               |  |               |
| Rajnit Rai Jain                       | 1,538,465                                | 1,918,465     | —  | —             |

#### Directors' contractual benefits

Since the date of incorporation, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the accompanying financial statements and in this report, and except that certain directors have employment relationships with the Company and its related corporations and have received remuneration in those capacities.

#### Share options

There were no options granted during the financial period to subscribe for unissued shares of the Company.

No shares have been issued during the financial period by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under option at the end of the financial period.

#### Independent auditors

The independent auditors, Entrust Public Accounting Corporation, have expressed their willingness to accept re-appointment. On behalf of the directors:

**Rajnit Rai Jain**  
Director

**Diana Hall**  
Director



## **INDEPENDENT AUDITORS' REPORT**

TO THE MEMBERS OF  
R S SOFTWARE (ASIA) PTE. LIMITED

We have audited the accompanying financial statements of R S Software (Asia) Pte. Limited, which comprise the statement of financial position as at 31 March 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial period then ended, and a summary of significant accounting policies and other explanatory notes.

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

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

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

### **Auditors' Responsibility**

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

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

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

In our opinion,

- (a) the financial statements of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company as at 31 March 2010 and the results, changes in equity and cash flows of the Company for the financial period ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

### **ENTRUST PUBLIC ACCOUNTING CORPORATION**

Public Accountants and Certified Public Accountants  
Singapore

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD FROM 9 APRIL 2009, THE DATE OF INCORPORATION, TO 31 MARCH 2010**

|  | <b>09.04.2009<br/>to<br/>31.03.2010<br/>SGD</b> |
|--|---|
| <b>Revenue</b>                         | 317,790   |
| Expenses:                              |   |
| Employee compensation                  | (209,976)                                       |
| Other expenses                         | (59,652)  |
| <b>Profit before income tax</b>        | 48,162  |
| Income tax expense                     | (3,839)   |
| <b>Profit for the financial period</b> | 44,323  |
| <b>Total comprehensive income</b>      | 44,323  |

**STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2010**

|                                | 2010<br>SGD |
|--------------------------------|-------------|
| <b>ASSETS</b>                  |             |
| <b>Current assets</b>          |             |
| Trade and other receivables    | 361,405     |
|                                | 361,405     |
| <b>Total assets</b>            | 361,405     |
| <b>LIABILITIES</b>             |             |
| <b>Current liabilities</b>     |             |
| Other payables                 | 288,243     |
| Current income tax liabilities | 3,839       |
|                                | 292,082     |
| <b>Total liabilities</b>       | 292,082     |
| <b>Net assets</b>              | 69,323      |
| <b>EQUITY</b>                  |             |
| Share capital                  | 25,000      |
| Retained earning               | 44,323      |
| <b>Total equity</b>            | 69,323      |



**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD FROM 9 APRIL 2009, THE DATE OF INCORPORATION, TO 31 MARCH 2010**

|   | Share<br>capital<br>SGD | Retained<br>earning<br>SGD | Total<br>equity<br>SGD |
|---|-------------------------|----------------------------|------------------------|
| Issue of ordinary share at date of incorporation    | 25,000                  | —                          | 25,000                 |
| Total comprehensive income for the financial period | —                       | 44,323                     | 44,323                 |
| Balance at 31 March 2010                            | 25,000                  | 44,323                     | 69,323                 |

**STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL PERIOD FROM 9 APRIL 2009, THE DATE OF INCORPORATION, TO 31 MARCH 2010**

|   | 09.04.2009<br>to<br>31.03.2010<br>SGD |
|---|---------------------------------------|
| <b>Cash flows from operating activities</b>                                     |                                       |
| Profit before income tax and operating cash flow before working capital changes | 48,162                                |
| Changes in working capital:   |                                       |
| Trade and other receivables   | (361,405)                             |
| Other payables  | 288,243                               |
| <b>Net cash outflow from operating activities</b>                               | (25,000)                              |
| <b>Cash flows from financing activities</b>                                     |                                       |
| Proceeds from issue of ordinary shares  | 25,000                                |
| <b>Net cash inflow from financing activities</b>                                | 25,000                                |
| <b>Net cash and cash equivalents held</b>                                       | -                                     |
| Cash and cash equivalents at the date of incorporation                          | -                                     |
| <b>Cash and cash equivalents at the end of financial period</b>                 |                                       |



We have examined the attached Consolidated Balance Sheet of R S Software Ltd. and its subsidiary Responsive Solutions, Inc, as at 31st March, 2010, the Consolidated Profit & Loss Account and the Cash Flow Statement for the year then ended.

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. We conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting, framework and are free of material misstatements. 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 statements. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of subsidiaries, whose financial statements reflect total network of Rs. 79.05 lacs as at 31st March, 2010 and total turnover of Rs.529.65 lacs for the year then ended. These financial statements have been audited by other auditor whose report have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of the subsidiaries is based solely on the report of the other auditor.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21 and Consolidated Financial Statement prescribed by the Companies (Accounting Standards) Rules 2006 and on the basis of the separate audited financial statements of RS Software India Ltd., and its subsidiaries included in the consolidated financial statements.

On the basis of the information and explanation given to us and on the consideration of the separate audit reports on individual audited financial statement of RS Software India Ltd., and its aforesaid subsidiaries, we are of the opinion that :

- (a) The Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of R.S. Software India Ltd., and its subsidiaries as at 31st March, 2010.
- (b) The Consolidated Profit & Loss Account gives a true and fair view of the consolidated results of operations of RS Software India Ltd and its subsidiaries for the year then ended ; and
- (c) The Consolidated Cash Flow Statement given a true and fair view of the Cash flow of R S Software India Ltd., and its subsidiaries for the year then ended.

For **Chaturvedi & Company**  
Chartered Accountants

**Place : Kolkata**  
Date : 26th April 2010

**Nilima Joshi**  
(Partner)  
M. No. 52122

After consolidating the results of the Company with those of its wholly owned subsidiary Responsive Solution INC. and R S Software Asia Pte. Ltd.

| Particular                                  | Schedule               | Year Ended<br>March 31,2010<br>(in Rs) | Year Ended<br>March 31,2009<br>(in Rs) |
|---|------------------------|--|--|
| <b>Sources of Funds :</b>                   |                        |  |  |
| <b>A Shareholders' Funds</b>                |                        |  |  |
| Share Capital                               | 1                      | 111,713,980                            | 132,564,765                            |
| Reserve & Surplus                           | 2                      | 186,404,156                            | 177,243,399                            |
| Capital Reserve                             |                        | 20,527,427                             | 18,409,763                             |
|   |                        | <b>318,645,563</b>                     | <b>328,217,927</b>                     |
| <b>B Loan Funds</b>                         |                        |  |  |
| Secured Loan                                | 3                      | 14,450,000                             | 93,525,807                             |
|   |                        | <b>14,450,000</b>                      | <b>93,525,807</b>                      |
| <b>C Deferred Tax Liability</b>             |                        |  |  |
|   |                        | 12,359,908                             | 10,029,998                             |
|   | <b>Total (a+b+c)</b>   | <b>345,455,471</b>                     | <b>431,773,732</b>                     |
| <b>Application Of Funds</b>                 |                        |  |  |
| <b>A Fixed Assets</b>                       |                        |  |  |
|   | 4                      |  |  |
| Gross Block                                 |                        | 792,706,476                            | 762,916,112                            |
| Less : Depreciation                         |                        | 635,611,895                            | 564,277,010                            |
| Net Block                                   |                        | <b>157,094,581</b>                     | <b>198,639,102</b>                     |
| Capital Work In Progress                    |                        | 892,500                                | 593,925                                |
|   |                        |  | —                                      |
| <b>B Current Assets, Loans And Advances</b> |                        |  |  |
| Sundry Debtors                              | 5                      | 163,594,442                            | 83,381,338                             |
| Cash And Bank Balances                      | 6                      | 36,935,502                             | 19,220,746                             |
| Loans And Advances                          | 7                      | 114,180,507                            | 152,485,102                            |
|   |                        | <b>314,710,451</b>                     | <b>255,087,186</b>                     |
| Less : Current Liabilities And Provisions   | 8                      | 129,615,798                            | 134,195,643                            |
| Net Current Assets                          |                        | <b>185,094,653</b>                     | <b>120,891,544</b>                     |
| <b>C Miscellaneous Expenditure</b>          |                        |  |  |
|   |                        | 2,373,737                              | 3,872,310                              |
| <b>D Profit And Loss Account</b>            |                        |  |  |
|   |                        | —                                      | 107,776,852                            |
|   | <b>Total (a+b+c+d)</b> | <b>345,455,471</b>                     | <b>431,773,732</b>                     |
| Notes On Accounts                           | 12                     |  |  |

The schedule referred to above form an integral part of the Balance Sheet.

This is the Balance Sheet referred to in our report of even date.

For **CHATURVEDI & COMPANY**  
Chartered Accountants

ON BEHALF OF THE BOARD

**NILIMA JOSHI**  
Partner, M. No. 52122  
Dated: April 26th 2010, Kolkata

**V. SURANA**  
CFO & Company  
Secretary

**S. K. JAIN**  
Director

**R. R. JAIN**  
Chairman &  
Managing Director

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31.03.2010



After consolidating the results of the Company with those of its wholly owned subsidiary Responsive Solution INC. and R S Software Asia Pte. Ltd.

| Particular                                       | Schedule | Year Ended<br>March 31,2010<br>(in Rs) | Year Ended<br>March 31,2009<br>(in Rs) |
|--|----------|--|--|
| <b>I Income :</b>                                |          |  |  |
| Income From Computer Software Development        |          |  |  |
| Export Income                                    |          | 1,633,589,759                          | 1,471,640,859                          |
| Domestic Income                                  |          | 31,138,972                             | 24,071,775                             |
| Profit on Foreign Currency Transaction           |          | (5,476,248)                            | (3,793,276)                            |
| Other Income (refer Note 3 of Schedule 11)       |          | 5,854,839                              | 2,627,126                              |
| <b>Total</b>                                     |          | <b>1,665,107,322</b>                   | <b>1,494,546,484</b>                   |
| <b>II Expenditure :</b>                          |          |  |  |
| Selling & Marketing Expenses                     |          | 90,556,069                             | 78,755,442                             |
| Salary And Other Employee Benefit                | 9        | 1,131,535,685                          | 1,006,634,00                           |
| Administrative And Other Expenses                | 10       | 205,149,351                            | 226,809,815                            |
| Miscellaneous Expenses Written Off               |          | 1,498,572                              | 1,498,572                              |
| Interest & Finance Charges                       |          | 23,154,421                             | 40,174,471                             |
| Depreciation                                     |          | 71,334,885                             | 57,483,122                             |
| <b>Total</b>                                     |          | <b>1,523,228,983</b>                   | <b>1,411,355,423</b>                   |
| <b>III Profit Befor Tax ( I - II ) :</b>         |          | <b>141,878,339</b>                     | <b>83,191,061</b>                      |
| Less : Provision Against Deposits                |          | —                                      | —                                      |
| Less : Provision For Income Tax                  |          | 20,170,478                             | 10,520,046                             |
| Less : Defferes Tax Liability                    |          | 2,329,910                              | 19,104,335                             |
| Less : Fringe Benefit Tax                        |          | —                                      | 1,300,000                              |
| <b>IV Profit After Tax :</b>                     |          | <b>119,377,951</b>                     | <b>52,266,680</b>                      |
| Profit Appropriation :                           |          |  |  |
| Balance B/f From Last Year                       |          | (107,776,851)                          | (160,043,531)                          |
| Less : Trf To Prefrence Share Redemption Reserve |          | 11,000,000                             | —                                      |
| <b>V Balance Carried Over To Balance Sheet :</b> |          | <b>601,100</b>                         | <b>(107,776,851)</b>                   |
| <b>Notes On Accounts</b>                         | 11       |  |  |
| Nominal Value Per Share                          |          | 10                                     | 10                                     |
| Basic Earning Per Share                          |          | 15.14                                  | 6.18                                   |
| Dilluted Earning Per Share                       |          | 14.29                                  | 6.10                                   |

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

This is the Balance Sheet referred to in our report of even date.

For **CHATURVEDI & COMPANY**  
Chartered Accountants

ON BEHALF OF THE BOARD

**NILIMA JOSHI**  
Partner, M. No. 52122  
Dated: April 26th 2010, Kolkata

**V. SURANA**  
CFO & Company  
Secretary

**S. K. JAIN**  
Director

**R. R. JAIN**  
Chairman &  
Managing Director

After consolidating the results of the Company with those of its wholly owned subsidiary Responsive Solution INC. and R S Software Asia Pte. Ltd.

|  | March 31,2010<br>(in Rs) | March 31,2009<br>(in Rs) |
|--|--------------------------|--------------------------|
| <b>Schedule 1</b>  |                          |                          |
| <b>Share Capital</b>   |                          |                          |
| <b>Authorised Capital:</b>   |                          |                          |
| 10,000,000 Equity Share of Rs. 10/- each   | 100,000,000              | 100,000,000              |
| 25,00,000 Preference Share of Rs. 100/- each   | 250,000,000              | 250,000,000              |
|  | 350,000,000              | 350,000,000              |
| <b>Issued Subscribed And Paid-up-fully Called And Paid Up</b>  |                          |                          |
| 81,08,398 Equity Share of Rs. 10/- each<br>(previous Year 76,646,48)   | 81,083,980               | 76,646,480               |
| 5,00,000 12.5% Cumulative Redeemable Preference Share of<br>Rs. 100/- each fully paid up (Redeemable in May,<br>2004) (Previous Year 50000)  | 25,500,000               | 50,000,000               |
| <b>Employee Stock Option Outstanding</b><br>Refer Note No.14 of Schedule 12 for details  | —                        | 47,285                   |
| <b>Preferential Allotment of Equity Warrants</b><br>(The Company has allotted 10,00,000 Equity Warant<br>@ Rs. 19.50 each on Preferential Basis To CMD Mr.<br>Rajnit Rai Jain in terms of resolution passed at Extra<br>Ordinary General Meeting held on 13th Jan ' 09.<br>The same is convertible into Equity Share of Rs. 10<br>each at a premium of Rs. 9.5 each. of the above<br>10,00,000 warant 380,000 warrants (previous year<br>220000 warrants) have been converted into Equity<br>Shares during the period in line with Sebi DIP<br>Guidlines.) | 780,000                  | 1,521,000                |
| <b>Share Forfeiture</b><br>(The Company has forfeited 10% application money<br>on the 500,000 warrants for preferential allotment to<br>be converted into Equity Shares against each<br>warrant. the nominal value cs Rs. 10/- and the price<br>at which allotted is Rs 87/- inclusive of a premium<br>amount of Rs.77/- . the same has been forfeited in<br>the absence of final call money being released<br>within the due date.)   | 4,350,000                | 4,350,000                |
|  | <b>111,713,980</b>       | <b>132,564,765</b>       |

After consolidating the results of the Company with those of its wholly owned subsidiary Responsive Solution INC. and R S Software Asia Pte. Ltd.

|  | March 31,2010<br>(in Rs) | March 31,2009<br>(in Rs) |
|--|--------------------------|--------------------------|
| <b>Schedule -2</b>                       |                          |                          |
| <b>Reserve And Surplus</b>               |                          |                          |
| Share Premium Account                    | 179,431,223              | 175,224,291              |
| Preference Share Redemption Reserve      | 24,500,000               | 13,500,000               |
| Profit And Loss Account                  | 601,100                  | —                        |
| Inter Branch Foreign Fluctuation Reserve | (18,128,166)             | (11,480,891)             |
|  | <b>186,404,156</b>       | <b>177,243,399</b>       |

|  | March 31,2010<br>(in Rs) | March 31,2009<br>(in Rs) |
|--|--------------------------|--------------------------|
| <b>Schedule-3</b>  |                          |                          |
| <b>Secured Loan</b>  |                          |                          |
| <b>Loans and Advances from banks and financial institutions</b>  | —                        | 64,362,361               |
| Bank Overdraft with ICICI Bank **<br>**(Secured by first charge on all the current assets, second mortgage and charge on all the company's fixed assets, ranking pari passu with other bankers, exclusive charge on the corporate office of the company and personal guarantee of two Directors)   |                          |                          |
| <b>12.5 % Non Convertible Debenture</b><br>(secured as second charge by way of hypothecation of all movable assets except book debts and demand promissory note and personal guarantee of managing director. The same is redeemable in two equal yearly installments 1st installment was due in November 2009, which has been paid and second installment is due to be paid on November 2010.) | 14,450,000               | 28,900,000               |
| <b>Car Loan</b><br>(Secured against the car)   | —                        | 263,446                  |
|  | <b>14,450,000</b>        | <b>93,525,807</b>        |

After consolidating the results of the Company with those of its wholly owned subsidiary Responsive Solution INC. and RS Software Asia Pte. Ltd.  
**SCHEDULE 4**

| Fixed Assets                | Gross Block     |                          |                   |                 | Depreciation             |                |                    |                          | Net Block   |             |
|-----------------------------|-----------------|--------------------------|-------------------|-----------------|--------------------------|----------------|--------------------|--------------------------|-------------|-------------|
|                             | Opening Balance | Additions For Year Ended | Sales/ Adjustment | Closing Balance | Accumulated Depreciation | For Year Ended | Sales / Adjustment | Accumulated Depreciation | As At       | As At       |
|                             | 01.4.09         | March '10                |                   | 31.03.2010      | 01.4.09                  | March '10      |                    | 31.03.2010               | 31.03.2010  | 01.04.09    |
| Land                        | 775,994         | —                        | —                 | 775,994         | —                        | —              | —                  | —                        | 775,994     | 775,994     |
| Building                    | 15,814,206      | —                        | —                 | 15,814,206      | 3,401,733                | 209,137        | —                  | 3,610,870                | 12,203,336  | 12,412,473  |
| Lease Building Expenses     | 13,982,571      | —                        | —                 | 13,982,571      | 9,036,797                | —              | 1,648,584          | 10,685,381               | 3,297,190   | 4,945,774   |
| Lease Plant And Machineries | 1,127,265       | —                        | —                 | 1,127,265       | 564,605                  | 375,717        | —                  | 940,323                  | 186,942     | 562,660     |
| Plant And Machineries       | 593,389,885     | 29,505,717               | —                 | 622,895,602     | 506,529,833              | 63,045,690     | —                  | 569,575,522              | 53,320,080  | 86,860,053  |
| Office Equipment            | 19,395,677      | 183,405                  | —                 | 19,579,082      | 5,196,940                | 759,787        | —                  | 5,956,727                | 13,622,355  | 14,198,737  |
| Air Conditioner             | 12,655,642      | 13,112                   | —                 | 12,668,754      | 4,844,413                | 404,800        | —                  | 5,249,213                | 7,419,541   | 7,811,229   |
| Electrical Installations    | 30,173,896      | —                        | —                 | 30,173,896      | 6,043,372                | 1,242,804      | —                  | 7,286,176                | 22,887,720  | 24,130,524  |
| Furniture And Fittings      | 68,738,209      | 110,784                  | —                 | 68,848,993      | 25,368,754               | 3,097,822      | —                  | 28,466,576               | 40,382,416  | 43,369,454  |
| Motor Vehicles              | 5,474,356       | —                        | —                 | 5,474,356       | 2,102,008                | 393,949        | —                  | 2,495,957                | 2,978,399   | 3,372,348   |
| Subsidiary Fixed Assis      | 1,388,411       | —                        | (22,654)          | 1,365,757       | 1,188,554                | 156,595        | —                  | 1,345,149                | 20,609      | 199,857     |
| Total                       | 762,916,112     | 29,813,018               | (22,654)          | 792,706,476     | 564,277,010              | 69,686,301     | 1,648,584          | 635,611,895              | 157,094,581 | 198,639,102 |
| Previous Year 08-09         | 701,764,731     | 61,090,948               | 60,433            | 762,916,112     | 506,793,886              | 53,272,501     | 4,210,624          | 564,277,010              | 198,639,102 | 194,970,846 |

**Note:**

1. Land includes Leasehold land amounting to Rs. 458,694/- . The lease expires in year 2086.
2. Asset has taken on Lease from Orix Auto Infrastructure Services Limited for Rs. 3.26 crores of which Rs. 65.40 lakhs is given as Security Deposit. The lease period is for 48 months starting from 10th August 2006 and lease rental are being paid every month.
3. New Building in Sector V comprising of 59600 sq ft has been taken on lease for a period of 36 months starting from May 2009 to April 2012 . Company has incurred additional Expense of Rs 4,999,532 in March '09 and the same is being written over the renewed period of lease i.e 36 months.
4. A Lease agreement for the sum of Rs 101.92 Lac has been entered into with CISCO Systems Capital India Pvt. Ltd as finance Lease for the period of 36 Months w.e.f. 13.10.2007.

After consolidating the results of the Company with those of its wholly owned subsidiary Responsive Solution INC. and R S Software Asia Pte. Ltd.

|  | March 31,2010<br>(in Rs) | March 31,2009<br>(in Rs) |
|--|--------------------------|--------------------------|
| <b>Schedule-5</b>                                    |                          |                          |
| <b>Sundry Debtors</b>                                |                          |                          |
| <b>Receivables</b>                                   |                          |                          |
| (unsecured And Considered Good)                      |                          |                          |
| Debts Outstanding For A Period Exceeding Six Months- | 1,149,583                | 2,032,663                |
| Other Debts (for Period Less Than Six Month)         | 162,444,859              | 81,348,675               |
|  | <b>163,594,442</b>       | <b>83,381,338</b>        |

|  | March 31,2010<br>(in Rs) | March 31,2009<br>(in Rs) |
|--|--------------------------|--------------------------|
| <b>Schedule -6</b>   |                          |                          |
| <b>Cash And Bank Balances</b>  |                          |                          |
| Cash In Hand   | 39,290                   | 49,782                   |
| Cash At Bank With :  |                          |                          |
| Schedule Banks   |                          |                          |
| — In Current Account<br>(axis Bank Ltd., Icici Bank Ltd., Allahabad Bank)      | 2,207,700                | 12,383,617               |
| — In No Lien Account   | —                        | 1,742                    |
| — In O/D Account (icici Bank)  | 15,405,764               |                          |
| Foreign Bank   |                          |                          |
| — In Current Account<br>( Bk of America, Silicon Valley Bk, ICICI Bk Uk Ltd. ) | 17,879,130               | 5,675,606                |
| Fixed Deposits   |                          |                          |
| Axis Bank (on Lien)  | 785,072                  | 492,487                  |
| Allahabad Bank (on Lien)   | 618,546                  | 617,511                  |
|  | <b>36,935,502</b>        | <b>19,220,746</b>        |

|   | March 31,2010<br>(in Rs) | March 31,2009<br>(in Rs) |
|---|--------------------------|--------------------------|
| <b>Schedule -7</b>  |                          |                          |
| <b>Loans And Advances</b>                                       |                          |                          |
| (unsecured And Considered Good)                                 |                          |                          |
| <b>Advances</b>   |                          |                          |
| (recoverable In Cash Or In Kind Or For Value<br>To Be Received) |                          |                          |
| Advance To Staff  | 1,834,953                | 1,754,169                |
| Advance Taxes   | 52,967,053               | 50,467,748               |
| Prepaid Expenses  | 10,986,158               | 4,340,171                |
| Advance Against Expenses  | 4,522,737                | 17,531,496               |
| Deposits  | 43,869,606               | 78,391,517               |
|   | <b>114,180,507</b>       | <b>152,485,102</b>       |



|   | Year Ended<br>March 31,2010<br>(in Rs) | Year Ended<br>March 31,2009<br>(in Rs) |
|---|--|--|
| <b>Schedule-8</b>                       |  |  |
| <b>Current Liability And Provisions</b> |  |  |
| <b>Current Liability</b>                |  |  |
| Sundry Creditors                        | 57,724,300                             | 88,515,446                             |
| Salary And Other Tax Liability          | 17,704,791                             | 18,139,979                             |
| <b>Provisions</b>                       |  |  |
| Provision For Leave Encashment          | 7,117,542                              | 5,177,972                              |
| Provision For Gratuity                  | 11,059,470                             | 6,523,030                              |
| Provision For Fringe Benefit Tax 06-07  | 1,227,390                              | 1,227,390                              |
| Provision For Fringe Benefit Tax 07-08  | 1,300,000                              | 1,300,000                              |
| Provision For Fringe Benefit Tax 08-09  | 1,300,000                              | 1,300,000                              |
| Provision For Income Tax 07-08          | 1,491,780                              | 1,491,780                              |
| Provision For Income Tax 08-09          | 10,520,046                             | 10,520,046                             |
| Provision For Income Tax 09-10          | 20,170,478                             |  |
|   | <b>129,615,798</b>                     | <b>134,195,643</b>                     |

**SCHEDULE TO PROFIT & LOSS ACCOUNTS** FOR THE YEAR ENDED 31.03.2010

|  | Year Ended<br>March 31,2010<br>(in Rs) | Year Ended<br>March 31,2009<br>(in Rs) |
|--|--|--|
| <b>Schedule-9</b>                        |  |  |
| <b>Salary And Other Employee Benefit</b> |  |  |
| Salary, Wages And Bonus                  | 820,683,394                            | 718,554,223                            |
| Subcontracting Charges                   | 217,338,273                            | 231,360,834                            |
| Contribution To Pf And Other Funds       | 18,824,641                             | 17,006,411                             |
| Workman And Staff Welfare Expenses       | 74,689,377                             | 39,712,533                             |
|  | <b>1,131,535,685</b>                   | <b>1,006,634,001</b>                   |

|  | Year Ended<br>March 31,2010<br>(in Rs) | Year Ended<br>March 31,2009<br>(in Rs) |
|--|--|--|
| <b>Schedule-10</b>                       |  |  |
| <b>Administrative And Other Expenses</b> |  |  |
| Travelling                               | 24,822,852                             | 37,139,404                             |
| Conveyance                               | 10,900,150                             | 6,040,657                              |
| Staff Welfare                            | 7,573,059                              | 3,942,101                              |
| Telephone                                | 20,471,842                             | 23,879,881                             |
| Printing And Stationery                  | 2,209,167                              | 2,749,868                              |
| Electricity And Power                    | 11,016,390                             | 10,855,338                             |
| Rent - Equipment                         | 8,335,852                              | 8,660,920                              |
| Rent - Apartment And Ground              | 32,945,021                             | 26,018,250                             |
| Repairs - Machinery                      | 8,963,763                              | 6,432,894                              |
| Repairs - Building                       | 7,736,959                              | 5,885,967                              |
| Repairs - Others                         | 73,981                                 | 453,471                                |
| Education And Training Expenses          | 3,355,359                              | 658,551                                |
| Insurance                                | 7,275,368                              | 9,324,007                              |
| Miscellaneous Expenses                   | 6,190                                  | 1,428,926                              |
| Auditors' Remuneration - Audit Fees      | 238,220                                | 225,960                                |
| Tax Audit Fee                            | 50,000                                 | 50,000                                 |
| Other Audit Certificate                  | 90,000                                 | 73,001                                 |
| Books And Periodicals                    | 328,387                                | 586,099                                |
| Directors' Fees                          | 716,234                                | 420,000                                |
| Rates And Taxes                          | 1,353,318                              | 164,857                                |
| Legal / Professional Fee                 | 21,082,214                             | 56,211,362                             |
| Consultancy Charges                      | 4,808,148                              | 3,759,729                              |
| Recruitment And Relocation Expenses      | 3,592,825                              | 8,093,204                              |
| General And Board Meeting Expenses       | 3,051,879                              | 1,805,101                              |
| Membership And Subscription              | 1,308,098                              | 1,623,461                              |
| Business Promotion                       | 3,801,340                              | 1,928,097                              |
| Advertisement                            | 321,647                                | 817,954                                |
| Seminar And Conferences                  | 340,381                                | 2,092,407                              |
| Deposits Written Off                     | 9,257,112                              |  |
| Donation                                 | —                                      | 132,000                                |
| Bad Debt Written Off By Subsidiary       | 9,123,596                              | 5,306,347                              |
|  | <b>205,149,351</b>                     | <b>226,759,815</b>                     |

**Schedule 11**

After consolidating the results of the Company with those of its wholly owned subsidiary Responsive Solution INC. and RS Software Asia Pte. Ltd.

**1. Significant Accounting Policies****a) Convention**

The financial statements have been prepared under the historical cost convention in accordance with the applicable Accounting Standards in India and the provisions of the Indian Companies Act, 1956.

**b) Basis of Accounting**

The Company follows accrual basis of accounting.

**c) Revenue Recognition**

Revenue is realised on time-and-material basis and billed to clients as per the terms of specific contracts. Revenue from software development on time and material basis is recognised based on software developed and billed to clients as per the terms of specific contracts. Revenue from sale of special import licenses is recognized when the licenses are actually sold. The income from software development is inclusive of value added tax.

**d) Fixed Assets**

Fixed Assets are capitalized at cost inclusive of installation charges, interest & other financial charges on borrowings and other expenses for acquisition of such fixed assets till they are made operational.

**e) Depreciation**

Depreciation on fixed assets is provided using the straight-line method at the rates prescribed under the Schedule XIV of the Indian Companies Act, 1956. However, Plant & Machinery is being depreciated @ 33.33%. Assets costing less than Rs.5,000/- are depreciated in full in the year of purchase. Depreciation on additions due to realignment of rupee value of foreign currency loan or fixed assets has been charged proportionately on the productive life of the assets. Significant purchased application software that is an integral part of the computer system expected to provide lasting benefits is capitalized and amortized in three years. Expenses incurred on leased premises are amortized over the remaining period of lease.

**f) Investments**

Current Investments are valued at lower of cost or market value.

Long term Investments are valued at cost. Provision for diminution is made to recognize the decline, other than temporary, in the value of investments, such reduction being determined and made for each investment individually. Changes in carrying amount of investments are charged or credited to the Profit and Loss Account.

**g) Miscellaneous Expenditure**

Share Issue Expenses are being written off in sixty monthly installments commencing from the date of closing of the Right Issue.

**h) Foreign Currency Translation**

Foreign Currency transactions are recorded at exchange rate prevailing at the closing of the month for respective months. Exchange difference arising on settlement was included in Profit & Loss Account till the accounts ended 30th September '2008. Foreign unit is considered as non-integral and the foreign exchange difference is transferred to "Inter Branch Foreign Fluctuation Reserve Account". Revenue items of the Foreign Branch are converted in equivalent Indian Rupees at the buying rate prevailing at the end of the month. Assets and Liabilities of the Foreign Branch are converted in equivalent Indian rupees at the applicable rate prevailing at the end of the year. The effect of exchange rate fluctuation in respect of fixed assets is adjusted with the cost of the respective assets. Investment in subsidiary Company is being valued at carrying cost adjusted by any non-temporary decline in their value according to the requirements of statute.

**i) Spares and Consumables**

Computer spares, accessories and stationery are charged to revenue in the year they are purchased.

**j) Income Tax**

The Company computes income tax liability under the "Tax Payable" method after taking credit for allowances and exemptions under section 10B of the Income Tax Act, 1961 for the Export Oriented Unit with the assumption that realization from debtors in convertible foreign exchange shall be received within a period of six months from the end of the previous year or any extended period by competent authority. Minimum Alternate Tax (MAT) to the extent applicable is considered.

Deferred Tax is accounted for by computing the tax effect of timing differences, which arise during the year and reverse in subsequent periods.

**k) Contingent liabilities**

Contingent liabilities are not accounted for but have been disclosed by way of Notes to Accounts.

**l) Employee Benefits**

Contribution of Employers share to Employees' Provident Fund and ESI are worked on accrual basis and charged to Profit & Loss Account. The Company also provides for gratuity and leave encashment based on actuarial valuation made by an independent actuary as per Revised AS 15 Compliance of The Institute of Chartered Accountant of India.

**m) Asset taken on Lease**

Lease rentals on operating leases are charged on a monthly basis to Accounts

Assets taken on Finance Lease have been capitalized during the year of Agreement and charged off in accordance with the applicable rate of Depreciation.

**n) Impairment of Assets**

Property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of expected future post-tax cash flows of the relevant cash generating unit or fair value less cost to sell, whichever is higher. The discount rate is applied, based upon the weighted average cost of capital with appropriate adjustments for the risks associated with the relevant business. Any impairment in value is charged to the Income Statement in the year, which it occurs.

**2. Contingent Liabilities:**

- a) Guarantees outstanding as at 31.3.10 is Rs 1,155,500 (Previous Financial year 31.03.09 Rs. 1,524,900)
- b) Liabilities in respect of bills discounted with Silicon Valley Bank by the Company as on 31.3.10 is amounting to Rs.69,941,756 (Previous Financial year 31.03.09 Rs. 191,277,731)
- c) The US Subsidiary of the company has written off loans and advances for USD 203198 (Rs.91.23 Lac) as bad debt.
- 3. a) Debit in Interest and Finance Charges Account includes Interest to Banks Rs.7,606,153 and Financial Charges to bank Rs. 14,215,747 and other charges paid to bank Rs.899,818 incurred during the year ended 31.3.10 (Previous Financial Year 31.03.09 Rs. 32,360,931). It also includes interest on Debenture amounting to Rs. 2,912,159 (previous year Rs. 3,615,856).
- b) Other income for the year ended 31.3.10 includes FD earlier written off now recovered on reconciliation amount to Rs.3,520,046 (including TDS Rs. 190,680) ,Interest Received from Bank amounting to Rs.1163937 (including TDS Rs.70,252) (Previous Year Rs. 246,140 (including TDS Rs. 35,610)), Interest income received from Income Tax Rs. 1,383,989 interest received from subsidiary Rs 421,983 (Previous Year Rs. 13,884) and Conversion fees amounting to Rs. 479,824 ( Previous year Rs. NIL).
- 4. a. The income tax deducted at source on domestic income during the year is Rs.1,886,750 (Previous Financial Year Rs. 3,033,838).
- 4. b. The Company has provided an amount of Rs. 2,329,910 as deferred tax Liability as on 31.3.10 (Previous Financial Year Rs. 10,029,998). The detail for the same is given as below:-

| Deferred Tax Liability                           | As ON 31-3-10 |
|--|---------------|
| Tax Rate   | 33.99%        |
| Opening TD                                       |               |
| Depreciation Difference 2009-10                  | -21,301,904   |
| As per Companies Act                             | 69,529,716    |
| Amortised Building Expenses as per Companies Act | 1,648,584     |
| As per Income Tax                                | 49,876,396    |
| WDV Difference opening                           | 75,842,281    |
| As per Companies Act                             | 193,493,470   |
| As per Income Tax                                | 117,651,189   |
| Closing TD                                       | 54,540,377    |
| Closing Balance DTL                              | 18,538,274    |

|                                   |                   |
|-----------------------------------|-------------------|
| Deferred Tax Asset                | As ON 31-3-10     |
| Tax Rate                          | 33.99%            |
| Provision for Gratuity & Leave    | 18,177,012        |
| Originating TD                    | 18,177,012        |
| Closing TD                        | 18,177,012        |
| Closing Balance DTA               | 6,178,366         |
| <b>NET DEFERRED TAX LIABILITY</b> | <b>12,359,908</b> |

- 4 c. There is no Impairment of assets during the year.
5. a. Legal /Professional Fees and Taxes is inclusive of value added tax for the year ended 31.3.10 amounting to Rs. 14,812,381 (Previous Financial year 31.03.09 Rs. 36,133,666). It also includes the amount of Rs. 358,994 (Previous Financial Year 31.3.09 Rs. 10,290,260) paid during the year ended 31.3.10 as legal charges for a case filed in USA by Identity Check for infringement of copy right. The company has entered into out of court settlement during the year and has incurred a cost of Rs. 1,649,200. Henceforth the case is resolved.
6. Prior period expenses incurred till date 31.03.10 Rs. 826,875- (Previous Financial Year 31.03.09 Rs. 1,541,425/-) which is on account of re-imburement to the employees.

|                           |                |
|---------------------------|----------------|
| Particulars as on 31.3.10 | Amount (Rs.)   |
| Travelling Expenses       | 727,461        |
| Telephone                 | 68,702         |
| Staff Welfare             | 13,750         |
| Bank & Misc. Charges      | 16,962         |
| <b>TOTAL</b>              | <b>826,875</b> |

7. a. i.) In respect of equipment acquired on finance lease , the minimum lease rental outstanding as on 31.3.10 and their present value are as under :-

|                 | Total Minimum Lease Payment outstanding as at 31st Mar' 2010 | Future Interest on Outstanding Lease Payment | Present Value of minimum Lease Payment as at 31st Mar' 2010 |
|-----------------|--|--|---|
| Within One Year | 1,421,922  | 31,959                                       | 1,389,963   |

- ii.) General description of Lease Agreement
- a) Lease rental are charged on the basis of agreed terms.
- b) Assets are taken on lease for a period of 3 years

7. b. i.) The Company has taken equipments from Orix Auto Infrastructure Service Ltd. Under operating clause and lease rent and paid an amounting of Rs. 8,328,018 during the year ended 31.3.10 ( previous Year 31.03.09 Rs. 8,277,384) has been charged to the profit & Loss Account. The Future Minimum Lease Payment are as under

| dsad            | Total Minimum Lease Payment outstanding as at 31st Mar' 2010 |
|-----------------|--|
| Within One Year | 2,749,256  |

- ii.) The Company has also entered into an operating lease for Building with Saltee Infotex (India) Pvt. Ltd. for the period of 3 years expiring on 30th April' 12. The amount of Rs. 18,711,420 (Previous Year 31.03.09 Rs. 16,449,600) has been charged to the profit & Loss Account.

|  | Total Minimum Lease Payment outstanding as at 31st Mar' 2010 |
|--|--|
| Within One Year                                  | 18,917,040   |
| Later than One Year and not Later than Five Year | 20,493,460   |

#### 8. DEFINED BENEFIT PLAN

As per Actuarial Valuation as on 31 .03.2010, the company has recognized the appreciation in the value of the liability into the books in addition to the One fifth of the Transitional difference arises as on 31.03.08 of the same has been charged to P/L A/c amounting to Rs. 1,440,780 & 770,828 for Leave Encashment & Gratuity respectively. And the balance of

Rs 2,881,559, & 1,542,200 are being carried forward to be charged off in balance two installments in respect of Leave Encashment & Gratuity respectively.

|    | PARTICULARS   | Gratuity     | Leave       |
|----|---|--------------|-------------|
| A  | Components of Employer Expenses   | Rupees       | Rupees      |
| 1  | Current Service Cost  | 3,351,838    | 383,764     |
| 2  | Interest Cost   | 857,470      | 423,016     |
| 3  | Expected Return on plan assets  | —            | —           |
| 4  | Curtailement cost (credit)  | —            | —           |
| 5  | Settlement cost (credit)  | —            | —           |
| 6  | Amortization of Past Service Cost   | —            | —           |
| 7  | Actuarial Losses/(Gains) on defined benefit obligation                    | 1,748,723    | 2,502,610   |
| 8  | Actuarial (Losses)/Gains on plan Assets                                   | —            | —           |
| 9  | Total Expenses recognised in the Statement of Profit & Loss A/C           | 5,958,031    | 3,309,390   |
| B  | Actual Contribution and Benefits Payments for period ending 31 March 2010 | Rupees       | Rupees      |
| 1  | Actual Benefit Payments   | 2,192,419    | 2,810,600   |
| 2  | Actual Contributions  | 2,192,419    | 2,810,600   |
| A  | Funded Status   | Rupees       | Rupees      |
| 1  | Present value of Defined Benefit Obligation                               | 12,601,180   | 5,537,101   |
| 2  | Fair value of plan assets   | —            | —           |
| 3  | Funded Status [Surplus/(deficit)]   | (12,601,180) | (5,537,101) |
| 4  | Effect of balance sheet asset limit                                       | —            | —           |
| 5  | Unrecognised Past Service Costs   | —            | —           |
| 6  | Net asset/(liability) recognised in balance sheet                         | (12,601,180) | (5,537,101) |
| 1  | Net asset/(liability) recognised in balance sheet at beginning of period  | (8,835,568)  | (5,038,311) |
| 2  | Employer Expenses   | 5,958,031    | 3,309,390   |
| 3  | Employer Contribution   | 2,192,419    | 2,810,600   |
| 4  | Net asset/(liability) recognised in balance sheet at end of the period    | (12,601,180) | (5,537,101) |
| A  | Change in Defined Benefit Obligation                                      | Rupees       | Rupees      |
| 1  | Present value of PBO at beginning of period (+)                           | 8,835,568    | 5,038,311   |
| 2  | Current Service Cost (+)  | 3,351,838    | 383,764     |
| 3  | Interest Cost (+)   | 857,470      | 423,016     |
| 4  | Curtailement cost/(credit) (-)  | -            | -           |
| 5  | Settlement cost/(credit) (-)  | -            | -           |
| 6  | Employee contribution (-)   | -            | -           |
| 7  | Plan amendments (-)   | -            | -           |
| 8  | Acquisitions (-)  | -            | -           |
| 9  | Actual (gains)/Losses   | 1,748,723    | 2,502,610   |
| 10 | Benefits Paid (-)   | (2,192,419)  | (2,810,600) |
| 11 | Present value of PBO at the end of period (-)                             | 12,601,180   | 5,537,101   |

|   |                                      |             |             |
|---|--------------------------------------|-------------|-------------|
| B | Change in Fair Value of Assets       | —           | —           |
| 1 | Plan Assets at beginning of period   | —           | —           |
| 2 | Expected return on plan assets       | —           | —           |
| 3 | Actual company contributions         | 2,192,419   | 2,810,600   |
| 4 | Employee contributions               | —           | —           |
| 5 | Actuarial Gain/(Loss) on plan assets | —           | —           |
| 6 | Benefits paid                        | (2,192,419) | (2,810,600) |
| 7 | Plan assets at the end of period     | —           | —           |

**9 Related Party Disclosures:**

**a) Enterprises where control exists:**

|                              |                       |                          |
|------------------------------|-----------------------|--------------------------|
| Wholly Owned Subsidiaries:   | Percentage of holding | Country of Incorporation |
| Responsive Solutions Inc     | 100%                  | United States of America |
| RS Software (Asia) Pte. Ltd. | 100%                  | Singapore                |

**b) Key Management Personnel:**

|                     |   |                                     |
|---------------------|---|-------------------------------------|
| Mr. Rajnit Rai Jain | - | Vice Chairman and Managing Director |
| Mr. Shital Kr. Jain | - | Director                            |
| Mrs. Shital Jain    | - | Director                            |
| Mr. R Ramaraj       | - | Director                            |
| Mr Richard Launder  | - | Additional Director                 |
| Mr. Vijendra Surana | - | CFO and Company Secretary           |

**Disclosure of transactions between the Company and Related Parties and the status of outstanding balances as on 31.03.2010**

|   |  | Wholly Owned<br>Subsidiary (WOS) | Key Management<br>Personnel |
|---|--|----------------------------------|-----------------------------|
| 1 | Advances given   |                                  |                             |
|   | Responsive Solution Inc  | 4,220,600                        |                             |
|   | RS Software (Asia) Pte Ltd   | 8,453,306                        |                             |
|   | Advances recovered   |                                  |                             |
|   | Responsive Solution Inc  | 26,347,096                       |                             |
| 2 | Interest Receivable from Subsidiary                                  | 421,983                          |                             |
|   | Reimbursement of expense incurred on behalf of Subsidiary.           |                                  |                             |
|   | Responsive Solution Inc  | 5,312,762                        |                             |
|   | Reimbursing the subsidiary towards service rendered at market price. |                                  |                             |
|   | R S Software Asia (pte.) Ltd.  | 10,194,680                       |                             |
| 3 | Remuneration to Key Personnel:                                       |                                  |                             |
|   | - Directors  |                                  | 587,914                     |
|   | - Managing Director  |                                  | 3,892,100                   |
|   | ESOP Allotted and amount recovered                                   |                                  |                             |
|   | - Shital Kr Jain ( 10000 Shares @ Rs. 15.95 per share)               |                                  | 159,500                     |
|   | - Vijendra Surana (2500 Shares @ Rs.15.95 per share)                 |                                  | 39,875                      |

|   |   | Wholly Owned<br>Subsidiary (WOS) | Key Management<br>Personnel |
|---|---|----------------------------------|-----------------------------|
| 4 | Balance as on 31.3.10 :                     |                                  |                             |
|   | Advances given                              |                                  |                             |
|   | Responsive Solution Inc                     | NIL                              |                             |
|   | Debtors                                     |                                  |                             |
|   | Responsive Solution Inc                     | NIL                              |                             |
|   | Creditors                                   |                                  |                             |
|   | RS Software (Asia) Pte Ltd                  | 1,741,373                        |                             |
| 5 | Maximum balance outstanding during the year |                                  |                             |
|   | Advances given                              |                                  |                             |
|   | Responsive Solution Inc                     | 4,783,839                        |                             |
|   | Debtors                                     |                                  |                             |
|   | Responsive Solution Inc                     | 9,791,263                        |                             |
|   | Creditors                                   |                                  |                             |
|   | RS Software (Asia) Pte Ltd                  | 1,741,373                        |                             |

- d) The company has charged interest on advance given to subsidiary after 1st January'2009. The interest is treated as further advance given.
- e) Company has formed one 100 % subsidiary at Singapore with the name RS Software (Asia) Pte Ltd. with the capital of 25000 Singapore Dollar @ SGD 1 (Rs 32.08) per share on 9th April' 09. The investment in share is due and will be done subsequently.
10. a) 12.5% Cumulative Redeemable Preference Shares (CRPS) amounting to Rs. 500 Lac issued to IDBI were due to be redeemed on May 30, 2004 but have not been redeemed. Company has paid a total amount of Rs. 592.57 Lac till 31st March '09 against CRPS. The Company had made a provision of Rs. 92.57 lac in the June quarter against deposits with IDBI, Which has been finally written off. During the year company has redeemed the preference shares for Rs. 245 Lac after transferring Rs 110 Lac during the year to Preference Share Redemption Reserve. Due to accumulated past losses incurred by the Company only Rs 110 Lac has been transferred to Preference share redemption reserve during the year ended 31.3.10
- b) 12.5% NCD for 289 Lac had been issued in Nov '07. Debentures were repayable in 2 equal installments payable in November 2009 & 2010 respectively out of which 1st Installment which was due on Nov'09 has been paid on due date.

#### 11. Auditor's Remuneration

|                                      | 31.3.2010<br>( In Rs.) | 31.03.09<br>(In Rs.) |
|--------------------------------------|------------------------|----------------------|
| As Statutory Auditors                | 150,000                | 150,000              |
| Tax Audit                            | 50,000                 | 50,000               |
| In Other Capacity Certification work | 90,000                 | 73,000               |

The above remunerations are not inclusive of service tax as applicable

12. EPS has been calculated as per the provisions of AS-20, issued by the Institute of Chartered Accountants of India. The details of calculation are as follows:



|   | 31.03.10    | 31.03.09   |
|---|-------------|------------|
| <b>Numerator for Basic and Diluted EPS:</b> |             |            |
| Profit for the period                       | 119,501,106 | 52,266,680 |
| Less: Dividend on Pref Shares               | 3,187,500   | 6,250,000  |
|   | 116,313,606 | 46,016,680 |
| <b>Denominator for Basic EPS:</b>           |             |            |
| Equity Shares                               | 7,664,648   | 7,444,648  |
| Add: ESOP Conversion                        | 10654       |            |
| Add: Preferential Issue                     | 6247        | 603        |
| Weighted no. of Equity Shares               | 7,681,549   | 7,445,251  |
| <b>Denominator for Diluted Shares</b>       |             |            |
| Weighted No. of Basic Equity Shares         | 7,681,549   | 7,445,251  |
| Add: ESOP Conversion                        |             |            |
| ESOP Dilutive                               | 216,915     | 17,394     |
| Pref Share allotment                        | 238,208     |            |
| ESOP (2006-07)                              |             | 78,000     |
| Weighted no. of Equity Shares               | 8,136,672   | 7,540,644  |
| Nominal Value of share                      | 10.00       | 10.00      |
| Basic Earning per Share                     | 15.14       | 6.18       |
| Diluted Earning per Share                   | 14.29       | 6.10       |

13. Salary and Other employee benefits include the remuneration to Managing Directors as follows:

|                | 31.03.2010<br>(Rs.) | 31.03.2009<br>(Rs.) |
|----------------|---------------------|---------------------|
| Salaries       | 2,400,000           | 2,100,000           |
| Other Benefits | 1,372,149           | 1,253,574           |
| Provident Fund | 288,000             | 252,000             |
| <b>Total</b>   | <b>4,060,149</b>    | <b>3,605,574</b>    |

Central Government approval for managerial remuneration on ground of his being an NRI as per the definition of the companies Act'1956 has been received as per letter dated 23rd June '2009.

14. a. The Company has granted 275,200 shares to the employees during the year 2007-08 at the fair value and the exercise price of the option is Rs. 15.95 each. As on date 31.3.10 48,150 option has been exercised.
- b. The Company has granted 186,700 shares to the employees during the year 2008-09 at the fair value of and the exercise price of the option is Rs. 29.90 each. As on date 31.3.10 15,600 option has been exercised.
- c. The Earlier provision of liability against Employee Stock option for a sum of Rs. 47,285 has been written off to the employee expenses as the same has not been exercised by any employees during the year and has lapsed as on 31st Dec '2009
- d. 165000 share options in 2004-05 under the Employee Stock Option Scheme @ Rs. 16.76 was given out of which 55350 shares were allotted and balance options have lapsed now.
- e. 176,600 shares options in 2005-06 under the Employee stock option scheme at the closing of the Market Price of Rs 71/- preceding the date of the Board Meeting where ESOS was approved. 2298 options have been exercised and converted into equity shares and balance have now lapsed.
- 15 The company has received 10% of the application money in the year 2008-09 for 10,00,000 equity warrants @ Rs. 19.50 each from CMD as preferential allotment out of which 380,000 shares (previous year 220000 shares) were allotted to the him @ Rs. 10 per share and Rs. 9.50 as premium. The money received and used for the business of the company
16. There is no declaration received from vendor for being Small, Medium & Micro Registration.
17. Additional Information pursuant to provisions of the Para 3 and 4 of Part II Schedule VI for the Companies Act, 1956:-  
The Company is engaged in the business of development & maintenance of computer software and other related services. The production and sale of such software services are not capable of being expressed in generic terms.

|   | 31.03.10<br>(In Rs.) | 31.03.09<br>(In Rs.) |
|---|----------------------|----------------------|
| <b>Expenditure in Foreign Currency:</b> |                      |                      |
| a) Foreign branch expenditure           | 1,242,352,299        | 1,181,569,012        |
| b) Interest paid to ICICI Bank          | NIL                  | 2,054,079            |
| <b>Earning in Foreign Currency</b>      |                      |                      |
| a) Export of services                   | 1,583,300,465        | 1,477,376,117        |
| b) Interest Income                      | 421,983              | 14,584               |

18. Reporting of Segment Wise Revenue, Results and Capital Employed:

| Particulars  | For the year Ended<br>March 31, 2010 | For the year ended<br>March 31, 2009 |
|--|--------------------------------------|--------------------------------------|
| 1. Segment Revenue (net sale/income from each segment should be disclosed) |                                      |                                      |
| a. Segment – A (USA)   | 1,519,557,546                        | 1,233,037,258                        |
| b. Segment – B (ROW)   | 141,967,240                          | 261,509,226                          |
| <b>Total</b>   | <b>1,661,524,786</b>                 | <b>1,494,546,484</b>                 |
| Less: Inter segment revenue  | —                                    | —                                    |
| Net sales/income from operations   | 1,661,524,786                        | 1,494,546,484                        |
| 2. Segment Results Profit (+) / (loss)(-)                                  |                                      |                                      |
| before tax and interest from each segment                                  |                                      |                                      |
| a. Segment –A (USA)  | 301,922,563                          | 170,678,147                          |
| b. Segment – B (ROW)   | 31,944,930                           | 85,418,489                           |
| <b>Total</b>   | <b>333,867,493</b>                   | <b>256,096,636</b>                   |
| Less: i. Interest & Finance Charges  | 23,154,421                           | 40,660,587                           |
| ii. Depreciation   | 71,334,885                           | 57,394,815                           |
| a. Provision for Diminution in value of investments                        |                                      |                                      |
| b. Share Issue Expenses W/off  | 1,498,572                            | 1,498,572                            |
| c. Selling, General & Administrative Expenses                              | 86,551,927                           | 73,351,602                           |
| Total Profit/(Loss) Before Tax   | <b>151,327,688</b>                   | <b>83,191,061</b>                    |
| 3. Capital Employed  |                                      |                                      |
| <b>Total Assets</b>  | <b>34,578,626</b>                    | <b>431,773,732</b>                   |
| <b>Total Liabilities (See note below *)</b>                                | <b>34,578,626</b>                    | <b>431,773,732</b>                   |

Note :  
\*Assets used in the Company's business are not capable of being specifically identified with any of the segments, and it is not practicable to provide segmented disclosures in relation to total assets and liabilities with any reasonable degree of accuracy. Unallocated expenses have not been disclosed in any segment.

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

20. Financial figures have been rounded off to nearest rupee.

For **CHATURVEDI & COMPANY**  
Chartered Accountants

ON BEHALF OF THE BOARD

**NILIMA JOSHI**  
Partner, M. No. 52122  
Dated: April 26th 2010, Kolkata

**V. SURANA**  
CFO & Company  
Secretary

**S. K. JAIN**  
Director

**R. R. JAIN**  
Chairman &  
Managing Director

## CONSOLIDATED CASH FLOW STATEMENT



After consolidating the results of the Company with those of its wholly owned subsidiary Responsive Solution INC. and R S Software Asia Pte. Ltd.

|   | 31.03.10<br>(In Rs.) | 31.03.09<br>(In Rs.) |
|---|----------------------|----------------------|
| <b>A Cash Flow From Operating Activities:</b>               |                      |                      |
| Net Profit After Tax And Extra Ordinary Items               | 119,377,951          | 52,266,680           |
| <b>Adjustment For :</b>                                     |                      |                      |
| Depreciation  | 71,334,885           | 57,483,122           |
| Interest Paid   | 23,154,421           | 40,174,471           |
| Capital Reserve   | 2,117,664            | (1,625,639)          |
| Provision For Tax   | 22,500,388           | 30,924,381           |
| Foreign Exchange Fluctuation Reserve                        | (6,647,275)          |                      |
| Provision For Gratuity, Leave Encashment                    | 6,476,010            | 4,473,712            |
| Interest Received   | (5,105,967)          | (260,024)            |
| Employees Expenses Amortization                             | —                    | (167,225)            |
| Miscellaneous Expenditure Written Off                       | 1,498,572            | 1,498,573            |
| Operating Profit Before Working Capital Charges             | <b>234,706,649</b>   | <b>184,768,051</b>   |
| <b>Adjustment For :</b>                                     |                      |                      |
| Trade And Other Receivables                                 | (41,908,506)         | (76,948,268)         |
| Trade Payables  | (31,226,333)         | 44,297,145           |
| <b>Cash Generated From Operations</b>                       | <b>161,571,810</b>   | <b>152,116,929</b>   |
| Interest Paid   | (23,154,421)         | (41,534,553)         |
| Cash Flow Before Extraordinary Items                        | 138,417,389          | 110,582,375          |
| <b>Net Cash From Operating Activities</b>                   | <b>138,417,389</b>   | <b>110,582,375</b>   |
| <b>B Cash Flow From Investment Activities :</b>             |                      |                      |
| Purchase of Fixed Assets                                    | (30,088,939)         | (61,745,305)         |
| Interest Received   | 5,105,967            | 260,024              |
| <b>Net Cash From Investment Activities</b>                  | <b>(24,982,972)</b>  | <b>(61,485,281)</b>  |
| <b>C Cash Flow From Finance Activities:</b>                 |                      |                      |
| Proceeds From Share Application                             | 7,856,148            | (5,669,891)          |
| Proceeds From Long Term Borrowings                          | (64,362,361)         | (14,391,138)         |
| Preference Share Redemption                                 | (24,500,000)         | —                    |
| Repayment of Loan   | (14,713,446)         | (48,102,028)         |
| <b>Net Cash From Financing Activities</b>                   | <b>(95,719,661)</b>  | <b>(68,163,058)</b>  |
| Net Increase /Decrease in Cash and Cash Equivalents (a+b+c) | <b>17,714,756</b>    | <b>(19,065,964)</b>  |
| Opening Cash and Cash Equivalents                           | 19,220,746           | 38,286,710           |
| Closing Cash and Cash Equivalents                           | 36,935,502           | 19,220,746           |

The Schedules Referred To Above Form An Integral Part Of The Balance Sheet.

This Is The Balance Sheet Referred To In Our Report Of Even Date.

For **CHATURVEDI & COMPANY**  
Chartered Accountants

ON BEHALF OF THE BOARD

**NILIMA JOSHI**  
Partner, M. No. 52122  
Dated: April 26th 2010, Kolkata

**V. SURANA**  
CFO & Company  
Secretary

**S. K. JAIN**  
Director

**R. R. JAIN**  
Chairman &  
Managing Director



## R S SOFTWARE (INDIA) LTD

Registered Office: FMC Fortuna  
A-2, 234/3A, A.J.C.Bose Road, Calcutta - 700 020.

Folio No. \_\_\_\_\_ DP ID \_\_\_\_\_ Client ID \_\_\_\_\_

### PROXY

I / We \_\_\_\_\_

of \_\_\_\_\_ being a Member/Members of

R S Software (India) Ltd., hereby appoint \_\_\_\_\_

of \_\_\_\_\_

(or failing him \_\_\_\_\_

of \_\_\_\_\_

as my / our proxy in my / our absence to attend and vote for me/us, and on my our behalf, at the ANNUAL GENERAL MEETING of the Company, to be held at 11.00AM on July 24, 2010 and at any adjournment thereof.

As witness my / our hand/hands this \_\_\_\_\_ day of \_\_\_\_\_ 2010.

Signed by the said

**NOTE :** The proxy must be deposited at the Registered Office of the Company with the Secretarial Department, FMC Fortuna, A-2, 1st Floor, 234/3A, A J C Bose Road, Calcutta – 700 020, not less than 48 hours before the time for holding the meeting.

**This attendance slip duly filled in to be handed over at the entrance of the Meeting Hall**

**R S SOFTWARE (INDIA) LTD**

**Registered Office:**

FMC Fortuna, A-2, 234/3A, A J C Bose Road, Calcutta – 700 020

I hereby record my presence at the ANNUAL GENERAL MEETING at Aikatan Cultural Centre, Eastern Zonal Centre, IA-190, Sector III, Salt lake City, Kolkata -700 097 at 11.00 am on JULY 24, 2010.

Name of the attending Member \_\_\_\_\_

(in block letters)

Folio No / DP ID & Client ID \_\_\_\_\_

Name of Proxy \_\_\_\_\_

(in block letters, to be filled in if the Proxy attends instead of the Member)

No. of shares held \_\_\_\_\_

\*Member's/Proxy's Signature

\*To be signed at the time of handing over this slip

## Offices:

### India

#### *Corporate Office:*

A-2, FMC Fortuna, 234/3A, A.J.C. Bose Road, Kolkata 700020, India

Board: 91 33 2287 5746 / 91 33 2281 0106/07/08/09

Fax: 91 33 2287 6256

#### *Development Center:*

RS Tower, Block DN-9, Saltlec Sector - V, Salt Lake City, Kolkata 700091, India

Board: 91 33 6601 8899

Fax: 91 33 2367 4469

### North America

#### *Silicon Valley Office:*

1900 McCarthy Boulevard, Suite #103, Milpitas, CA 95035

Board: 001 408 382 1200

Fax: 001 408 382 0083

#### *Atlanta Office:*

555 North Point Center East, 4th floor, Alpharetta, GA 30022

Board: 001 678 366 5179

Fax: 001 678 366 5001

### Europe

Euston Fitzrovia, 85 Tottenham Court Road, London W1T 4DU

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### Singapore

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