

OBITUARY

Mr. K S Bhatnagar



1925 - 2008

*It is with deep sorrow that we mourn the sad demise of our chairman **Mr. K S Bhatnagar**, who left for his heavenly abode on May 17, 2008. As the chairman of your company from 1994 to 2008, he contributed immensely towards building a strong foundation for the company, and ensured the company's ability to maximize returns for its stakeholders.*



R.S. SOFTWARE (INDIA) LTD.

C O N T E N T S

Operational Highlights	4
Board of Directors	7
RS Management Team	7
Global Sales & Marketing Team	8
Moments of the 2007 AGM held on August 10, 2007	9
Notice to Members	10
Directors' Report	13
General Shareholders' Information	26
Auditors' Report	29
Balance Sheet	34
Profit and Loss Account	35
Schedules to Balance Sheet and Notes on Accounts	36
Cash Flow Statement	50
Balance Sheet Abstract	51
Section 212 of the Companies Act, 1956	52
Responsive Solutions Inc.	53
Consolidated Accounts of R S Software India Limited and its Subsidiaries	58
Enclosed : Proxy	75



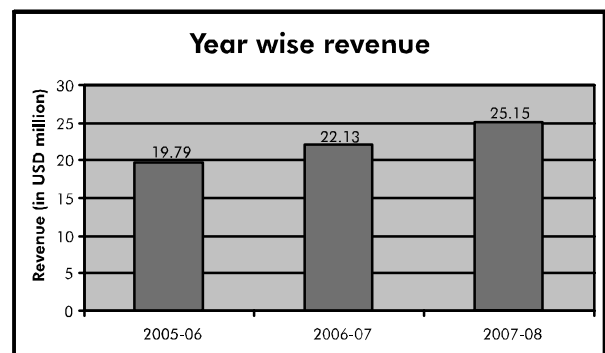
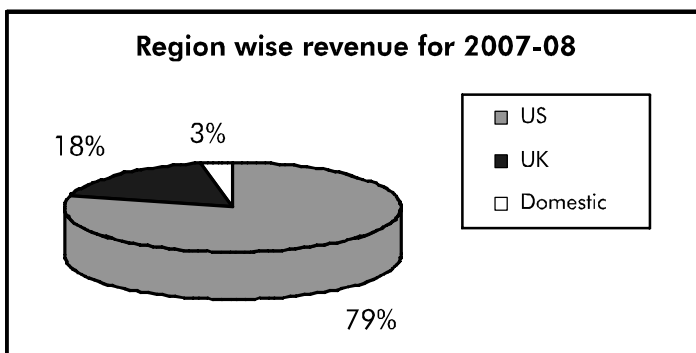
OPERATIONAL HIGHLIGHTS

Execution & Training

The year offered three significant challenges to the Execution group. It had to deal with new business involving new technologies, on time resource fulfillment for short-notice ramp up, as well managing multiple high level client visits with the objective of probing our capability to scale up in a very short time. RS has been into mission critical applications for the world's largest Payment Network for several years now. This year saw one more such application being entrusted to RS, the success in which would define both the range and depth of our relationship with our most premium client. This engagement put tremendous responsibility on Sourcing and Training to prepare right skills (especially in Open Systems) and get resources on board on time. Several senior ex-employees, who have recently joined back, have been associated with this prime engagement. RS also signed a contract with a leading software product company based out of California, working with major providers such as card issuers, card associations, card manufacturers, transaction processing service providers, and others, to deliver secure financial card solutions to the market. The engagement primarily involves development and technical writing and is being released by the client in phases. On the issuing side RS was engaged by a Seattle based Processor for the maintenance and production support of several mission critical IT projects. A QA project from the same customer is shortly in the pipeline. RS also signed several alliances/partnerships with market leaders such as Microstrategy, ACI Worldwide, and more recently with Oracle.

On the technology front, plans are on to create a center of excellence for Business Intelligence. Specific technologies that will define our future roadmap include Java/J2EE, Ab initio, Microstrategy, Cognos, Oracle Apps, Tandem, Ariba and Rational tools.

29,000 person hours of training was conducted during the year. External agencies such as CMC, GST, STG International, Power Trainer etc supplemented the training provided by our own trainers. The Sharepoint portal was used by Training for online archival of training materials, which benefited our employees based at various onsite locations.





Sourcing

In 07-08, the demands of business stretched the Sourcing team, pushing it to innovate in its recruitment strategy and to ramp up at the rate of almost one person a day. Requirements had to be fulfilled at very short notice, across a wide bandwidth of technology skills and experience. Major focus on lateral recruitment made it necessary for the team to network closely with consultants across the country. With the addition of recruitment support for onsite, Sourcing is virtually now a 24X7 service from India. To attract talent from other regions walk-ins were conducted during the year.

Branding

RS has made significant investments in branding during the year. With a new Sales team in place at different overseas locations, the Communications team remained active during the year, giving collateral support, keeping the website updated and relevant, and providing tools to help Sales position our offerings in the market. The year started with our participation in the Electronic Transaction Association's (ETA) Annual Conference and Trade Show at Las Vegas which got us important leads to pursue. The Sales team also participated in other networking events that created opportunities to break into new relationships and accounts. Several sales conferences were held during the year, including one retreat at Reading in UK to thrash out the strategies for taking the opportunities forward, especially with the potential large accounts. Our earlier relationship with the PR Agency Adfactors continued during the year which helped significantly in improving the company's employer brand in the domestic market. The Communications team also provided support to the MD's office in organizing a major YPO event in San Francisco that would help showcase not only India and IT, but would also help create new corporate relationships.

HR

For HR, 07-08 was critical from the point of view of employee retention. A significant number of client visits during the year not only highlighted the need for greater resource visibility, the company simply needed to acquire and retain more people for fulfillment of increased business. Two key areas that secured most attention were rationalization of certain employee policies and process automation. The rationalization was required to maintain greater parity amongst roles at different levels and to minimize compensation related discrepancies for future intake. To reduce the cycle time of service and provide more flexibility to its internal customers, HR has also embarked on a roadmap to automate a major number of functions that include the appraisal system. Work is currently on to automate the tracking system for annual increments. During the year, the HR team also collaborated with the Communications team in organizing events such as the RS Annual Day, employee mixers (both at offshore and onsite), and distribution of Star of the Month awards. To provide some pastime and casual entertainment for employees, satellite TV feed has now been provided at the Cafeteria in RS Tower.



Infrastructure

This year RS Tower was converted into a wireless enabled facility, using most secure and industry standard EAP/TLS technology. To extend the facility to guest users who would need access to the Internet, network segregation through Layer 3 virtual LAN was implemented. A 512 kbps Shared Internet Lease Line (SILL) from VSNL has been installed at RS Tower to achieve high availability of Internet access both at the Development Center and Corporate Office. A back-up line (512 kbps broadband from Tata Indicom) has also been commissioned, which would take over if the former fails. To provide better bandwidth for video conferencing, the Kolkata-Milpitas IPLS link has already been upgraded from 1 mbps to 2 mbps, and another 2 mbps circuit has been commissioned to facilitate VoIP. During the year, a large number of old desktops were replaced with more contemporary and high-end models available in the market. Several old CRT monitors were replaced with low energy LCD monitors, and members of the senior management team were provided with branded laptops and updated accessories.

Quality & Benchmarking

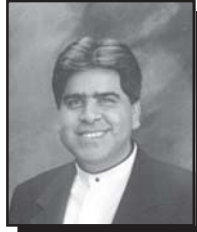
In 07-08, the Q&B team expanded its portfolio earning some revenues by way of 600 PDAs of work in the area of Testing. This paved the way for the Sales team to position Testing as a offering in the market. The team also inducted additional resources with the objective of bringing all development projects under EQA, working closely with Training to impart the necessary skills and knowledge. Visits by several significant clients made it necessary for the Q&B team to remain up to speed with internal security (both physical and network). Several rounds of audits were conducted during the year to ensure compliance. To have a better and timely handle on project delivery, a half yearly Baseline Metrics Analysis Reporting process has been formalized for execution. Metrics for capturing pre delivery defect density have been identified, coupled with enhancing the automation of project plan. The Q&B team also introduced reporting on person power utilization along with requirement for buffer resources, which would help in improving the planning and profitability of project delivery.



BOARD OF DIRECTORS



Mr. K.S. Bhatnagar
Chairman



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



Maj. Gen. A. Balasubramanian (Retd.)
Director



Mr. S.K. Jain
Director

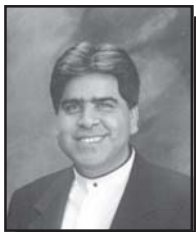


Mr. Pankaj Dhanuka
Nominee Director (ICICI)



Mrs. S. Jain
Director

RS MANAGEMENT TEAM



Mr. R.R. Jain
CEO



Ms. Diana Adachi
Vice President, Sales & Marketing



Mr. Soubhik Ghosh
Vice President, Service & Delivery



Mr. Bibek Shankar Das
Vice President, Corporate



Mr. Vijendra Kumar Surana
CFO & Company Secretary



Mr. Rakesh Srivastava
General Manager, Business Development



RS MANAGEMENT TEAM (Contd.)



Mr. Aniruddha Rai Chaudhuri
General Manager,
Quality & Benchmarking



Mr. Aniruddha De Choudhury
General Manager,
Corporate Communications



Mr. Sumit Misra
General Manager



Ms. Monika Chopra
Senior Manager - HR, US



Mr. Debasis Bandyopadhyay
Associate Vice President,
Business Support

GLOBAL SALES & MARKETING TEAM



Mr. Martin McMullian
Head of Sales, US



Mr. Raymond Mitchell
Senior Sales Executive



Mr. Ross Bardwell
Senior Sales Executive



Mr. Som Jagadev
Sales Director



Mr. Joe Saunders
Sales Director



Mr. Chris Greyling
Senior Sales Executive



Moments of the 2007 Annual General Meeting held on August 10, 2007





NOTICE TO MEMBERS

The Twentieth Annual General Meeting of R S Software (India) Limited will be held on Thursday, 31st July 2008 at 11.30 am at Sisir Mitra Hall, Webel Bhavan, Block EP & GP, Sector V, Bidhan Nagar, Kolkata - 700 091 to transact the following business :

ORDINARY BUSINESS

1. To consider and adopt the Audited Balance Sheet as on 31.03.2008 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 Jain who retires by rotation and being eligible offers himself for re-appointment.
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 consider and, if thought fit to pass, with or without modifications the following Special Resolution :

"Resolved that the Company do hereby approve the re-appointment and remuneration payable as given below to Shri. R. R. Jain, Vice Chairman and Managing Director (VCMD) of the Company with effect from 1st October 2008, the date when the last contract with VCMD expired as determined by the Board of Directors of the Company and specified hereunder in accordance with and subject to the conditions of Schedule XIII of Companies Act and any other applicable provisions under the said Act :

Monthly	(Rs.)
Basic	200000
HRA	100000
Monthly Gross	300000
Yearly Gross	3600000
Annual Benefits	
Medical subject to production of bills limited to	200000
LTA subject to production of bills limited to	200000
PF@ 12% on Basic	288000
Gratuity @ 15 days salary for each completed year of service	115385
Grand Total per annum	4403385



Other Allowances

Club Fees in India subject to max. of two Clubs	At actuals
Chauffer driven Car	Fuel at Actuals
Reimbursement of Telephone of residence used For official purpose	All Actuals

Note: VCMD, Mr. R R Jain will be entitled to reimbursement/payment of all entertainment, travelling, hotel & other expenses inclusive of such foreign allowance as may be admissible under the RBI and other applicable Rules incurred by him during the course of and in connection with the business of the Company whether incurred in India or abroad.

"FURTHER RESOLVED that the above package would be effective for a period of three years effective from 1st October 2008 and ending 30th September 2011 and that the above remuneration would be paid as minimum remuneration in case of inadequacy of profits as per the limits under the Government Notification No.GSR(E) dated 16/01/2002 under the Companies Act."

"Further Resolved that an application to Central Government be made pursuant to the applicable provisions of the Companies Act to obtain their approval."

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

By Order of the Board
For R S Software (India) Limited

13th May 2008

Vijendra Surana
AVP - Finance & 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 25, 2008 to July 31, 2008 (both days inclusive).
3. Members/Proxy holder must bring the Attendance Slip to the Meeting and hand it over at the entrance duly signed.
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.
6. **Conveyance facility would be available from our Corporate Office on the date of the AGM for reaching the venue and back. Those interested in availing the same may kindly register with their names and folio nos. / D P & Client ID to the desk of the Corporate Office at least 72 hours prior to the Meeting.**

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

The current tenure of Shri. R. R. Jain, Vice Chairman & Managing Director (VCMD) who was re-appointed on 1st October, 2005 for a period of three years vide approval in the AGM held on 19th July, 2005 is due for renewal. The re-appointment will fall due for renewal w.e.f. 1st October 2008 when Mr. Jain will be completing his three years Contract with the Company.

Having regard to the fact that Company's achievement for the past couple of years in its operational matters has been highly satisfactory and there has been at the same time escalation in the remuneration package of the CEO's in identically placed positions in the Corporate Sector, it is proposed to re-appoint and increase the emoluments of the VCMD for the next tenure of 3 years in the manner brought out in the tabular statement in the notice. The growth and progress of the Company in the immediately preceding period, has been possible due to the dynamic leadership of Mr. R. R. Jain. The volume of the Company has touched \$ 25.15 million in 2007-08. The financial performance of the Company has been marooning and the Company is well poised to scale its operations & profits during 2008-09. In other words, the Company is on a growth path and is bound to do better in the coming year. This has been rendered possible largely due to the top class professional and pioneering competencies displayed by the VCMD and his devoted band of functionaries. The Company has definitely turned the corner and hereafter there is no going back on it.

The proposed new package for Shri. Jain is still quite modest from Comparative Industry Standard and is recommended for approval by the Board.

The Board recommends the same for the adoption by the General Body. No Director except Shri. R R Jain and Smt. Sarita Jain (his wife) has any interest or are concerned in the proposed resolution already adopted by the Board in which none of the said two interested Directors participated either in its discussion or voting.



DIRECTOR'S REPORT 2007-08



Mr. K.S. Bhatnagar, Chairman

Dear Member,

Your Directors present their Twentieth Annual Report and Audited Statement of Accounts highlighting the business operations and financial results of your Company for the year ended 31st March, 2008

Financial Highlights

	<i>(Rs. In Million)</i>	
	2007-08	2006-07
Gross Revenue	1011.17	1007.85
Operating Profit (PBDIT)	109.76	149.59
Interest	49.12	65.07
Depreciation	46.18	34.27
Profit Before Tax	14.47	50.25
Provision for Tax	(2.79)	(1.76)
Profit After Tax	11.67	48.49

Review & Analysis of Financial Performance

Your company has started to benefit from the investments it has made during this fiscal year and the previous fiscal year. The company has succeeded in increasing its revenue growth rate in dollar terms by 40%, i.e.: from a growth rate of 10% in the previous fiscal year to 14% during this fiscal year. The company has also achieved significantly higher quality of revenues, and thereby leveraging the investments it has been making in its world class Software centers in Salt Lake electronics complex, Kolkata. The growth in revenues by executing projects from India has gone up by 32% as compared to the previous fiscal year, and our goal is to continue to work in this direction in the current fiscal year and the years to come. This will help us to enhance our profitability by achieving for our customers greater price performance. We have had several high level executive visits from our key clients and they all have reinforced their commitment to working and expanding their relationship with us. We have signed long term 5 years contract with the largest Payment network in the world and our revenues



with them have grown by 25%, even after incorporating discounts for long term contract and volumes. However the most adverse impact has been the depreciation of the US dollar currency versus the Indian rupee during the current fiscal year. This has hurt ofcourse the entire export industry from India, but for companies of our size the impact has been devastating. our profitability has been reduced by Rs 60 Million, which is 120% of our entire profitability during the last fiscal year.

Growth prospects

On a positive note your management team introduced timely cost reduction measures, while ensuring ongoing investments in enhancing the sales capacity and infrastructure expansion. Most importantly these investments are helping to increase the quality of revenues, and building the foundation for achieving high growth rates, and getting your company closer to fulfill its vision of becoming the Global leader in providing solutions to the Electronic payments industry. Our marketing strategy to reposition the Company as a domain focused player has started to pay off already and as we continue to develop more competencies, we are confident of winning strategic clients in the payments domain during 2008-09 fiscal years. We continue to participate vigorously in Industry trade shows in the US and UK, which is proving to be a good source of new sales leads, some of which have already resulted in concrete business. Our Sales Team and our Competencies Development Group are increasingly achieving better synergies by working together, resulting in enhancement of our ability to be more market driven in our investments.

Strategic Alliances

During the year the company has been recruiting veterans from the Payments industry who have initiated alliances with various technology and product vendors. An alliance has been signed up with the provider of the dominant technology installed base in the payments industry, which has the largest market share in the acquiring space. One of the key focus areas emerging is that of data analytics, and we have signed an alliance with one of the global leaders in this space. The objective is to constantly look for alliances that can complement our offerings in the marketplace.

The software industry from India moving forward

According to Mckinsey's ongoing research on Indian software industry competitiveness, there is a continuing potential of leadership for India in the US \$ 300 billion offshore services market.

"A notable trend discernible in the surveys is that providers off-shoring since the 1990s or early 2000 are now gaining benefits beyond low labor cost. These include faster time-to-market, process redesign and offshore-led innovation in services. Nevertheless, labor cost advantage continues to be the business case for the majority of providers embracing of-f-shoring in the last two to three years.

Relatively new or potential users of offshore IT services often worry about how long the offshore labor cost advantage will last. Rapid wage inflation is behind this worry. Wages in India have risen at a steady 15-18% p.a. for the last two to three years, driven by the increasing talent shortage. However, while the relative labor cost differential between the US and India will narrow (from 14% in 2005 to an estimated 29% by 2010), the absolute cost difference (the most relevant number for the off-shoring case) will remain substantial"

A recent report by leading global research company Gartner reinforces that current economic environments like the slowdown of US economy, and high inflation driven global economies are only motivating Corporate America to increase its off- shoring efforts to lower cost destinations like India. Top technology firms from US ,UK and European countries are constantly looking at opportunities to engage more in offshore outsourcing of their software applications.

India's IT industry is consistently delivering great price performance to its global clientele, and this is true of the large players and also SME companies in this industry. Your company has differentiated advantage of having



domain focus in Electronic Payments that facilitate the ability to offer high value add to the work being executed, besides good price performance. This is what the Global firms are looking for as is validated by all research by lead players like Mckinsey, Gartner and Forrester.

Fixed Deposits

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

Directors

Mr. Shital Jain and Maj. Gen. A. Balasubramanian (Rtd.) retire by rotation

Maj Gen Bala Subramanian has served the board of your company since 1991, and we are grateful to him for contributing hugely to the success of your company. In compliance with best corporate governance practices and board's resolution on the age limit for board members, he does not offer himself for reappointment. We thank him for all his contributions.. Mr. Shital Jain being eligible offer himself for re-appointment.

Your Directors recommend appointment of Mr Shital Jain, for a further tenure, as this would be entirely in the larger business interest of your Company. A brief profile of Mr Shital Jain given below -

Mr. Shital Jain : He is an MBA from Indiana University, USA and had earlier done MA, BA (Hons.) (Economics) from Punjab University, Chandigarh. He has worked in Citibank for almost 32 years and spent several years overseas in Senior Management positions in Hongkong, Taiwan, Philippines, Thailand and Canada. He is also currently a Director on the Board of Centurion Bank of Punjab Ltd., Clutch Auto Limited and Lotus Asset Trustee Company Pvt. Limited.

Corporate Governance and Disclosures

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 internal standards in corporate governance. The Company believes that all actions and operations must subserve its best business interest and enhance overall shareholders' value.

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, 2008 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, 2008 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

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 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 there are no employees in India employed for the year / part of the year who were in receipt of the remuneration which in the aggregate was not more than Rs.24 lacs per annum or Rs.2 lacs per month. As regards employees of the Company engaged in Information Technology sector like our Company not being Directors or their relatives and drawing salary exceeding the limits mentioned above is 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. I would also like to express on behalf of our Board, our deep sense of appreciation of the qualities of leadership shown by Company's devoted functionaries including its Vice Chairman & Managing Director, Raj Jain. Above all, I should express my deep sense of gratitude to the Members of the Company who have reposed faith in their Board and the Management during the days of stress and strain due to globally depressed market conditions impacting your Company's profitability. We are however doing our best to get back to our feet and hopefully would show concrete results in our performance in the nearest future.

Thanking you,

For and on behalf of the Board of Directors

K S BHATNAGAR
CHAIRMAN

KOLKATA
13th May 2008



ANNEXURE "A" TO DIRECTORS' REPORT

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 : Data warehousing, ETL tools and data analytics
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 :
 - Data Analytics
 - Team size : (10 average)
MS-Windows 2K, XP, Linux, unix

(b) Technology Absorption , Adaptation and Innovation

1. Efforts made towards technology, absorption, adaptation and innovation : Research on Transaction switch, POS devices, merchant boarding, Residual management solutions and Gift and Loyalty solutions have been carried out. Training programs on the above topics have been carried out to the senior



resources in the company. In addition to the above significant focus has been put on data analytics.

- 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.
- 3. Information about imported technology** :

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. 977,774,077
3. Foreign Exchange Outgo : Rs. 783,701,106



ANNEXURE "B" TO DIRECTORS' REPORT

Details of the ESOS options granted in 2004-05 exercised in 2007-08 :

- a. Option granted : 165000
- b. The pricing : Rs 15.35 per option.
- c. Options vested : 25% of the total options granted would be vested on completion of each year from the date of allotment of the options.
- d. Options exercised : Total 10000 options
- e. The total number of shares arising as a result of exercise of option: 10000 equity shares.
- f. Variation of terms of options : NA
- g. Money realized by exercise of options : Rs.1,53,500.00
- h. Equity Shares allotted under ESOS : 10000 equity shares were allotted to eligible employees on October 30, 2007.

Details of the ESOS options granted in 2005-06 exercised in 2007-08 :

- a. Option granted : 176600
- b. The pricing : Rs 71.00 per option.
- c. Options vested : 25% of the total options granted would be vested on completion of each year from the date of allotment of the options.
- d. Options exercised : Nil
- e. The total number of shares arising as a result of exercise of option : Nil
- f. Variation of terms of options : NA
- g. Money realized by exercise of options : Nil
- h. Equity Shares allotted under ESOS : Nil

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

- a. Option granted : 196700 options granted on October 30, 2007.
- b. The pricing : Rs.29.90 per option.
- c. Options vested : 25% of the total options granted would be vested on completion of each year from the date of allotment of the options.
- d. Options exercised : Nil.
- e. The total number of shares arising as a result of exercise of option : Nil.
- f. Variation of terms of options : NA
- g. Money realized by exercise of options : Nil.
- h. Equity Shares allotted under ESOS : Nil.



ANNEXURE (C) TO THE DIRECTORS' REPORT

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 internal 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 six Directors among them two Promoter Directors of which one is an Executive Director who is the Vice Chairman & Managing Director, one Non-Executive Non-Independent Director and 4 Non-Executive Independent Directors of which one Nominee Director representing ICICI. The Chairman is the Former Secretary, Government of India, Department of Company Affairs & Chairman of Company Law Board, who is among the 4 Non-Executive Independent Directors. During the fiscal 2007-2008 the Board met on 5 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. K S Bhatnagar	5	C	Yes	2	3	1
Mr. R. R. Jain	4	VCMD	Yes	-	-	-
Maj.Gen. A. Balasubramaniam (Retd.)	4	NED	Yes	1	-	-
Mr. S. K. Jain	5	NED	Yes	3	-	-
Mrs. Sarita Jain	1	NED	Yes	-	-	-
Mr. S. Khasnobis* (Intimation in respect of withdrawal of his nomination by ICICI received by the Company on 10.08.2007)	1	NED	Yes	1	-	-
Mr. P. Dhanuka* (Joined as the Nominee Director ICICI, the intimation in this regard received by the Company on 10.08.2007)	1	NED	No	-	-	-



C: Chairman, VCMD: Vice Chairman & Managing Director, NED: Non-Executive Director. * Nominee Director - ICICI

Board Meetings held on	May 3, 2007
	July 12, 2007
	August 10, 2007
	October 30, 2007
	January 31, 2008

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.

11. Amendment of the Code

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

12. 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 consists of 3 Directors viz. Mr. K.S Bhatnagar (as Chairman), Mr. S. K. Jain , both are Non Executive Independent Directors and Mr. R.R. Jain the Vice Chairman & Managing Director of the Company, who is an Executive Director. Mr. Vijendra Kumar Surana, the AVP (Finance) & 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. K. S. Bhatnagar	C	4
Mr. S. K. Jain	NED	4
Mr. R. R. Jain	VCMD	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 it's 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.

Audit Committee Meetings held on	May 3, 2007
	August 9, 2007
	October 30, 2007
	January 30, 2008

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.



CEO / CFO Certification

The Company is duly placing a certificate to the Board from the Vice Chairman & Managing Director (VCMD) and Assistant Vice President Finance & Company Secretary in accordance with the provisions of Clause 49 (V) of the Listing Agreement. The aforesaid certificate duly signed by the VCMD and AVP-Finance & Company Secretary in respect of the financial year ended 31st March, 2008 have been placed before the Board in the meeting held on 13th May 2008.

C. Shareholders' Servicing & Grievances Committee

Share Servicing Committee comprises of Mr. K.S. Bhatnagar, Chairman and Mr. R R Jain, Vice Chairman & Managing Director. Mr. Vijendra Kumar Surana, AVP Finance & Company Secretary also 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 monthly 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 placed before each Meeting. 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. K. S. Bhatnagar	C	10
Mr. R. R. Jain	VCMD	-

Shareholders' Servicing and Grievances Committee Meetings held on	April 5, 2007
	May 12, 2007
	June 15, 2007
	July 26, 2007
	August 10, 2007
	September 10, 2007
	October 11, 2007
	December 6, 2007
	January 7, 2008
	March 24, 2008

D. Compensation / Remuneration Committee

The Compensation / Remuneration Committee of the Company comprises of the Vice Chairman & Managing Director, Mr. R R Jain and two Independent Non-Executive Directors viz. Maj. Gen. A Balasubramanian (Retd) as Chairman and Mr. S. K. Jain.

This Committee recommends and reviews the Compensation packages of the individuals and grant of ESOPs 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. R. R. Jain	VCMD	4
Maj.Gen. A Balasubramanian (Rtd.)	NED	3
Mr. S. K. Jain	NED	4

Compensation/ Remuneration Committee Meetings held on	May 2, 2007
	August 9, 2007
	October 30, 2007
	January 30, 2008

Remuneration paid to the Directors

Name of the Director	Basic Salary (Rs.)	House Rent Allowance (Rs.)	Retiral Benefit (Rs.)	Sitting Fees (Rs.)	Total Amount Paid (Rs.)
Mr. Rajnit Rai Jain	515333	257667	216000	-	989000
Mr. K. S. Bhatnagar	-	-	-	225000	225000
Maj. Gen. A. Balasubramanian (Rtd.)	-	-	-	87500	87500
Mr. Shital Kumar Jain	-	-	-	212500	212500
Mr. S. Khasnobis	-	-	-	12500	12500
Mr. P. Dhanuka	-	-	-	12500	12500
Mrs. Sarita Jain	-	-	-	12500	12500

E. General Body Meetings

The previous 3 Annual General Meetings (AGMs) were held on Tuesday 19th July 2005, on Friday 18th August 2006 and on Friday 10th August 2007. 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. The Company had passed 7 special resolutions in the previous 3 Annual General Meetings.

F. Disclosures

1. There is 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.rssoftware.com.

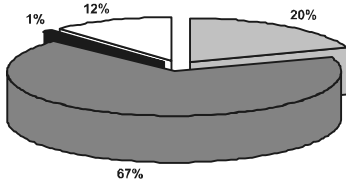


GENERAL SHAREHOLDERS' INFORMATION

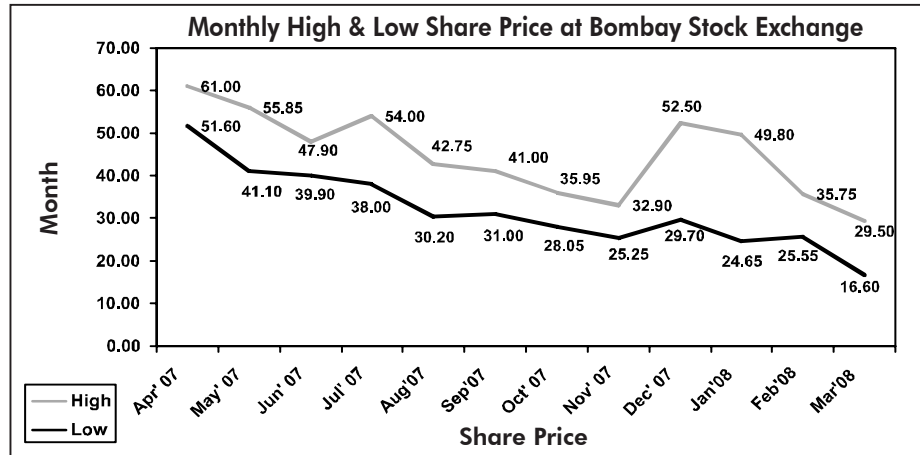
Corporate HQ & Registered Office	"FMC FORTUNA", 1st Floor, A-2, 234/3A, AJC Bose Road, Kolkata - 700 020 Phone # 033 - 22876254/6255 / 2281 0106-09 Fax # 033- 22876256 Website: www.rsssoftware.com
Date and Venue of Annual General Meeting	At 11.30 am on July 31, 2008 at Sisir Mitra Hall, West Bengal Electronics Industry Development Corporation Limited, Webel Bhavan, Block EP & GP, Sector V, Bidhan Nagar, Kolkata - 700 091
Tentative Calendar of Events for the Financial Year 2008 - 09 (April - March)	First Quarter - July 2008 Second Quarter - October 2008 Third Quarter - January 2009 Financial Year - May 2009
Shareholders Services, Enquiries, Complaints	Mr. Vijendra Surana , vijendras@rsssoftware.co.in OR Mr. Anindya Sen , anindyasen@rsssoftware.co.in
Registrars & Share Transfer Agent	C.B. Management Services (P) Ltd. P- 22, Bondel Road, Kolkata - 700 019 Phone # 033-22806692 - 94 / 2486 / 2937 Fax # 033-22870263
Book Closure for AGM	July 25, 2008 to July 31, 2008 (both days inclusive)
Listing on Stock Exchanges of	Bombay Stock Exchange Ltd., 1st Floor, Phiroze Jeejeebhoy Towers, Dalal Street Mumbai - 400 001 National Stock Exchange of India Ltd., 'Exchange Plaza', 5th Floor, Plot No. C/1, G Block, Bandra - Kurla Complex, Bandra (E), Mumbai - 400 051.
Trading of Equity Shares	Equity Shares are traded through : a. National Securities Depository Limited. and b. Central Depository Services Limited Company's ISIN: INE 165B01011
Auditors :	Chaturvedi & Company 60, Bentinck Street , Kolkata.
Bankers :	ICICI Bank Ltd.
Attorneys & Solicitors :	Sandersons & Morgans Royal Insurance Buildings, 5, Netaji Subhas Road, Kolkata



Pattern of Shareholding as on March 31, 2008



- Promoters/Directors & Relatives
- Public
- FIs/ NRIs & OCB
- FIs/Bank/Mutual Funds & Bodies Corporate



DISTRIBUTION OF SHAREHOLDING AS ON 31.03.2008

RANGE	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES	% OF SHARES
1-500	12836	87.86	2045152	27.47
501-1000	976	6.68	788183	10.59
1001-2000	447	3.06	674529	9.06
2001-3000	122	0.84	312115	4.19
3001-4000	63	0.43	226563	3.04
4001-5000	50	0.34	231513	3.11
5001-10000	65	0.45	455645	6.12
10001 & ABOVE	50	0.34	2710948	36.42
TOTAL	14609	100.00	7444648	100.00



AUDITORS' CERTIFICATE

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, 2008 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.

Kolkata

13th May, 2008

For

Chaturvedi & Company

Chartered Accountants

Nilima Joshi

(Partner)



AUDITOR'S REPORT

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 2008 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 :
 - (i) 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 resulting in an overstatement of profit by way of non-provision for interest charged by IDBI amounting to Rs.3,030,903, non redemption of 14.6% Preference Shares of Rs. 50,000,000 issued to IDBI due for redemption on May 31, 2004 and treatment of unpaid dividend of Rs. 264 lacs for preference capital along with unpaid interest of Rs. 25 lacs totaling to Rs. 289 lacs as expense during the year.
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 2008, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March 2008 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 the change in accounting policy with respect to accounting for employee benefits is in accordance with AS-15 (Revised). The transitional liability arising on account of adoption of this Revised Accounting Standard is charged to Profit & Loss over a period of five years commencing from this year, thereby lowering the profits by Rs. 2211608, as referred in note no. 8 of Schedule 12.
- (vii) 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 2008;
 - (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.

Place : Kolkata
Date : May 13, 2008

For
Chaturvedi & Company
Chartered Accountants
N. Joshi
Partner (Mr. No. 52122)



ANNEXURE

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

1. (a) The Company has generally maintained proper records of all tangible assets showing full particulars including quantitative details except location thereof.
(b) 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.
2. 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.
3. (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 interest free advance in the nature of loan of Rs. 1,00,35,076 to its US subsidiary.
(b) In our opinion the interest free advance in the nature of loan is prejudicial to the interest of the Company.
(c) There are no fixed terms / period for repayment of above advances and as such the repayment is not regular.
(d) It is not possible to comment whether the company has taken reasonable steps or not to recover the principal amount due.
(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.
In view of 3 (e) above, the clauses 3 (f) and 3 (g) are not applicable.
4. 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.



5. (a) Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the Company during the year has not entered into any contract with the parties referred to in Section 301 of the Act.

In view of 5 (a) above, the clause 5 (b) is not applicable.

6. 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.
7. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
8. The Central Government has not prescribed for the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956.
9. (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.
- 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 2008 for a period of more than six months from the date they became payable.
- (b) 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 of Income Tax (Appeal) for assessment year 2000-2001 and assessment year 2001-2002 have been allowed in favour of the company but the demand totaling Rs. 61,218,102 has not been vacated.
10. The accumulated losses of the Company is not more than fifty percent of its net worth. The Company has not incurred cash losses during the financial year covered by our audit and in the immediately preceding financial year.
11. (a) Based on our audit procedures and on the information and explanations given by the Management, we report that the principal repayment and interest due on the various long term loans taken by the Company from ICICI Ltd. fell due on April 20, 2007, July



20, 2007 and October 20, 2007 which were actually paid on April 23, 2007, July 24, 2007 and October 31, 2007 respectively. Thereafter all payments have been made within the due date.

12. 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.
13. The Company is not a chit fund company/nidhi/mutual benefit fund/societies; hence provisions of any special statute are not applicable.
14. 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.
15. The Company has not given any guarantee for loans taken by others from bank or financial institutions.
16. In our opinion the term loans raised during the year have been applied for the purpose for which they were raised.
17. 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.
18. According to the information and explanations given to us, the Company has not made preferential allotment of shares during the year.
19. The Company has converted the unpaid preference share dividend amounting to Rs. 289 lakhs due to IDBI into 12.5% Non Convertible Debenture secured against movable asset (except book debts) and personal guarantee of Managing Director.
20. We have verified the end use of the money raised by rights issue as disclosed in Schedule 12 'Notes on Accounts' forming part of the financial statements.
21. 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.

Place: Kolkata
Date: May 13, 2008

For
Chaturvedi & Company
Chartered Accountants
N. Joshi
Partner (Mr. No. 52122)



BALANCE SHEET AS AT MARCH 31, 2008

	Schedule	March 31, 2008 (in Rs.)	March 31, 2007 (in Rs.)
Sources of Funds:			
A Shareholders' Funds			
Share Capital	1	128,843,765	128,794,200
Reserves & Surplus	2	<u>186,634,291</u>	<u>186,566,791</u>
		<u>315,478,056</u>	<u>315,360,991</u>
B Loan Funds			
Secured Loan	3	156,018,974	169,979,906
Unsecured Loan		-	1,508,500
		<u>156,018,974</u>	<u>171,488,406</u>
Total (A+B)		<u>471,497,029</u>	<u>486,849,397</u>
Application of Funds			
A Fixed Assets	4		
Gross Block		700,936,754	656,957,174
Less : Depreciation		<u>506,193,639</u>	<u>460,013,588</u>
Net Block		<u>194,743,115</u>	<u>196,943,586</u>
B Investments			
Investment in shares of Wholly Owned Foreign Subsidiaries	5	500	500
C Deferred Tax Asset		9,074,337	9,074,337
D Current Assets, Loans and Advances			
Sundry Debtors	6	62,455,653	88,782,761
Cash and Bank Balances	7	38,014,886	47,998,780
Loans and Advances	8	104,360,090	83,771,500
		<u>204,830,631</u>	<u>220,553,041</u>
Less: Current Liabilities and Provisions	9	76,527,581	63,371,357
Net Current Assets		<u>128,303,050</u>	<u>157,181,685</u>
E Miscellaneous Expenditure		5,370,883	6,869,453
F Profit & Loss Account		134,005,145	116,779,836
Total (A+B+C+D+E+F)		<u>471,497,029</u>	<u>486,849,397</u>

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

Nilima Joshi
Partner

V. Surana
AVP – Finance &
Company Secretary

On behalf of the Board
K S Bhatnagar, Chairman

R R Jain
Vice Chairman &
Managing Director

Kolkata

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2008**

	Schedule	Year Ended Mar 31, 2008 (in Rs.)	Year Ended Mar 31, 2007 (in Rs.)
I Income :			
Income from Computer Software Development			
Export Income		975,221,828	971,664,333
Domestic Income		28,369,039	38,785,108
Profit on Foreign Currency Translation		3,578,275	(5,456,811)
Other Income & Adjustments (Refer Note 3 of Schedule 12)		4,005,837	2,854,590
	Total	1,011,174,979	1,007,847,220
II Expenditure :			
Selling & Marketing Expenses		52,598,439	33,006,772
Salary and Other Employee Benefit	10	647,327,910	635,646,777
Administrative and Other Expenses	11	199,985,648	188,979,062
Miscellaneous Expenses written off		1,499,134	624,405
Interest & Finance Charges		49,117,392	65,068,325
Depreciation		46,180,051	34,268,203
	Total	996,708,572	957,593,545
III Profit before Tax (I - II) :		14,466,408	50,253,676
Less : Provision for Income Tax		1,491,780	536,047
Less : Fringe Benefit Tax		1,300,000	1,227,390
Add : Deferred Tax asset		—	—
IV Profit after Tax :		11,674,628	48,490,239
Profit & Appropriation :			
Balance brought forward from last year		(116,779,772)	(165,270,075)
Less : Adjustment of Prior Period Interest (Refer Note 10 of Schedule 12)		28,900,000	—
V Balance carried over to Balance Sheet :		(134,005,145)	(116,779,772)

NOTES ON ACCOUNTS

12

Nominal value per Share	10	10
Basic Earning per Share	0.73	7.25
Diluted Earning per Share	0.73	6.35

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

Nilima Joshi
Partner

V. Surana
AVP – Finance &
Company Secretary

On behalf of the Board
K S Bhatnagar, Chairman

R R Jain
Vice Chairman &
Managing Director

13th May, 2008
Kolkata



SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2008

SCHEDULE - 1	Mar 31, 2008 (in Rs.)	Mar 31, 2007 (in Rs.)
Share Capital		
Authorised Capital :		
10000000 Equity Shares of Rs. 10/- each	100,000,000	100,000,000
2500000 Preference Shares of Rs. 100/- each	250,000,000	250,000,000
	<u>350,000,000</u>	<u>350,000,000</u>
Issued Subscribed and Paid-up :		
7444648 Equity Shares of Rs. 10/- each (Previous Year 7,434,648)	74,446,480	74,346,480
500000 12.5% Cumulative Redeemable Preference Shares of Rs. 100/- each fully paid up (Redeemable in May,2004) (Previous Year 50000)	50,000,000	50,000,000
Employee Stock Option Outstanding	47,285	97,720
<p>The Company has granted the following options :</p> <p>a) 165000 options in 2004-05 under the Employee Stock Option Scheme @ Rs. 15.35.</p> <p>The Closing Market Price Preceding the date of the Board Meeting where the ESOS was approved was Rs. 16.76. 65350 Options have already been exercised and further 33775 shares have lapsed.</p> <p>b) 176,600 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.</p>		
Preferential Allotment of Equity Warrants	—	4,350,000
<p>(The Company has received 10% Application Money on the 500,000 Warrants for Preferential Allotment to be Converted into Equity Shares against each Warrant. The Nominal Value is Rs. 10/- and the price at which allotted is Rs 87/- inclusive of a premium amount of Rs.77/-. Warrants are convertible at any time within a period of 18 months from date of Allotment 6 th January,2006.</p>		
Share Forfeiture	4,350,000	—
<p>(The Company has forfeited 10% Application Money on the 500,000 Warrants for Preferential Allotment to be Converted into Equity Shares against each Warrant. The Nominal Value is Rs. 10/- and the price at which allotted is Rs 87/- inclusive of a premium amount of Rs.77/-. The same has been forfeited in the absence of final call money being realised within the due date.)</p>		
	<u>128,843,765</u>	<u>128,794,200</u>

**SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2008**

SCHEDULE - 2	Mar 31, 2008 (in Rs.)	Mar 31, 2007 (in Rs.)
Reserves and Surplus		
Share Premium Account	173,134,291	173,066,791
Preference Share Redemption Reserve	13,500,000	13,500,000
	<u>186,634,291</u>	<u>186,566,791</u>
 SCHEDULE - 3		
Secured Loan		
Loans and Advances from Banks and Financial Institutions		
ICICI Limited		
Term Loan *	15,179,116	32,694,463
Corporate Loan *	32,489,616	69,980,371
* (Secured by a first mortgage and charge on all the Company's immovable property at Salt Lake City and movable property, both present and future, book debts and by personal guarantee of and equity shares of the company held by two Directors)		
Bank Overdraft with ICICI Bank **	78,753,500	59,805,072
** (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)		
Interest Accrued and Due	—	7,500,000
12.5 % Non Convertible Debenture	28,900,000	—
(Secured as second charge by way of hypothecation of all movable assets save & except book debts and demand promissory note and Personal Guarantee of Managing Director redeemable in two equal yearly installments in November 2008 and November 2009).		
Car Loan (Secured against the car)	696,742	—
	<u>156,018,974</u>	<u>169,979,906</u>
Unsecured Loan		
Loan from Directors	—	—
Loan from Bank of America	—	1,508,500
	<u>156,018,974</u>	<u>171,488,406</u>



FIXED ASSETS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Opening Balance 01.04.2007	Additions For the Year 2007-08	Sales/ Adjustment	Closing Balance 31.03.2008	Accumulated Depreciation as at 01.04.07	Depreciation For The Year 2007-08	Sales / Adjustments	Accumulated Depreciation as at 31.03.08	As at 31.3.2008	As at 01.04.2007
LAND	775,994	—	—	775,994	—	—	—	—	775,994	775,994
BUILDING	15,814,206	—	—	15,814,206	2,983,453	209,139	—	3,192,592	12,621,614	12,830,753
LEASE BUILDING EXPENSES	8,802,989	180,050	—	8,983,039	677,153	—	4,149,020	4,826,173	4,156,866	8,125,836
PLANT AND MACHINERY	516,168,927	35,941,160	—	552,110,087	423,208,584	36,249,470	—	459,458,054	92,652,033	92,960,343
OFFICE EQUIPMENT	16,542,564	1,080,039	—	17,622,603	3,855,405	63,358	—	4,498,763	13,123,840	12,687,159
AIR CONDITIONER	11,551,167	24,604	—	11,575,771	4,133,553	353,310	—	4,486,863	7,088,908	7,417,614
ELECTRICAL INSTALLATIONS	22,340,351	2,332,683	—	24,673,034	4,009,630	973,660	—	4,983,290	19,689,744	18,330,721
FURNITURE AND FITTINGS	59,106,620	4,421,043	—	63,527,663	19,818,334	2,719,539	—	22,537,873	40,989,790	39,288,286
MOTOR VEHICLES	5,354,356	—	—	5,354,356	1,327,476	382,555	—	1,710,031	3,644,325	4,026,880
CAPITAL WORK IN PROGRESS	500,000	—	—	500,000	—	500,000	—	500,000	0	500,000
TOTAL	656,957,174	43,979,579	—	700,936,754	460,013,588	42,031,031	4,149,020	506,193,639	194,743,115	196,943,586
Previous Year	523,547,649	133,444,244	34,719	656,957,174	425,068,230	34,268,203	677,153	460,013,588	196,943,586	98,479,419

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 2006 to April 2009 against which an expense of Rs 88,02,989 is been incurred in earlier years. These expenses have been amortised over the period of lease. The expense for the year has been amortised during the year and shown under sales/adjustments.
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. The same has been included in the Plant and Machinery.

**SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2007**

SCHEDULE - 5	Mar 31, 2008 (in Rs.)	Mar 31, 2007 (in Rs.)
Investments		
Traded and Quoted	—	—
Unquoted		
In WOS		
Responsive Solution Inc. (500 no. Equity Share of USD 0.01 each)	16,330,000	16,330,000
	<u>16,330,000</u>	<u>16,330,000</u>
Less : Provision of Diminution in value of Investments	16,329,500	16,329,500
	<u>500</u>	<u>500</u>

SCHEDULE - 6		
Sundry Debtors		
Receivables		
(Unsecured and Considered good)		
Debts Outstanding for a period exceeding six months (including Rs. 8,342,174/- from the subsidiary)	28,753,104	28,925,949
Other Debts	33,702,549	59,856,812
	<u>62,455,653</u>	<u>88,782,761</u>

SCHEDULE - 7		
Cash and Bank Balances		
Cash in hand	410,881	57,992
Cash at Bank with : Scheduled Banks		
- In Current Account (Axis Bank Ltd., ICICI Bank Ltd.)	14,327,222	45,973,529
- In No Lien Account	3,762	3,898
Foreign Banks		
- In Current Account (Bk of America, Silicon Vally Bk, ICICI Bk UK Ltd.)	20,781,514	(1,346,947)
Fixed Deposits :		
UTI Bank	1,921,496	2,782,161
Allhabad Bank	570,011	528,147
	<u>38,014,886</u>	<u>47,998,780</u>



SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2007

SCHEDULE - 8	Mar 31, 2008 (in Rs.)	Mar 31, 2007 (in Rs.)
Loans and Advances		
(Unsecured and Considered good)		
Loans		
Advances		
(Recoverable in cash or in kind or for value to be received)		
Advance to subsidiary	10,043,080	5,839,834
Advances to Staff	1,109,512	4,154,384
Advance Taxes	31,153,910	14,860,985
Prepaid Expenses	5,064,723	13,793,937
Others	1,798,690	7,280,333
Deposits	55,190,176	37,842,026
	<u>104,360,090</u>	<u>83,771,500</u>
 SCHEDULE - 9		
Current Liabilities and Provisions		
Current Liabilities		
Sundry Creditors	62,696,710	51,626,829
Advance from Customers	—	2,023,948
Unclaimed Dividend	—	—
Interest Accrued but not due	1,360,083	2,199,124
 Provisions		
Provision for Gratuity	4,853,634	4,158,862
Provision for Leave Encashment	2,540,881	1,078,101
Provision for Fringe Benefit Taxation	1,748,446	1,748,446
Prov for FBT 07-08	1,300,000	—
Provision for Income Tax 06-07	536,047	536,047
Provision for Income Tax 07-08	1,491,780	—
	<u>76,527,581</u>	<u>63,371,357</u>



SCHEDULE TO PROFIT AND LOSS ACCOUNT MARCH 31, 2008

SCHEDULE - 10	Mar 31, 2008 (in Rs.)	Mar 31, 2007 (in Rs.)
Salary, Wages & Bonus	461,248,129	521,249,095
Subcontracting Charges	142,487,943	92,145,153
Contribution to PF & other Funds	10,115,893	10,311,480
Workman & Staff Welfare Expenses	33,475,945	11,941,049
	<u>647,327,910</u>	<u>635,646,777</u>
SCHEDULE - 11		
ADMINISTRATIVE AND OTHER EXPENSES		
Travelling	35,311,259	48,188,504
Conveyance	4,521,864	5,269,141
Staff Welfare	2,505,176	3,536,636
Communication Costs	5,122,573	6,693,347
Telephone	8,914,605	9,793,989
Printing and Stationery	4,478,886	4,780,405
Electricity and Power	9,963,430	6,892,602
Rent - Equipment	8,514,567	1,914,333
Rent - Apartment & Ground	25,111,003	30,761,216
Repairs and Maintenance - Machinery	3,649,493	4,207,636
Repairs and Maintenance - Building	7,645,417	4,638,112
Repairs and Maintenance - Others	170,018	140,634
Education and Training Expenses	428,264	679,225
Insurance	7,928,528	51,875
Miscellaneous Expenses	1,343,717	2,483,751
Auditors' Remuneration - Audit Fees	1,524,322	408,726
Tax Audit Fee	50,000	50,000
Internal and Other Audit Expenses	60,000	135,000
Books and Periodicals	472,943	350,095
Directors' Fees	562,500	402,000
Legal / Professional Fee and Taxes	51,597,199	36,527,322
Consultancy Charges	3,566,048	7,536,597
Recruitment & Relocation Expenses	5,422,315	4,149,291
General and Board Meeting expenses	2,083,998	1,883,166
Membership and Subscription	2,658,979	2,168,322
Business Promotion	3,089,412	2,534,353
Advertisement	504,044	—
Seminar & Conferences	171,085	767,536
Bad Debt written off	2,614,004	—
Provision for dimunition in value of Investments	—	2,035,248
	<u><u>199,985,648</u></u>	<u><u>188,979,062</u></u>

**Schedule 12****NOTES ON ACCOUNTS for the year ended 31.03.08****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 on the dates of respective transactions. Exchange difference arising on settlement is included in Profit & Loss Account. Revenue items of the Foreign Branch are converted in equivalent Indian Rupees at the buying rate prevailing at



the end of the month where exchange rates do not fluctuate significantly due to practical reasons. 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 Accountants 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 31st March 2008 is Rs 4,396,300 (Previous Financial year 31.03.07 Rs. 5,246,300)
- b) Liabilities in respect of bills discounted by the Company amounts to Rs. 150,174,671 (Previous Financial year 31.03.07 Rs. 147,803,737)



3. a) Debit in Interest and Finance Charges Account includes Interest to Banks and Financial Institutions Rs. 44,593,957 (Previous Financial Year 31.03.07 Rs. 62,252,395). ICICI Bank has converted part of the Rupee Loan into Foreign Currency Loan during 2005-06. Fees payable for the same has been amortized over the period of repayment of Loan. Also include interest on Debenture issued amounting to Rs. 1,879,147, previous year Rs. NIL
- b) Other income includes Interest Received amounting (including TDS Rs. 34,642) to Rs 202,829 (Previous Year Rs. 136,292) and Conversion fees amounting to Rs. 3,725,742 (Previous year Rs. NIL).
4. The income tax deducted at source on income during the year Rs. 3,614,795 (Previous Financial Year 31.03.07 Rs. 2,374,915).
5. Legal /Professional Fees and Taxes is inclusive of value added tax amounting to Rs. 27,247,397 (Previous Financial year 31.03.07 Rs. 25,795,942).
6. (a) Prior period expenses incurred during the year Rs. 2,429,092/- (Previous Financial Year 31.03.07 Rs. 3,305,561).
- (b) Capital commitment remaining to be executed net of advances amounts to Rs. NIL (Previous Financial Year 31.03.07 Rs. 19,308,800/-).
7. a. i) In respect of equipment acquired on finance lease , the minimum lease rental outstanding as on 31st March 2008 and their present value are as under :-

Amount in Rs.

	Total Minimum Lease Payment outstanding as at 31st March 2008	Future Interest on Outstanding Lease Payment	Present Value of minimum Lease Payment as at 31st March 2008
Within One Year	2,843,844	418,800	2,425,044
Later than One Year and not Later than Five Year	4,265,766	253,635	4,012,131

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

- b. i) The Company has taken equipments from Orix Auto Infrastructure Service Ltd. Under operating clause and lease rent amounting to Rs. 7,791,707 (previous Year 31.03.07 Rs 598,455) has been charged to the profit & Loss Account. The Future Minimum Lease Payment are as under

Total Minimum Lease Payment outstanding as at 31st March' 2008

Within One Year	8,277,384
Later than One Year and not Later than Five Year	15,175,204

- ii) The Company has also entered into an operating lease for Building with Saltee Infotex (India) Pvt. Ltd. for the period of 3 years. The amount of Rs. 16,449,600 (Previous Year 31.03.07 Rs. 12,565,498) has been charged to the profit & Loss Account. The Future Minimum Lease Payment are as under

Total Minimum Lease Payment outstanding as at 31st March' 2008

Within One Year	16,449,600
Later than One Year and not Later than Five Year	1,370,800



8. DEFINED BENEFIT PLAN

As per Actuarial Valuation as on 31st March 2008, the company has recognized the following in the books of Accounts under non-funded Scheme. One fifth of the Transitional difference 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 5,763,119, & 3,083,310 are being carried forward to be charged off in four equal installments in respect of Leave Encashment & Gratuity respectively.

Disclosure of employer expense for the year ended 31 March 2008			
A	Components of Employer Expense	Gratuity	Leave
1	Current Service cost (including risk premiums for fully insured benefits)	6.68	19.69
2	Interest Cost	5.39	5.14
3	Expected Return on Plan Assets	0.00	0.00
4	Curtailment Cost / (Credit)	0.00	0.00
5	Settlement Cost / (Credit)	0.00	0.00
6	Past Service Cost	0.00	0.00
7	Actuarial Losses / (Gains)	20.59	(24.61)
8	Total employer expense recognized in P&L	32.66	0.22
Assumptions at 1 April 2007			
	Discount Rate	8.50%	8.50%
B	Estimated Net Asset/(Liability) Recognised in Balance Sheet - 31 March 2008		
1	Present value of Defined Benefit Obligation	79.37	38.42
2	Fair Value of Plan Assets	0.00	0.00
3	Funded status [Surplus/(Deficit)]	(79.37)	(38.42)
4	Unrecognized Past Service Costs	0.00	0.00
5	Net Asset / (Liability) recognized in the Balance Sheet	(79.37)	(38.42)
Assumptions at 31 March 2008			
	Discount Rate	7.90%	7.90%
C	Change in Defined Benefit Obligation		
1	DBO at beginning of the period	80.13	82.82
2	Service Cost	6.68	19.69
3	Interest Cost	5.39	5.14
4	Curtailment Cost / (Credit)	0.00	0.00
5	Settlement Cost / (Credit)	0.00	0.00
6	Plan Amendments	0.00	0.00
7	Acquisitions	0.00	0.00
8	Actuarial Losses / (Gains)	20.59	(24.61)
9	Benefit Payments	(33.42)	(44.62)
10	DBO at end of the period	79.37	38.42
D	Change in Fair Value of Assets		
1	Fair Value of Plan Assets at beginning of the period	0.00	0.00
2	Acquisition adjustment	0.00	0.00
3	Expected return on plan assets	0.00	0.00
4	Actual Company contributions	33.42	44.62



		Gratuity	Leave
5	Actuarial Gain/(Loss)	0.00	0.00
6	Benefits payments	(33.42)	(44.62)
7	Fair Value of Plan assets at the end of period	0.00	0.00
E.	Assumptions at 31 March 2008		
	Discount Rate	7.90%	7.90%
	Actuarial Calculations		
1	Net Asset / (Liability) at beginning of period	(80.13)	(82.82)
2	Employer Expense	32.66	0.22
3	Employer Contributions	33.42	44.62
4	Acquisitions / Business Combinations	0.00	0.00
5	Net Asset / (Liability) at end of period	(79.37)	(38.42)
F.	Experience History		
1	Defined Benefit Obligation at end of the period	79.37	38.42
2	Plan Assets at end of the period	0.00	0.00
3	Funded Status	(79.37)	(38.42)
4	Experience adjustments on plan liabilities(Loss/ (Gain))	45.49	(7.63)
5	Experience adjustments on plan assets	0.00	0.00
6	Actuarial (Gain)/Loss due to change on assumptions	(24.90)	(16.98)

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

b) Key Management Personnel :

Mr. K S Bhatnagar	-	Chairman
Mr. R R Jain	-	Vice Chairman and Managing Director
Maj. Gen. A Balasubramanian (Rtd.)	-	Director
Mr. S K Jain	-	Director
Mr. S Khasnobis	-	Nominee Director - ICICI retired w.e.f 30th October' 2007)
Mr. Pankaj Dhanuka	-	Nominee Director - ICICI Appointed on 30th October' 2007)
Mrs. S Jain	-	Director

c) Disclosure of transactions between the Company and Related Parties and the status of outstanding balances as on March 31, 2008.

	Wholly Owned Subsidiary (WOS)	Key Management Personnel
1. Advances given	4,195,241	—
2. Sales	—	—
3. Remuneration to Key Personnel :	—	—
- Directors	—	—
- Managing Director	—	989,000
4. Professional Fee to Directors	—	562,500
5. Balance as on March 31,2008 :		
Advances given	10,035,076	—
Debtors	8,342,174	—
6. Maximum balance outstanding during the year		
Advance given	10,035,076	—
Debtors	8,342,174	—



10.a) 14.6% Cumulative Redeemable Preference Shares (CRPS) amounting to Rs. 50,000,000 issued to IDBI were due to be redeemed on May 31, 2004 but have not been redeemed. The Company had filed a proposal to IDBI for restructuring. IDBI in principle are agreeable for restructuring vide their letter dated April 20,2005 on the following terms and conditions :

- i. Roll over of Rs. 500 lacs of CRPS to be redeemed in three installments in October 2005, November 2007 and November 2008,
- ii. Conversion of entire unpaid dividend of Rs. 264 lacs (accrued upto May 2005) along with unpaid interest of Rs. 25 lacs on defaulted dividend totaling Rs. 289 lacs (subject to reconciliation) as Non Convertible Debentures redeemable in two equal yearly installments in November 2007 and November 2008. (The Company has Converted the entire unpaid dividend totaling Rs. 289 lacs as 12.5% Non Convertible Debentures by charging in profit & Loss Account as an expense for earlier years, secured against movable assets excluding book debts and personal guarantee of the Managing Director on 13th November' 2007, redeemable in two equal yearly installments in November 2008 and November 2009) .

The Interest for the period Nov' 2007 to March ' 2008 is being charged to profit & Loss Account. Due to insufficient profit in the books , the company has not created the Debenture Redemption Reserve.

- iii. Reduction in dividend rate from 14.6% p.a. to 12.5% p.a. on CRPS and at 12.5% on NCD (Rs. 289 lacs).
- iv. Waiver of entire unpaid overdue liquidated damages of Rs. 32 lacs after Company deposits atleast Rs. 200 lacs in FD/ICD with IDBI.
- v. The Company had written a letter to IDBI regarding modifications in the above terms. The Company had proposed to IDBI that the redemption will take place in the month of November 2008 and all the interim payments should be treated as deposits. IDBI has formally approved the same. The Company has paid Rs. 367.57 Lacs, which it has treated as deposits.

Due to past losses incurred by the Company no amount has been transferred to Preference Shares Redemption Reserve account till the end of 31st March 2008

b) The Company has made final settlement with Allahabad Bank by making additional payment of Rs. 1,500,000 towards interest in respect of outstanding against Bill Discounting & facility and the same has been confirmed by the Bank.

11. Auditor's Remuneration

	Current Year (In Rs.)	Previous Year (In Rs.)
As Statutory Auditors	150,000	151,524
Tax Audit	50,000	56,120
In Other Capacity		
Certification work	82,500	38,162

The above remuneration is 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 :

	2007-08	2006-07
Numerator for Basic and Diluted EPS :		
Profit for the period	11,674,628	48,490,239
Less : Dividend on Pref Shares	6,250,000	6,250,000
	5,424,628	42,240,239
Denominator for Basic EPS :		
Equity Shares	7,434,648	4,918,000
Add : ESOP Conversion	10,000	57,648
Add : Rights Issue	—	2,459,000
Weighted no. of Equity Shares	7,444,648	7,434,648



Denominator for Diluted Shares		
Weighted No. of Basic Equity Shares	7,444,648	7,434,648
Add : ESOP Conversion	—	69,800
ESOP Dilutive	17,394	174,302
Pref Share allotment	—	500,000
ESOP (2006-07)	—	75,000
Weighted no. of Equity Shares	7,462,042	8,253,750

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

	Current Year (in Rs.)	Previous Year (in Rs.)
Salaries	515,333	1,800,000
Other Benefits	257,667	900,000
Contribution to Provident Fund	216,000	236,208
Arrears		489,770
	<u>989,000</u>	<u>3,425,979</u>

Due to inadequate profit the remuneration payable to Managing Director has restricted to the above amount and the amount taken as per contract returned back by the Managing Director.

- 14.** a. Outstanding ESOS Account represent the intrinsic value of Rs. 1.40 each of 33,775 ESOS Warrants granted to employees and yet to be exercised out of 165,000 ESOS actually granted.
b. The Company has granted 176,600 options to its employees during the year 2005-06, the fair value and the exercise price of the options is Rs. 71/- each. As on date (31st March 2008) 2,298 option has been exercised.
c. During the year 2006-07 the company has granted 75,000 options to its directors at the price of Rs 66.60 per option and none of the options has been exercised till date.
- 15.** Deferred Tax Asset has been retained as the Management feels that it would be adjusted in later years. Further no provision for deferred tax expense has been made during the year as the Company is under Tax Holiday Period U/s 10B.
- 16.** Legal Expenditure includes amount paid in connection with defending a law suit filled against the company by a client. The case has been disposed off during the current quarter and no charges are payable by / to the Company in this connection.
- 17.** a) As per available information with the company, there were no dues to small-scale industrial undertakings.
b) As per available information no due is from Small, Medium & Micro Enterprises due for more than 90 days.
- 18.** 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.

	Current Year (In Rs.)	Previous Year (In Rs.)
Imports on CIF basis :		
Capital Goods	-	17,867,673
Expenditure in Foreign Currency :		
Foreign Branch Expenditure	783,701,106	610,703,810
Earning in Foreign Currency	977,774,077	971,664,333



19. On 31st March 2008 there was NIL balance in the fund utilization of the Rights issue and the end use of this is as follows :

i)	Repayment of Loan and Interest	Rs. 1.71 crores
ii)	Payroll	Rs. 1.08 crores
iii)	New Building Expenses	Rs. 0.13 crores
iv)	Vendor	Rs. 0.71 crores

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

Particulars	For the year ended March 31, 2008	For the year ended March 31, 2007
1. Segment Revenue (net sale/income from each segment should be disclosed)		
a. Segment - A (USA)	795,405,899	797,983,831
b. Segment - B (ROW)	215,769,563	209,952,914
Total	1,011,175,462	1,007,936,745
Less: Inter segment revenue	—	—
Net sales/income from operations	1,011,175,462	1,007,936,745
2. Segment Results Profit (+) / (loss)(-) before tax and interest from each segment		
a. Segment -A (USA)	115,893,563	206,478,697
b. Segment - B (ROW)	77,415,273	98,788,048
Total	193,308,836	305,266,744
Less:		
i. Interest & Finance Charges	49,117,392	65,006,525
ii. Depreciation	46,231,030	34,236,869
a. Provision for Diminution in value of investments	—	2,034,748
b. Share Issue Expenses W/off	1,499,134	624,406
c. Selling, General & Administrative Expenses	81,994,872	153,110,520
Total Profit/(Loss) Before Tax	14,466,408	50,253,676
3. Capital Employed		
Total Assets	471,497,029	486,849,397
Total Liabilities	471,497,029	486,849,397
(See note below *)		

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.

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

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

For CHATURVEDI & COMPANY
Chartered Accountants

Nilima Joshi
Partner

V. Surana
AVP – Finance &
Company Secretary

On behalf of the Board
K S Bhatnagar, Chairman

R R Jain
Vice Chairman &
Managing Director

13th May, 2008
Kolkata



CASH FLOW FOR THE YEAR ENDED MARCH 31ST

CASH FLOW STATEMENT	Year ended Mar 31, 2008 (in Rs.)	Year ended Mar 31, 2007 (in Rs.)
A Cash Flow from Operating Activities :		
Net Profit after Tax and Extra ordinary Items	11,674,690	48,490,239
Adjustments for :		
Depreciation	46,180,051	34,268,203
Interest Paid	49,117,392	65,068,325
Adjustment for Unpaid Interest	—	—
Provision for Tax	2,791,780	536,047
Provision for Gratuity, Leave Encashment	9,586,139	—
Provision for Diminution in the value of Investments	—	2,034,815
Liabilities no longer required written back	—	(2,297)
Profit on sale of assets	—	(136,292)
Interest (Received)	(202,829)	49,468
Employees expenses Amortization	(7,428,587)	624,405
Miscellaneous Expenditure written off	1,498,570	—
Operating Profit before Working Capital changes	11,321,720	150,932,913
Adjustments for :		
Trade and other Receivables	5,738,518	22,558,059
Trade Payables	9,045,933	8,663,668
Cash generated from operations	128,001,656	182,154,640
Interest Paid	(49,956,433)	(65,068,325)
Cash Flow before Extraordinary Items	78,045,224	117,086,315
Net Cash from Operating Activities	78,045,224	117,086,315
B Cash Flow from Investing Activities :		
Purchase of Fixed Assets	(43,979,580)	(124,636,323)
Investment in Wholly Owned Subsidiary	—	—
Profit on sale of assets	—	2,297
Building taken on Lease	—	(8,125,836)
Interest received	202,829	136,292
Net Cash from Investing Activities	(43,776,751)	(132,623,570)
C Cash Flow from Financing Activities:		
Proceeds from Share Application	117,065	160,337,941
Proceeds from Long term Borrowings	18,948,427	(36,364,830)
Share Issue Expenses	—	(6,394,273)
Repayment of Loan	(63,317,860)	(65,720,255)
Dividend	—	—
Misc Exps	—	—
Tax on dividend	—	—
Net Cash from Financing Activities	(44,252,367)	51,858,583
Net Increase /Decrease in Cash and Cash Equivalents (A+B+C)	9,983,894	36,321,328
Opening Cash and Cash Equivalents	47,998,780	11,677,452
Closing Cash and Cash Equivalents	38,014,886	47,998,780

For CHATURVEDI & COMPANY
Chartered Accountants

Nilima Joshi
Partner

V. Surana
AVP – Finance &
Company Secretary

On behalf of the Board
K S Bhatnagar, Chairman

R R Jain
Vice Chairman &
Managing Director

13th May, 2008
Kolkata



R.S. SOFTWARE (INDIA) LTD.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(In terms of amendment to Part IV of Schedule VI)

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

I	Registration details	
	Registration No. (CIN)	L72200WB1987PLC043375
	State code	21
	Balance Sheet Date	31-03-08
II	Capital raised during the year (Amount in Rs. Thousands)	
	Public Issue (Warrants converted into shares)	Nil
	Rights Issue	Nil
	Bonus Issue	Nil
	Private Placement	Nil
	ESOS	100
III	Position of Mobilisation and Deployment of funds (Amount in Rs. Thousand)	
	Total Liabilities	548,024
	Total Assets	548,024
	Sources of Funds	
	Paid up Capital	128,844
	Reserves & Surplus	186,634
	Secured Loans	156,019
	Unsecured Loans	-
	Application of Funds	
	Net Fixed Assets	194,743
	Investments	1
	Deferred Tax Assets	9,074
	Net Current Assets	128,303
	Misc. Expenditure	5371
	Accumulated Losses	134,005
IV	Performance of Company (Amount in Rs. Thousand)	
	Turnover and Other Income	1,011,175
	Total Expenditure	996,709
	Profit / (Loss) before Tax	14,466
	Profit / (Loss) after Tax	11,675
	Earnings per share in Rs.	0.73
	Dividend %	Nil
V	Generic Names of Two Principal Products/Services of Company (as per monetary terms)	
	Item code No.	N.A.
	Item code No.	N.A.
	Product Description	N.A.

For CHATURVEDI & COMPANY
Chartered Accountants

Nilima Joshi
Partner

Vijendra Surana
AVP – Finance &
Company Secretary

On behalf of the Board
K S Bhatnagar, Chairman

R R Jain
Vice Chairman &
Managing Director

13th May, 2008
Kolkata


STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956

	Amount (Rs) Responsive Solutions, Inc.	Amount (Rs) TOTAL
1 R S Software (India) Ltd holds the entire paid up Equity Share Capital of wholly Owned Subsidiaries as at 31st March, 2008	500	500
2 Net aggregate amount of the Subsidiary Company's Profit/Loss not dealt with in the Company's accounts		
For the Subsidiary's financial year ended 31st March 2008	(4,227,536)	(4,227,536)
For the Subsidiary's previous financial year since it became a subsidiary.	(3,911,627)	(3,911,627)
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 2008	Nil	Nil
For the Subsidiary's previous financial year since it became a subsidiary.	Nil	Nil

On behalf of the Board
K S Bhatnagar, Chairman

13th May, 2008
Kolkata

V. Surana
AVP – Finance &
Company Secretary

R R Jain
Vice Chairman &
Managing Director



DIRECTORS' REPORT

The Directors present their report together with the audited accounts for the period ended 31st March, 2008.

Review of Financial Performance & Dividend

The company during the year under review reported a loss of \$ 0.11 mn (Previous year Loss \$ 0.09 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 profits during the fiscal year 2008-09.

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

The Directors confirm :

- (i) That the Directors have selected 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 & 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, 2008 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 own 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.

May 10, 2008

On behalf of the Board

R R JAIN

Chairman



RESPONSIVE SOLUTION INC.

AUDITORS' REPORT

May 10, 2008

Board of Directors and Stockholders
Responsive Solutions, Inc.

We have audited the accompanying balance sheet of Responsive Solutions, Inc, as of March 31, 2008 and the related statements of operations, shareholders' equity, and cashflows 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes the consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Audit procedures include assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Responsive Solutions, Inc, as of March 31, 2008 and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Satya Narayan (CPA)
Silicon Valley Books and Taxes, Inc.
Sunnyvale, California

**RESPONSIVE SOLUTION INC.****RESULT FOR THE WHOLLY OWNED SUBSIDIARY FOR YEAR ENDED 31ST MARCH 2008****PROFIT AND LOSS ACCOUNT**

	YEAR ENDED 31st March, 2008 (in US \$)	YEAR ENDED 31st March, 2007 (in US \$)
Income		
Sales	—	143,870
Other Income	1	2
	<u>1</u>	<u>143,872</u>
Expenditure		
Payroll	92,304	89,735
Operating Expenses	11,589	143,150
Depreciation	1,744	1,744
	<u>105,637</u>	<u>234,629</u>
Profit before Tax	<u>(105,636)</u>	<u>(90,757)</u>
Provision for Tax	—	—
Profit after Tax	<u>(105,636)</u>	<u>(90,757)</u>

	YEAR ENDED 31st March, 2008 (in US \$)	YEAR ENDED 31st March, 2007 (in US \$)
BALANCE SHEET AS AT		
SOURCES OF FUNDS		
Shareholder's Fund		
Share Capital	500,000	500,000
TOTAL OF SOURCES	<u>500,000</u>	<u>500,000</u>
APPLICATION OF FUNDS		
Fixed Assets	5,690	7,434
Current Assets Loans and advances		
Sundry Debtors	104,786	104,786
Cash & Bank Balance	6,792	3,684
Other current Assets	2,500	2,500
Loans and advances	180,542	180,542
Less: Current Liabilities	450,945	343,945
Net Current Assets	<u>(156,325)</u>	<u>(52,433)</u>
Profit & Loss Account (Dr. Balance)	650,635	544,999
TOTAL OF APPLICATION	<u>500,000</u>	<u>500,000</u>

NOTE : Previous year figures have been regrouped and rearranged wherever necessary.



RESPONSIVE SOLUTION INC.

CASH FLOW STATEMENT

	Year Ended 31st March 2008 (In US \$)	Year Ended 31st March 2007 (In US \$)
A. Cash Flow from Operating Activities		
Net Profit before Tax and Extra Ordinary Items	(105,636)	(90,757)
Adjustments for :		
Depreciation	1,744	1,744
Trade and Other Receivables	—	—
Net Cash from Operating Activities	<u>(103,892)</u>	<u>(89,013)</u>
B. Cash Flow from Investing Activities		
Advance given to Company	—	—
Net Cash from Investing Activities	<u>—</u>	<u>—</u>
C. Cash Flow from Financing Activities		
Proceeds from Short Term Borrowings	107,000	83,510
Net Cash from Financing Activities	<u>107,000</u>	<u>83,510</u>
Net Increase/Decrease in Cash and Cash Equivalents (A+B+C)	3,108	(5,503)
Opening Cash and Cash Equivalents	3,684	9,187
Closing Cash and Cash Equivalents	6,792	3,684

NOTES TO FINANCIAL STATEMENTS :

Accounts Receivable :

Sundry Debtors amount includes the amount outstanding from previous period of (3/31/07). Receivables have been outstanding for more than 3 years and per discussion with the management, they are proceeding with every option to collect the amount by end of this year. At this stage, we are unable to state that receivables are fully collectible by end of this current fiscal year March 31, 2009.

Related-Party Transactions :

Responsive Solutions, Inc. is a 100% wholly owned subsidiary of R S Software (India) Ltd. Parent company bills subsidiary on the jobs undertaken at a transfer price of 90% of the invoice prices billed to the client. Management believes that transfer pricing is based on arms length transactions. Policy for transfer pricing is reviewed annually to reflect current market pricing and other costs associated with India operations.

Current liability includes \$208,450 payable to Parent company towards transfer price agreement.

Entity financial status :

Holding Company R S Software (India) Ltd. has advanced \$107,000 to continue its operations for the period ending March 31, 2008. No Revenue has been booked for the period ending March 31, 2008. Company sustained its operations from the funding provided by its parent company. If no revenues were booked and if no funds were provided by the holding company, this company cannot continue its operations independently for next 12 months period.



R.S. SOFTWARE (INDIA) LTD.

AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF R S SOFTWARE (INDIA) LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENT OF RS SOFTWARE INDIA LIMITED AND ITS SUBSIDIARY RESPONSIVE SOLUTIONS INC.

We have examined the attached Consolidated Balance Sheet of R S Software (India) Ltd. and its subsidiary Responsive Solutions, Inc, as at 31st March, 2008, 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 subsidiary, whose financial statements reflect total negative assets of Rs. 60,28,413 as at 31st March, 2008 and total revenues of Rs.40 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 subsidiary 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 subsidiary 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 subsidiary, 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 subsidiary as at 31st March, 2008.
- (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 subsidiary 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 subsidiary for the year then ended.

Kolkata
13th May, 2008

For
Chaturvedi & Company
Chartered Accountants
Nilima Joshi
(Partner)



BALANCE SHEET AS AT MARCH 31, 2008

After consolidating the results of the Company with those of its wholly owned subsidiaries Responsive Solutions, Inc.

	Schedule	Mar 31, 2008 Consolidated (in Rs.)	Mar 31, 2007 Consolidated (in Rs.)
Sources of Funds :			
A Shareholders' Funds			
Share Capital	1	128,843,765	128,794,200
Reserves & Surplus	2	186,634,291	186,579,462
Capital Reserve		20,009,500	21,549,500
		335,487,555	336,923,162
B Loan Funds	3		
Secured Loan		156,018,974	169,979,906
Unsecured Loan		—	1,508,500
		156,018,974	171,488,406
Total (A+B)		491,506,529	508,411,568
Application of Funds			
A Fixed Assets	4		
Gross Block		702,264,732	658,320,709
Less: Depreciation		507,293,886	461,044,047
Net Block		194,970,846	197,276,662
Capital WIP			
B Investments			
Investment in shares of Wholly Owned Foreign Subsidiaries	5		
C Deferred Tax Asset		9,074,337	9,074,337
D Current Assets, Loans and Advances			
Sundry Debtors	6	58,307,002	84,314,824
Cash and Bank Balances	7	38,286,710	48,157,557
Loans and Advances	8	101,642,369	98,150,321
		198,236,082	230,622,702
Less : Current Liabilities and Provisions	9	76,189,150	75,700,878
Net Current Assets		122,046,932	154,921,824
E Miscellaneous Exps		5,370,883	6,869,454
F Profit & Loss Account		160,043,531	140,269,290
Total (A+B+C+D+E+F)		491,506,529	508,411,568
NOTES ON ACCOUNTS	12		

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

Nilima Joshi
Partner

V. Surana
AVP – Finance &
Company Secretary

On behalf of the Board
K S Bhatnagar, Chairman

R R Jain
Vice Chairman &
Managing Director

13th May, 2008
Kolkata

**PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2008**

After consolidating the results of the Company with those of its wholly owned subsidiaries Responsive Solutions, Inc.

	Schedule	Year ended Mar 31, 2008 (in Rs.)	Year ended Mar 31, 2007 (in Rs.)
I Income :			
Income from Computer Software Development			
Export Income		975,221,828	977,865,122
Domestic Income		28,369,039	38,785,108
Profit on Foreign Currency Translation		3,578,275	(5,456,811)
Other Income & Adjustments (Refer Note 3 of Schedule 12)		4,005,889	2,854,676
	Total	1,011,175,032	1,014,048,095
II Expenditure :			
Selling & Marketing Expenses		52,598,439	33,006,772
Salary and Other Employee Benefit	10	651,021,918	642,048,751
Administrative and Other Expenses	11	200,449,439	192,614,474
Miscellaneous Expenses written off		1,499,134	624,405
Interest & Finance Charges		65,068,325	67,495,000
Depreciation		46,249,839	34,343,369
	Total	1,000,936,160	967,706,096
III Profit before Tax (I - II) :		10,238,872	46,341,999
Less : Provision for Income Tax		1,491,780	536,047
Less : Fringe Benefit Tax		1,300,000	1,227,390
Add : Deferred tax asset		—	—
IV Profit after Tax :		7,447,092	44,578,562
Profit & Appropriation :			
Balance brought forward from last year		(167,490,623)	(184,847,852)
Less : Adjustment of Prior Period Interest		28,900,000	
V Balance carried over to Balance Sheet :		(160,043,531)	(140,269,290)
NOTES ON ACCOUNTS	12		
Nominal value per Share		10.00	10.00
Basic Earning per Share		(0.36)	7.25
Diluted Earning per Share		(0.36)	6.35

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

Nilima Joshi
Partner

V. Surana
AVP – Finance &
Company Secretary

On behalf of the Board
K S Bhatnagar, Chairman

R R Jain
Vice Chairman &
Managing Director

13th May, 2008
Kolkata



SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2008

SCHEDULE - 1	Mar 31, 2008 (in Rs.)	Mar 31, 2007 (in Rs.)
Share Capital		
Authorised Capital :		
10000000 Equity Shares of Rs. 10/- each	100,000,000	100,000,000
2500000 Preference Shares of Rs. 100/- each	<u>250,000,000</u>	<u>250,000,000</u>
	<u>350,000,000</u>	<u>350,000,000</u>
Issued Subscribed and Paid-up :		
7444648 Equity Shares of Rs. 10/- each (Previous Year 7,434,648)	74,446,480	74,346,480
500000 12.5% Cumulative Redeemable Preference Shares of Rs. 100/- each fully paid up (Redeemable in May,2004) (Previous Year 50000)	50,000,000	50,000,000
Employee Stock Option Outstanding	47,285	97,720
The Company has granted the following options :		
a) 165000 options in 2004-05 under the Employee Stock Option Scheme @ Rs. 15.35. The Closing Market Price Preceding the date of the Board Meeting where the ESOS was approved was Rs. 16.76. 65350 Options have already been exercised and further 33775 shares have lapsed.		
b) 176,600 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.		
Preferential Allotment of Equity Warrants	—	4,350,000
(The Company has received 10% Application Money on the 500,000 Warrants for Preferential Allotment to be Converted into Equity Shares against each Warrant. The Nominal Value is Rs. 10/- and the price at which allotted is Rs 87/- inclusive of a premium amount of Rs.77/-. Warrants are convertible at any time within a period of 18 months from date of Allotment 6 th January,2006.		
Share Forfeiture	4,350,000	—
(The Company has forfeited 10% Application Money on the 500,000 Warrants for Preferential Allotment to be Converted into Equity Shares against each Warrant. The Nominal Value is Rs. 10/- and the price at which alloted is Rs 87/- inclusive of a premium amount of Rs.77/-. The same has been forfeited in the absense of final call money being realised within the due date.)		
	<u>128,843,765</u>	<u>128,794,200</u>

**SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2008**

SCHEDULE - 2	Mar 31, 2008 (in Rs.)	Mar 31, 2007 (in Rs.)
Reserves and Surplus		
Securities Premium Account	173,134,291	173,066,791
Preference Share Redemption Reserve	13,500,000	13,500,000
Reserve & Surplus (Subsidiaries)	—	—
Foreign Currency Translation Reserve	—	12,671
	<u>186,634,291</u>	<u>186,579,462</u>
SCHEDULE - 3		
Secured Loan		
Loans and Advances from Banks and Financial Institutions		
ICICI Limited		
Term Loan *	15,179,116	32,694,463
Corporate Loan *	32,489,616	69,980,371
* (Secured by a first mortgage and charge on all the Company's immovable property at Salt Lake City and movable property, both present and future, book debts and by personal guarantee of and equity shares of the company held by two Directors)		
Bank Overdraft with ICICI Bank **	78,753,500	59,805,072
**(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)		
Interest Accrued and Due		7,500,000
12.5 % Non Convertible Debenture	28,900,000	
(Secured as second charge by way of hypothecation of all movable assets save & except book debts and demand promissory note and Personal Guarantee of Managing Director redeemable in two equal yearly installments in November 2008 and November 2009.)		
Car Loan	696,742	
(Secured against bills receivable)		
	<u>156,018,974</u>	<u>169,979,906</u>
Unsecured Loan		
Loan from Directors	—	—
Loan from Bank of America	—	1,508,500
	<u>156,018,974</u>	<u>171,488,406</u>



FIXED ASSETS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Opening Balance 01.04.2007	Additions For the Year 2007-08	Sales/ Adjustment	Closing Balance 31.03.2008	Accumulated Depreciation as at 01.04.07	Depreciation For The Year 2007-08	Sales / Adjustments	Accumulated Depreciation as at 31.03.08	As at 31.3.2008	As at 01.04.2007
LAND	775,994	—	—	775,994	—	—	—	—	775,994	775,994
BUILDING	15,814,206	—	—	15,814,206	2,983,453	209,139	—	3,192,592	12,621,614	12,830,753
LEASE BUILDING EXPENSES	8,802,989	180,050	—	8,983,039	677,153	—	4,149,020	4,826,173	4,156,866	8,125,836
PLANT AND MACHINERY	516,168,927	35,941,160	—	552,110,087	423,208,584	36,249,470	—	459,458,054	92,652,033	92,960,343
OFFICE EQUIPMENT	16,542,564	1,080,039	—	17,622,603	3,855,405	643,358	—	4,498,763	13,123,840	12,687,159
AIR CONDITIONER	11,551,167	24,604	—	11,575,771	4,133,553	353,310	—	4,486,863	7,088,908	7,417,614
ELECTRICAL INSTALLATIONS	22,340,351	2,332,683	—	24,673,034	4,009,630	973,660	—	4,983,290	19,689,744	18,330,721
FURNITURE AND FITTINGS	59,106,620	4,421,043	—	63,527,663	19,818,334	2,719,539	—	22,537,873	40,989,790	39,288,286
MOTOR VEHICLES	5,354,356	—	—	5,354,356	1,327,476	382,555	—	1,710,031	3,644,325	4,026,880
SUBSIDIARY FIXED ASSETS	1,363,535	—	35,557	1,327,978	1,030,459	69,788	—	1,100,247	227,731	333,076
CAPITAL WORK IN PROGRESS	500,000	—	—	500,000	—	500,000	—	500,000	0	500,000
TOTAL	658,320,709	43,979,579	35,557	702,264,732	461,044,047	42,100,819	4,149,020	507,293,886	194,970,846	197,276,662
Previous Year 06-07	523,547,649	133,444,244	34,719	656,957,174	425,068,230	34,268,203	677,153	460,013,588	196,943,586	98,479,419

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 2006 to April 2009 against which an expense of Rs 88,02,989 is been incurred in earlier years. These expenses have been amortised over the period of lease. The expense for the year has been amortised during the year and shown under sales/adjustments.
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. The same has been included in the Plant and Machinery.

**SCHEDULES TO BALANCE SHEET AS AT MARCH 31, 2008**

SCHEDULE - 5	Mar 31, 2008	Mar 31, 2007
	(in Rs.)	(in Rs.)
Sundry Debtors		
Receivables		
(Unsecured and Considered good)		
Debts Outstanding for a period exceeding six months	24,604,453	24,458,012
Other Debts	33,702,549	59,856,812
	<u>58,307,002</u>	<u>84,314,824</u>
 SCHEDULE - 6		
Cash and Bank Balances		
Cash in hand	410,881	57,992
Cash at Bank with : Scheduled Banks		
- In Current Account	14,327,222	44,626,582
(Axis bank Ltd., ICICI Bank Ltd.)		
- In No Lien Account	3,762	3,898
Foreign Banks		
- In Current Account	21,053,338	158,777
(Bk of America, Silicon Vally Bk, ICICI Bk UK Ltd.)		
Fixed Deposits :		
UTI Bank	1,921,496	2,782,161
Allhabad Bank	570,011	528,147
	<u>38,286,710</u>	<u>48,157,557</u>
 SCHEDULE - 7		
Loans and Advances		
(Unsecured and Considered good)		
Loans		
Advances		
(Recoverable in cash or in kind or for value to be received)		
Advance to subsidiary	—	—
Advances to Staff	1,109,512	4,154,384
Advance Taxes	31,153,910	14,860,985
Prepaid Expenses	5,064,723	13,793,937
Others	9,124,049	27,498,988
Deposits	55,190,176	37,842,026
	<u>101,642,369</u>	<u>98,150,321</u>

**SCHEDULE - 8**

	Mar 31, 2008 (in Rs.)	Mar 31, 2007 (in Rs.)
Current Liabilities and Provisions		
Current Liabilities		
Sundry Creditors	62,358,280	63,956,350
Advance from Customers	—	2,023,948
Unclaimed Dividend	—	—
Interest Accrued but not due	1,360,083	2,199,124
Provisions		
Provision for Gratuity	4,853,634	4,158,862
Provision for Leave Encashment	2,540,881	1,078,101
Provision for Fringe Benefit Taxation	1,748,446	1,748,446
Prov for FBT 07-08	1,300,000	—
Provision for Income Tax 06-07	536,047	536,047
Provision for Income Tax 07-08	1,491,780	—
	<u>76,189,150</u>	<u>75,700,878</u>



SCHEDULE - 9

	Mar 31, 2008 (in Rs.)	Mar 31, 2007 (in Rs.)
Salary, Wages & Bonus	464,942,137	527,651,069
Subcontracting Charges	142,487,943	92,145,153
Contribution to PF & other Funds	10,115,893	10,311,480
Workman & Staff Welfare Expenses	33,475,945	11,941,049
	<u>651,021,918</u>	<u>642,048,751</u>

SCHEDULE - 10

ADMINISTRATIVE AND OTHER EXPENSES

Travelling	35,311,259	48,188,504
Conveyance	4,521,864	5,269,141
Staff Welfare	2,505,176	3,536,636
Communication Costs	5,122,573	6,693,347
Telephone	8,914,605	9,793,989
Printing and Stationery	4,478,886	4,780,405
Electricity and Power	9,963,430	6,892,602
Rent - Equipment	8,514,567	1,914,333
Rent - Apartment & Ground	25,111,003	30,761,216
Repairs and Maintenance - Machinery	3,649,493	4,207,636
Repairs and Maintenance - Building	7,645,417	4,638,112
Repairs and Maintenance - Others	170,018	140,634
Education and Training Expenses	428,264	679,225
Insurance	7,928,528	51,875
Miscellaneous Expenses	1,807,509	6,119,163
Auditors' Remuneration - Audit Fees	1,524,322	408,726
Tax Audit Fee	50,000	50,000
Internal and Other Audit Expenses	60,000	135,000
Books and Periodicals	472,943	350,095
Directors' Fees	562,500	402,000
Legal / Professional Fee and Taxes	51,597,199	36,527,322
Consultancy Charges	3,566,048	7,536,597
Recruitment & Relocation Expenses	5,422,315	4,149,291
General and Board Meeting expenses	2,083,998	1,883,166
Membership and Subscription	2,658,979	2,168,322
Business Promotion	3,089,412	2,534,353
Advertisement	504,044	—
Seminar & Conferences	171,085	767,536
Bad Debt written off	2,614,004	—
Provision for dimunition in value of Investments	—	2,035,248
	<u><u>200,449,439</u></u>	<u><u>192,614,474</u></u>

**Schedule 11****NOTES ON ACCOUNTS for the year ended 31.03.08****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 on the dates of respective transactions. Exchange difference arising on settlement is included in Profit & Loss Account. Revenue items of the Foreign Branch are converted in equivalent Indian Rupees at the buying rate prevailing at



the end of the month where exchange rates do not fluctuate significantly due to practical reasons. 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 Accountants 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 31st March 2008 is Rs 4,396,300 (Previous Financial year 31.03.07 Rs. 5,246,300)
- b) Liabilities in respect of bills discounted by the Company amounts to Rs. 150,174,671 (Previous Financial year 31.03.07 Rs. 147,803,737)



3. a) Debit in Interest and Finance Charges Account includes Interest to Banks and Financial Institutions Rs. 44,593,957 (Previous Financial Year 31.03.07 Rs. 62,252,395). ICICI Bank has converted part of the Rupee Loan into Foreign Currency Loan during 2005-06. Fees payable for the same has been amortized over the period of repayment of Loan. Also include interest on Debenture issued amounting to Rs. 1,879,147, previous year Rs. NIL
- b) Other income includes Interest Received amounting (including TDS Rs. 34,642) to Rs 202,829 (Previous Year Rs. 136,292) and Conversion fees amounting to Rs. 3,725,742 (Previous year Rs. NIL).
4. The income tax deducted at source on income during the year Rs. 3,614,795 (Previous Financial Year 31.03.07 Rs. 2,374,915).
5. Legal /Professional Fees and Taxes is inclusive of value added tax amounting to Rs. 27,247,397 (Previous Financial year 31.03.07 Rs. 25,795,942).
6. (a) Prior period expenses incurred during the year Rs. 2,429,092/- (Previous Financial Year 31.03.07 Rs. 3,305,561).
- (b) Capital commitment remaining to be executed net of advances amounts to Rs. NIL (Previous Financial Year 31.03.07 Rs. 19,308,800/-).
7. a. i) In respect of equipment acquired on finance lease , the minimum lease rental outstanding as on 31st March 2008 and their present value are as under :-

Amount in Rs.

	Total Minimum Lease Payment outstanding as at 31st March 2008	Future Interest on Outstanding Lease Payment	Present Value of minimum Lease Payment as at 31st March 2008
Within One Year	2,843,844	418,800	2,425,044
Later than One Year and not Later than Five Year	4,265,766	253,635	4,012,131

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

- b. i) The Company has taken equipments from Orix Auto Infrastructure Service Ltd. Under operating clause and lease rent amounting to Rs. 7,791,707 (previous Year 31.03.07 Rs 598,455) has been charged to the profit & Loss Account. The Future Minimum Lease Payment are as under

Total Minimum Lease Payment outstanding as at 31st March' 2008

Within One Year	8,277,384
Later than One Year and not Later than Five Year	15,175,204

- ii) The Company has also entered into an operating lease for Building with Saltee Infotex (India) Pvt. Ltd. for the period of 3 years. The amount of Rs. 16,449,600 (Previous Year 31.03.07 Rs. 12,565,498) has been charged to the profit & Loss Account. The Future Minimum Lease Payment are as under

Total Minimum Lease Payment outstanding as at 31st March' 2008

Within One Year	16,449,600
Later than One Year and not Later than Five Year	1,370,800



8. DEFINED BENEFIT PLAN

As per Actuarial Valuation as on 31st March 2008, the company has recognized the following in the books of Accounts under non-funded Scheme. One fifth of the Transitional difference 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 5,763,119, & 3,083,310 are being carried forward to be charged off in four equal installments in respect of Leave Encashment & Gratuity respectively.

Disclosure of employer expense for the year ended 31 March 2008			
A	Components of Employer Expense	Gratuity	Leave
1	Current Service cost (including risk premiums for fully insured benefits)	6.68	19.69
2	Interest Cost	5.39	5.14
3	Expected Return on Plan Assets	0.00	0.00
4	Curtailment Cost / (Credit)	0.00	0.00
5	Settlement Cost / (Credit)	0.00	0.00
6	Past Service Cost	0.00	0.00
7	Actuarial Losses / (Gains)	20.59	(24.61)
8	Total employer expense recognized in P&L	32.66	0.22
Assumptions at 1 April 2007			
	Discount Rate	8.50%	8.50%
B	Estimated Net Asset/(Liability) Recognised in Balance Sheet - 31 March 2008		
1	Present value of Defined Benefit Obligation	79.37	38.42
2	Fair Value of Plan Assets	0.00	0.00
3	Funded status [Surplus/(Deficit)]	(79.37)	(38.42)
4	Unrecognized Past Service Costs	0.00	0.00
5	Net Asset / (Liability) recognized in the Balance Sheet	(79.37)	(38.42)
Assumptions at 31 March 2008			
	Discount Rate	7.90%	7.90%
C	Change in Defined Benefit Obligation		
1	DBO at beginning of the period	80.13	82.82
2	Service Cost	6.68	19.69
3	Interest Cost	5.39	5.14
4	Curtailment Cost / (Credit)	0.00	0.00
5	Settlement Cost / (Credit)	0.00	0.00
6	Plan Amendments	0.00	0.00
7	Acquisitions	0.00	0.00
8	Actuarial Losses / (Gains)	20.59	(24.61)
9	Benefit Payments	(33.42)	(44.62)
10	DBO at end of the period	79.37	38.42
D	Change in Fair Value of Assets		
1	Fair Value of Plan Assets at beginning of the period	0.00	0.00
2	Acquisition adjustment	0.00	0.00
3	Expected return on plan assets	0.00	0.00
4	Actual Company contributions	33.42	44.62



		Gratuity	Leave
5	Actuarial Gain/(Loss)	0.00	0.00
6	Benefits payments	(33.42)	(44.62)
7	Fair Value of Plan assets at the end of period	0.00	0.00
E.	Assumptions at 31 March 2008		
	Discount Rate	7.90%	7.90%
	Actuarial Calculations		
1	Net Asset / (Liability) at beginning of period	(80.13)	(82.82)
2	Employer Expense	32.66	0.22
3	Employer Contributions	33.42	44.62
4	Acquisitions / Business Combinations	0.00	0.00
5	Net Asset / (Liability) at end of period	(79.37)	(38.42)
F.	Experience History		
1	Defined Benefit Obligation at end of the period	79.37	38.42
2	Plan Assets at end of the period	0.00	0.00
3	Funded Status	(79.37)	(38.42)
4	Experience adjustments on plan liabilities(Loss/ (Gain))	45.49	(7.63)
5	Experience adjustments on plan assets	0.00	0.00
6	Actuarial (Gain)/Loss due to change on assumptions	(24.90)	(16.98)

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

b) Key Management Personnel :

Mr. K S Bhatnagar	-	Chairman
Mr. R R Jain	-	Vice Chairman and Managing Director
Maj. Gen. A Balasubramanian (Rtd.)	-	Director
Mr. S K Jain	-	Director
Mr. S Khasnobis	-	Nominee Director - ICICI retired w.e.f 30th October' 2007)
Mr. Pankaj Dhanuka	-	Nominee Director - ICICI Appointed on 30th October' 2007)
Mrs. S Jain	-	Director

c) Disclosure of transactions between the Company and Related Parties and the status of outstanding balances as on March 31, 2008.

	Wholly Owned Subsidiary (WOS)	Key Management Personnel
1. Advances given	4,195,241	—
2. Sales	—	—
3. Remuneration to Key Personnel :		
- Directors	—	—
- Managing Director	—	989,000
4. Professional Fee to Directors	—	562,500
5. Balance as on March 31,2008 :		
Advances given	10,035,076	—
Debtors	8,342,174	—
6. Maximum balance outstanding during the year		
Advance given	10,035,076	—
Debtors	8,342,174	—



10.a) 14.6% Cumulative Redeemable Preference Shares (CRPS) amounting to Rs. 50,000,000 issued to IDBI were due to be redeemed on May 31, 2004 but have not been redeemed. The Company had filed a proposal to IDBI for restructuring. IDBI in principle are agreeable for restructuring vide their letter dated April 20,2005 on the following terms and conditions :

- i. Roll over of Rs. 500 lacs of CRPS to be redeemed in three installments in October 2005, November 2007 and November 2008,
- ii. Conversion of entire unpaid dividend of Rs. 264 lacs (accrued upto May 2005) along with unpaid interest of Rs. 25 lacs on defaulted dividend totaling Rs. 289 lacs (subject to reconciliation) as Non Convertible Debentures redeemable in two equal yearly installments in November 2007 and November 2008. (The Company has Converted the entire unpaid dividend totaling Rs. 289 lacs as 12.5% Non Convertible Debentures by charging in profit & Loss Account as an expense for earlier years, secured against movable assets excluding book debts and personal guarantee of the Managing Director on 13th November' 2007, redeemable in two equal yearly installments in November 2008 and November 2009) .

The Interest for the period Nov' 2007 to March ' 2008 is being charged to profit & Loss Account. Due to insufficient profit in the books , the company has not created the Debenture Redemption Reserve.

- iii. Reduction in dividend rate from 14.6% p.a. to 12.5% p.a. on CRPS and at 12.5% on NCD (Rs. 289 lacs).
- iv. Waiver of entire unpaid overdue liquidated damages of Rs. 32 lacs after Company deposits atleast Rs. 200 lacs in FD/ICD with IDBI.
- v. The Company had written a letter to IDBI regarding modifications in the above terms. The Company had proposed to IDBI that the redemption will take place in the month of November 2008 and all the interim payments should be treated as deposits. IDBI has formally approved the same. The Company has paid Rs. 367.57 Lacs, which it has treated as deposits.

Due to past losses incurred by the Company no amount has been transferred to Preference Shares Redemption Reserve account till the end of 31st March 2008

b) The Company has made final settlement with Allahabad Bank by making additional payment of Rs. 1,500,000 towards interest in respect of outstanding against Bill Discounting & facility and the same has been confirmed by the Bank.

11. Auditor's Remuneration

	Current Year (In Rs.)	Previous Year (In Rs.)
As Statutory Auditors	150,000	151,524
Tax Audit	50,000	56,120
In Other Capacity Certification work	82,500	38,162

The above remuneration is 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 :

	2007-08	2006-07
Numerator for Basic and Diluted EPS :		
Profit for the period	11,674,628	48,490,239
Less : Dividend on Pref Shares	6,250,000	6,250,000
	5,424,628	42,240,239
Denominator for Basic EPS :		
Equity Shares	7,434,648	4,918,000
Add : ESOP Conversion	10,000	57,648
Add : Rights Issue	—	2,459,000
Weighted no. of Equity Shares	7,444,648	7,434,648



Denominator for Diluted Shares		
Weighted No. of Basic Equity Shares	7,444,648	743,464
Add : ESOP Conversion	—	69,800
ESOP Dilutive	17,394	174,302
Pref Share allotment	—	500,000
ESOP (2006-07)	—	75,000
Weighted no. of Equity Shares	7,462,042	8,253,750

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

	Current Year (in Rs.)	Previous Year (in Rs.)
Salaries	515,333	1,800,000
Other Benefits	257,667	900,000
Contribution to Provident Fund	216,000	236,208
Arrears		489,770
	<u>989,000</u>	<u>3,425,979</u>

Due to inadequate profit the remuneration payable to Managing Director has restricted to the above amount and the amount taken as per contract returned back by the Managing Director.

- 14.** a. Outstanding ESOS Account represent the intrinsic value of Rs. 1.40 each of 33,775 ESOS Warrants granted to employees and yet to be exercised out of 165,000 ESOS actually granted.
 b. The Company has granted 176,600 options to its employees during the year 2005-06, the fair value and the exercise price of the options is Rs. 71/- each. As on date (31st March 2008) 2,298 option has been exercised.
 c. During the year 2006-07 the company has granted 75,000 options to its directors at the price of Rs 66.60 per option and none of the options has been exercised till date.
- 15.** Deferred Tax Asset has been retained as the Management feels that it would be adjusted in later years. Further no provision for deferred tax expense has been made during the year as the Company is under Tax Holiday Period U/s 10B.
- 16.** Legal Expenditure includes amount paid in connection with defending a law suit filled against the company by a client. The case has been disposed off during the current quarter and no charges are payable by / to the Company in this connection.
- 17.** a) As per available information with the company, there were no dues to small-scale industrial undertakings.
 b) As per available information no due is from Small, Medium & Micro Enterprises due for more than 90 days.
- 18.** 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.

	Current Year (In Rs.)	Previous Year (In Rs.)
Imports on CIF basis :		
Capital Goods	-	17,867,673
Expenditure in Foreign Currency :		
Foreign Branch Expenditure	783,701,106	610,703,810
Earning in Foreign Currency	977,774,077	971,664,333



19. On 31st March 2008 there was NIL balance in the fund utilization of the Rights issue and the end use of this is as follows :

i)	Repayment of Loan and Interest	Rs. 1.71 crores
ii)	Payroll	Rs. 1.08 crores
iii)	New Building Expenses	Rs. 0.13 crores
iv)	Vendor	Rs. 0.71 crores

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

Particulars	For the year ended March 31, 2008	For the year ended March 31, 2007
1. Segment Revenue (net sale/income from each segment should be disclosed)		
a. Segment - A (USA)	795,405,899	797,983,831
b. Segment - B (ROW)	215,769,563	209,952,914
Total	1,011,175,462	1,007,936,745
Less: Inter segment revenue	—	—
Net sales/income from operations	1,011,175,462	1,007,936,745
2. Segment Results Profit (+) / (loss)(-) before tax and interest from each segment		
a. Segment -A (USA)	115,893,563	206,478,697
b. Segment - B (ROW)	77,415,273	98,788,048
Total	193,308,836	305,266,744
Less:		
i. Interest & Finance Charges	49,117,392	65,006,525
ii. Depreciation	46,231,030	34,236,869
a. Provision for Diminution in value of investments	—	2,034,748
b. Share Issue Expenses W/off	1,499,134	624,406
c. Selling, General & Administrative Expenses	81,994,872	153,110,520
Total Profit/(Loss) Before Tax	14,466,408	50,253,676
3. Capital Employed		
Total Assets	471,497,029	486,849,397
Total Liabilities	471,497,029	486,849,397
(See note below *)		

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.

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

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

For CHATURVEDI & COMPANY
Chartered Accountants

Nilima Joshi
Partner

V. Surana
AVP – Finance &
Company Secretary

On behalf of the Board
K S Bhatnagar, Chairman

R R Jain
Vice Chairman &
Managing Director

13th May, 2008
Kolkata



CONSOLIDATED CASH FLOW STATEMENT

CASH FLOW STATEMENT	Year ended Mar 31, 2008 (in Rs.)	Year ended Mar 31, 2007 (in Rs.)
A Cash Flow from Operating Activities :		
Net Profit after Tax and Extra ordinary Items	9,125,759	44,578,562
Adjustments for :		
Depreciation	46,249,839	34,343,369
Interest Paid	49,117,392	65,068,325
Foreign Exchange Fluctuation		(12,671)
Provision for Tax	2,791,780	536,047
Provision for Gratuity, Leave Encashment	9,586,139	
Provision for Diminution in the value of Investments		2,034,815
Profit on sale of assets		(2,297)
Interest (Received)	(202,829)	(136,378)
Employees expenses Amortization	(7,428,587)	49,468
Miscellaneous Expenditure written off	1,498,570	624,405
Operating Profit before Working Capital changes	110,738,062	147,083,645
Adjustments for :		
Trade and other Receivables	22,515,774	13,573,859
Trade Payables	(3,622,018)	21,247,189
Cash generated from operations	129,631,818	181,904,693
Interest Paid	(49,956,433)	(65,068,325)
Cash Flow before Extraordinary Items	79,675,385	116,836,368
Net Cash from Operating Activities	79,675,385	116,836,368
B Cash Flow from Investing Activities :		
Purchase of Fixed Assets	(43,944,022)	(124,636,323)
Profit on sale of assets		2,297
Building taken on Lease		(8,125,836)
Interest received	202,829	136,378
Net Cash from Investing Activities	(43,741,193)	(132,623,484)
C Cash Flow from Financing Activities:		
Proceeds from Share Application	(1,435,606)	160,337,942
Proceeds from Long term Borrowings	18,948,427	(36,364,830)
Share Issue Expenses		(6,394,273)
Repayment of Loan	(63,317,860)	(65,720,255)
Net Cash from Financing Activities	(45,805,039)	51,858,584
Net Increase /Decrease in Cash and Cash Equivalents (A+B+C)	(9,870,847)	36,071,468
Opening Cash and Cash Equivalents	48,157,557	12,086,089
Closing Cash and Cash Equivalents	38,286,710	48,157,557

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

Nilima Joshi
Partner

V. Surana
AVP – Finance &
Company Secretary

On behalf of the Board
K S Bhatnagar, Chairman

R R Jain
Vice Chairman &
Managing Director

13th May, 2008
Kolkata



R.S. SOFTWARE (INDIA) LTD.

RS SOFTWARE (INDIA) LTD

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

Folio No. _____ DP ID _____ Client ID _____

PROXY

I/We _____
of _____ being a Member/Mebers of RS Software (India) Ltd.,
hereby appoint _____ of _____
(of failing him/her _____
of _____) as my / our proxy in my / our absence to attend
and vote for me/us, and on my/our behalf, at the Twentieth ANNUAL GENERAL MEETING of the Company, to be
held at 11.30 am on July 31, 2008 and at any adjournment thereof.

As witness my / our hand/hands this _____ day of _____ 2008.

Signed by the said

fix
Re. 1/-
Revenue
Stamp

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, Kolkata 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, Kolkata 700 020

I hereby record my presence at the ANNUAL GENERAL MEETING at Sisir Mitra Hall, Webel Bhavan, Block EP & GP, Sector V, Bidhan Nagar, Kolkata 700 091 at 11.30 am on July 31, 2008.

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.