

2010-11

**FOURTH GENERATION
INFORMATION SYSTEMS LTD**

13TH ANNUAL REPORT

2010-2011

CORPORATE INFORMATION**Board of Directors:**

Mr..C.N.Somasekhara Reddy	: Managing Director
Mr. K Santosh Reddy	: Director
Mr. C.N Mallikarjuna Reddy	: Director
Mr. T Srivenkata Ramana	: Director
Mr. K. Sudheer	: Director

Auditors:

M M REDDY & CO.,
Chartered Accountants,
Rajbhavan Road,
Somajiguda, Hyderabad.

Bankers:

Indian Overseas Bank
Main Branch, Abids,
Hyderabad,
Andhra Pradesh.

Registered office:

1st Floor, Society Complex,
MLA's Colony,
Road No.12, Banjara Hills,
Hyderabad-500034
Andhra Pradesh.
Telefax: 040 - 23373949

Registrars and Share Transfer Agent:

Bigshare Services Pvt Ltd,
E-2/3, Ansa Industrial Estate,
Sakivihar Road, Saki Naka,
Andheri (E),
Mumbai – 400072

Listed At:

Bombay Stock Exchange Limited
Ahmedabad Stock Exchange Limited

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NOTICE

NOTICE is hereby given that the Thirteenth Annual General Meeting of the Members of the Company will be held on Friday, the 30th September 2011, at 11.00 A.M, at the Registered Office of the Company situated at 1st Floor, Society Complex, MLA's Colony, Road No. 12, Banjara Hills, Hyderabad-500034, Andhra Pradesh, to transact the following business-

ORDINARY BUSINESS:

- 1) To receive, consider and adopt the Balance Sheet as at 31st March 2011, the Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
- 2) To appoint Director in place of Mr.K.Sudheer who retires by rotation and being eligible has offered himself for reappointment
- 3) To appoint M/s M M REDDY & CO., Chartered accountants as Statutory Auditors of the Company and to hold office from the conclusion of this Annual General Meeting until conclusion of the next Annual General Meeting and to authorise the Board to fix their remuneration.

SPECIAL BUSINESS:

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

"RESOLVED THAT Mr. Santosh Reddy Kattamidi, who was appointed as additional director of the company pursuant to the provisions of section 260 of the Companies Act, 1956 by the board of directors w.e.f. 15.02.2011 and who holds the office up-to date of the ensuing annual general meeting and in respect of whom the company has received a notice in writing under section 257 read with section 190 of the said Act, along with requisite deposit proposing him as candidate for the office of director of the company, be and is hereby appointed as a director of the company whose period of office is liable to be determined by retirement of directors by rotation."

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

"RESOLVED THAT Mr. C.N. Mallikarjuna Reddy, who was appointed as additional director of the company pursuant to the provisions of section 260 of the Companies Act, 1956 by the board of directors w.e.f. 15.02.2011 and who holds the office up-to date of the ensuing annual general meeting and in respect of whom the company has received a notice in writing under section 257 read with section 190 of the said Act, along with requisite deposit proposing him as candidate for the office of director of the company, be and is hereby appointed as a director of the company whose period of office is liable to be determined by retirement of directors by rotation."

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

Appointment of Mr. C.N Somasekhara Reddy as Managing Director

To consider and, if thought fit, to pass with or without modifications, the following resolution as Special Resolution.

“RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 Mr. C. N. Somasekhara Reddy, be and is hereby appointed as the Managing Director of the company for a term of 5 years with effect from 06.01.2011 initially without any salary till such date during his tenure as may be decided by the Board and with liberty to the Board of directors to fix, alter or vary from time to time the terms and conditions of the said appointment including the remuneration in such manner as it may deem fit within the limits in that behalf contained in Schedule XIII of the said Act including any Statutory modifications(s) in force or that may hereinafter be made thereto by the Central Government in that behalf or any amendments thereto as may be agreed by the Board of Directors and Mr. C. N. Somasekhara Reddy in this behalf:

RESOLVED FURTHER THAT in the event of any loss or inadequacy of profits in any financial year of the Company during the tenure of Mr. C. N. Somasekhara Reddy, the remuneration, perquisites and other allowances, if any fixed by the Board of Directors shall be governed by the limits prescribed in Schedule XIII to the Act.”

Place: Hyderabad

Date: 31.08.2011

For and on behalf of the Board

C.N.Somasekhara Reddy
Managing Director

NOTES:-

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIM SELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The instrument appointing the Proxy should however be deposited at the Registered Office of the company not less than 48 hours before the commencement of the meeting.
3. Members/Proxies should bring the attendance slip sent here with duly filled in for attending the meeting.
4. All documents referred to in the Notice are open for inspection at the Registered Office of the Company between 11.00 A.M. to 1.00 P.M. on any working day prior to the date of the meeting and also at the meeting.
5. Member intending to require information about Accounts to be explained at the meeting are requested to write the company at least ten days in advance of the Annual General Meeting.
6. Register of Members and share Transfer Books remain closed from 28.09.2011 to 30.09.2011 (Both days inclusive).
7. As part of Green Initiative in Corporate Governance the Ministry of Corporate Affairs (MCA), Government of India vide its Circular has allowed paperless compliances by Companies inter-alia stating that if the Company sends official documents to their shareholders electronically, it will be in compliance with the provisions of Section 53 of the Companies Act, 1956. Keeping in view shareholders are requested to update their E-Mail ID with their DP.

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EXPLANATORY STATEMENT

(Pursuant To Section 173(2) of the Companies Act, 1956)

Item No. 4:

The members may note that Mr. Santosh Reddy Kattamidi, was inducted into Board as an Additional Director of the company, with effect from 15.02.2011 pursuant to the provisions of section 260 of the Companies Act, 1956 and holds the office as such up to the date of ensuing Annual General Meeting. The company has received notice in writing from members of the company along with the requisite deposit under Section 257 read with section 190 of the Companies Act, 1956 proposing the candidature of the above said person for the Office of Director whose period of office is determinable by retirement of Directors by rotation.

As per the provisions of section 257 of the Act, any such proposal ought to be approved by the members in their General Meeting.

Hence, the Board recommends the resolution for your approval.

None of Directors except Mr Santosh Reddy Kattamidi may be deemed to be concerned or interested in the resolution.

Item No.5:

The members may note that Mr C.N. Mallikarjuna Reddy was inducted into Board as an Additional Director of the company, with effect from 15.02.2011 pursuant to the provisions of section 260 of the Companies Act, 1956 and holds the office as such up to the date of ensuing Annual General Meeting. The company has received notice in writing from members of the company along with the requisite deposit under Section 257 read with section 190 of the Companies Act, 1956 proposing the candidature of the above said person for the Office of Director whose period of office is determinable by retirement of Directors by rotation.

As per the provisions of section 257 of the Act, any such proposal ought to be approved by the members in their General Meeting.

Hence, the Board recommends the resolution for your approval.

None of Directors except Mr. C.N. Mallikarjuna Reddy may be deemed to be concerned or interested in the resolution.

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Item 6:

Mr. C.N. Somasekhara Reddy was appointed as Managing Director of the Company in the board meeting held on 06.01.2011 for a period of five years with effect from 06.01.2011 as per the terms and conditions and remuneration mentioned in the notice at resolution no.6

As per the provisions of Schedule XIII of the Companies Act, 1956, re appointment of Mr. C.N. Somasekhara Reddy as Managing Director, requires the approval of the members in the General meeting. Hence, the above resolution at item no.6 is submitted to the meeting for ratification by the members of the Company by passing an ordinary Resolution.

The notice together with the explanatory statement attached herewith should be treated as an abstract of the terms of the agreement and memorandum of concern or interest under section 302 of the Companies Act, 1956.

Hence, the Board recommends the resolution for your approval.

None of the Directors of the Company except Mr. C.N. Somasekhara Reddy to the extent of his appointment as director is concerned or interested in this resolution.

Place : Hyderabad
Date : 31.08.2011

For and on behalf of the Board

C.N. Somasekhara Reddy
(Managing Director)

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DIRECTORS' REPORT

To,

The Members of Fourth Generation Information Systems Limited

Your Directors have pleasure in presenting the Thirteenth Annual Report on the business and operations of your company and the Audited Financial Results for the year ended on 31st March 2011.

FINANCIAL HIGHLIGHTS FOR THE YEAR 2010-11:

The Operating results for the year are as follows:

(Rs in Lakhs)

Particulars	31-03- 2011	31-03-2010
Total Income	25.25	3.51
Profit/(Loss) before Interest and depreciation	(1072.00)	(0.36)
Less:	-	-
Interest and Financial Charges	-	-
Depreciation and other Write-offs	2.29	2.31
Profit/(Loss) before tax	(1074.29)	(2.67)
Provision for current tax and deferred tax	-	(4.36)
Profit/(Loss) after Tax	(1074.29)	(7.03)
Add: Balance brought forward	(178.18)	(171.15)
Balance Carried forward	(1252.47)	(178.18)

OPERATIONS:

During the year 2010-11, the Company had a turnover of Rs.25.25 lakhs against which the Company incurred a loss of Rs. 1074.29 lakhs as compared to the turnover of Rs. 3.51 lakhs and a net loss of Rs. 7.03 in the previous year 2009-10

CAPITAL OF THE COMPANY:

Paid up capital of the company stands at Rs.12,44,54,250 divided Into 6,22,27,125 equity shares of Rs. 2/- each. Authorised capital of the company stands at Rs.12,95,00,000 divided into 6,47,50,000.equity shares of Rs 2/- each.

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UPDATING COMPLIANCES WITH STOCK EXCHANGES WITH RESPECT TO LISTING AGREEMENT, SEBI TAKEOVER CODE ETC;

The Company has updated all the compliances with Bombay Stock Exchange and Ahmedabad Stock Exchange with respect to listing agreement, SEBI Takeover Code etc.

CHANGE IN REGISTERED OFFICE OF THE COMPANY:

During the year, the Company's registered office was changed from Flat No 201, H No 2-1-566/1, Osmania University Road, Nallakunta , Hyderabad - 500044 to 1st Floor, Society Complex, MLA's Colony, Road No.12, Banjara Hills, Hyderabad - 500034 with effect from 06.01.2011

DIVIDEND:

Your Directors do not recommend any Dividend for the current Financial Year 2010-11.

PUBLIC DEPOSITS:

Your Company has not accepted any deposits during the year under review.

DIRECTORS:

During the year Mr. T.Sri Venkataramana retires by rotation, being eligible offered himself for reappointment.

During the year Mr.Santosh Reddy and Mr.C.N.Mallikarjuna Reddy were appointed as additional directors w.e.f.15.02.2011.

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BRIEF PROFILE:

Mr.Santosh Reddy and Mr.C.N.Mallikarjuna Reddy

Particulars	Mr.C.N.Mallikarjuna Reddy
Date of Birth	29.10.1967
Date of Appointment	15.02.2011
Expertise in specific functional areas	Software
Qualifications	M.Com
No. of Shares held in the Company	--
Directorships held in other companies (excluding private limited and foreign companies)	NIL
Positions held in mandatory committees of other companies	NIL

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Particulars	Mr.Santosh Reddy
Date of Birth	04.05.1984
Date of Appointment	15.02.2011
Expertise in specific functional areas	Software
Qualifications	B. Tech
No. of Shares held in the Company	NIL
Directorships held in other companies (excluding private limited and foreign companies)	NIL
Positions held in mandatory committees of other companies	NIL

DIRECTORS' RESPONSIBILITY STATEMENT (pursuant to section 217(2AA):

Directors hereby confirm:

- (i) That in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper 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 state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- (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, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) That the Directors have prepared the annual accounts on a going concern basis.

AUDIT COMMITTEE:

The Company's Audit Committee comprised of three Directors viz. Mr. C.N. Somasekhara Reddy (Managing Director), Mr. K. Sudheer (Managing Director) and Mr. Srivenkata Ramana Tammiseti (Director).

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CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:

The information relating to Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo required under Section 217(1)(e) of the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 is annexed to and forms part of this Report.

PARTICULARS OF EMPLOYEES:

None of the employees is in receipt of remuneration exceeding the limit and whose particulars are required to be given as prescribed under Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

AUDITORS:

M/s. M M REDDY & CO., Chartered Accountants, Hyderabad, will hold office until the conclusion of the ensuing Annual General Meeting. The Company has received letters from them to the effect that their reappointment, if made, would be within the prescribed limits under Section 224 (1B) of the Companies Act, 1956.

CORPORATE GOVERNANCE AND MANAGEMENT DISCUSSION AND ANALYSIS:

During the current year, your Directors continued adopting the code of Corporate Governance. A separate report on the Corporate Governance and Management Discussion and Analysis is attached as part of the Annual Report. An Auditors' Certificate regarding compliance of conditions of Corporate Governance is also annexed.

LISTING:

The Company's present Equity shares are listed in Bombay Stock Exchange Limited and Ahmedabad Stock Exchange Limited.

ACKNOWLEDGEMENT:

Directors wish to place on record their deep appreciation of the services rendered by the staff for the smooth functioning during the year. They also express their thankfulness to both Central and State Government authorities for their cooperation, bankers to the Company, and all of its employees.

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DECLARATION BY MANAGING DIRECTOR OF AFFIRMATION BY DIRECTORS AND SENIOR MANAGEMENT PERSONNEL OF COMPLIANCE WITH THE CODE OF CONDUCT:

The shareholders,

I, C.N.Somasekhara Reddy, Managing Director of the Company do hereby declare that the directors and senior management of the Company have exercised their authority and powers and discharged their duties and functions in accordance with the requirements of the code of conduct as prescribed by the company and have adhered to the provisions of the same.

For and on Behalf of the Board

Place : Hyderabad
Date 31.08.2011

C.N. Somasekhara Reddy
(Managing Director)

T .Srivenkata Ramana
(Director)

Annexure to Directors report

INFORMATION RELATING TO CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, RESEARCH AND DEVELOPMENT AND FOREIGN EXCHANGE EARNINGS AND OUTGO FORMING PART OF DIRECTOR'S REPORT IN TERMS OF SECTION 217(1)(E) OF THE COMPANIES ACT, 1956, AND RULES MADE THEREUNDER.

CONSERVATION OF ENERGY:

The range of activities of your company requires minimal energy consumption and every endeavor has been made to ensure the optimal use of energy, avoid wastage and conserve as far as possible.

TECHNOLOGY ABSORPTION:

There were no instances which arouse in the financial year, which could give rise to technological absorption. Thus this clause is not applicable.

FOREIGN EXCHANGE EARNINGS AND OUTGO: NIL

There were no imports / exports, thus the foreign exchange earnings / outgo was nil, during the financial year.

Place : Hyderabad
Date : 31.08.2011

C.N. Somasekhara Reddy
Managing Director

T.Srivenkata Ramana
Director

REPORT ON CORPORATE GOVERNANCE**1. *Company's philosophy on Corporate Governance***

FOURTH GENERATION INFORMATION SYSTEM LIMITED has been committed to the highest standard of Corporate Governance practices in the entire gamut of its business philosophy. The guiding forces of Corporate Governance at Southern Online are its core values – Quality operations, Customer satisfaction, Shareholders' value, Belief in people. The Company believes that a strong Corporate Governance policy is indispensable to healthy growth of business and resilient and vibrant capital markets, besides being an important instrument of investor protection. In this direction, Southern Online endeavors in true spirit, to adopt the best global practices in Corporate Governance.

2. *Board of Directors***A. Composition**

- a. The Company has 5 Directors, out of which 2 are Executive and 3 are non executive- Independent Directors. The composition of the Board is in conformity with clause 49 of the Listing Agreements entered into with the Stock Exchanges and meets the stipulated requirements.
- b. None of the Directors on the Board is a Member of more than 10 committees or Chairman of more than 5 companies across all the Companies in which he is a Director. The Directors have made necessary disclosures regarding Committee positions in other public companies as on March 31, 2011.
- c. The names and categories of the Directors on the Board, their attendance at Board Meetings held during the year and the number of Directorships and Committee Chairmanships / Memberships held by them in other companies is given below. Other Directorships do not include alternate directorships, directorships of private limited companies, section 25 companies and of companies incorporated outside India. Chairmanship / Membership of Board Committees include only Audit and Shareholders / Investors Grievance Committees.

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Composition and category of Directors on the Board for the year 2010-11 are given below:

Name of the Director	Category	Number of Directorships in other Companies	Number of Board Committee memberships held in other Companies
C.N.Somasekhara Reddy	Promoter & Executive Director	1	1
T.Srivenkata Ramana	Promoter & Executive Director	1	1
#Santoshreddy Kattamidi	Independent Director	NIL	NIL
Sudheer Kollapudi	Independent Director	NIL	NIL
#C.N.Mallikarjuna Reddy	Independent Director	1	1
*Veeriah Pothana	Independent Director	NIL	NIL
*Sambasiva Rao Adapa	Independent Director	NIL	NIL
*A. Ramesh Babu	Independent Director	NIL	NIL

Appointed w.e.f. 15.02.2011

*Resigned w.e.f. 15.02.2011

- d. Pecuniary relationship or transactions of the Non-Executive Directors vis-à-vis the Company.

None of the Non-Executive Directors has any pecuniary relationship or transactions with the Company.

- e. During the Financial Year 2010-2011 the Board of Directors met 8 times on the following dates:

30.04.2010, 31.07.2010, 01.09.2010, 30.10.2010, 05.12.2010, 31.01.2011, 06.01.2011 and 15.02.2011.

- f. The time gap between any two Board Meetings did not exceed three months.

Attendance of Directors at Board Meetings held during the financial year 2010-11

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Name of the Director	No. of Board Meetings held during the tenure of the director	No. of board meetings attended	Whether attended the last AGM
C.N Somasekhara Reddy	7	7	Yes
T.Srivenkata Ramana	7	7	Yes
#Santoshreddy Kattamidi	1	1	No
Sudheer Kollapudi	8	2	Yes
#C.N.Mallikarjuna Reddy	1	1	No
*Veeriah Pothana	8	3	Yes
*Sambasiva Rao Adapa	8	2	Yes
*A. Ramesh Babu	7	7	Yes

Appointed w.e.f. 15.02.2011

*Resigned w.e.f. 15.02.2011

Board's Procedure

Agenda papers along with explanatory statements were circulated to the Directors in advance for each of these meetings. All relevant information as per Clause 49 of the Listing Agreement was placed before the Board from time to time.

3. Code of Conduct

The Company has formulated and implemented a Code of Conduct for Board Members and Senior Management of the Company. Requisite annual affirmations of compliance with the respective Codes have been made by the Directors and Senior Management of the Company.

Certificate of Code of Conduct for the year 2010-2011

FOURTH GENERATION INFORMATION SYSTEM is committed for conducting its business in accordance with the applicable laws, rules and regulations and with highest standards of business ethics. The Company has adopted a "Code of Ethics and Business Conduct" which is applicable to all director, officers and employees.

I hereby certify that all the Board Members and Senior Management have affirmed the compliance with the Code of Ethics and Business Conduct, under a certificate of Code of Conduct for the year 2010-2011

Place: Hyderabad

Date:31.08.2011

(Sd/-)

C.N.Somasekhara Reddy
(Managing Director)

4. Audit Committee

I). The Audit Committee of the Company is constituted in line with the provisions of Clause 49 of the Listing Agreements with the Stock Exchanges read with Section 292A of the Companies Act, 1956.

II) The terms of reference of the Audit Committee include a review of;

- Overview of the Company's financial reporting process and disclosure of its financial information to ensure that the financial statements reflect a true and fair position and that sufficient and credible information is disclosed.
- Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other services.
- Discussion with external auditors before the audit commences, of the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- Reviewing the financial statements and draft audit report including quarterly / half yearly financial information.
- Reviewing with management the annual financial statements before submission to the Board, focusing on:
 - i Any changes in accounting policies and practices;
 - ii Qualification in draft audit report;
 - iii Significant adjustments arising out of audit;
 - iv The going concern concept;
 - v Compliance with accounting standards;
 - vi Compliance with stock exchange and legal requirements concerning financial statements;
 - vii Any related party transactions
- Reviewing the company's financial and risk management's policies.
- Disclosure of contingent liabilities.
- Reviewing with management, external and internal auditors, the adequacy of internal control systems.
- Reviewing the adequacy of internal audit function, including the audit character, the structure of the internal audit department, approval of the audit plan and its execution, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
- Discussion with internal auditors of any significant findings and follow-up thereon.
- Reviewing the findings of any internal investigations by the internal auditors into the matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- Looking into the reasons for substantial defaults in payments to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
- Reviewing compliances as regards the Company's Whistle Blower Policy.

III) The previous Annual General Meeting of the Company was held on 30th September 2010 and Chairman of the Audit Committee, attended previous AGM.

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IV) The composition of the Audit Committee and the attendance of each member of the Audit Committee are given below:

Composition

The Company has constituted an Audit Committee comprising of the following three Non-Executive Independent Directors.

S.No	Name of the Director	Designation	Nature of Directorship
1	#Mr.C.N. Mallikarjuna Reddy	Chairman	Independent
2	#Mr. K. Santosh Reddy	Member	Independent
3	Mr. T. Srivenkata Ramana	Member	Non Independent
4	*Mr. A.Ramesh Babu	Member	Independent

Appointed w.e.f. 15.02.2011

*Resigned w.e.f. 15.02.2011

V) Four Audit Committee meetings were held during the year. The dates on which the said meetings were held are as follows: 30.04.2010, 31.07.2010, 30.10.2010 and 31.01.2011

The necessary quorum was present at all the meetings.
Attendance during the year 2010-2011:

S.No	Name of the Director	Number of meetings held during the tenure of the director	Number of meetings attended
1	#Mr.C.N. Mallikarjuna Reddy	1	1
2	#Mr. K. Santosh Reddy	1	1
3	Mr. T. Srivenkata Ramana	3	3
4	*Mr. A.Ramesh Babu	3	3

Appointed w.e.f. 15.02.2011

*Resigned w.e.f. 15.02.2011

CEO/CFO Certification

The Board has recognized Managing Director of the Company as CEO for the limited purpose of Compliance under the Listing Agreement. The Managing Director have certified, in terms of revised clause 49 of the listing agreement, to the Board that the financial statements present a true and fair view of the company's affairs and are in compliance with existing accounting standards, internal control and disclosures.

5. Remuneration Committee

The Company has constituted Remuneration Committee to decide, fix the remuneration payable to the Managing / Whole time Directors of the Company.

However, the remuneration of the Managing / Whole time Director is subject to approval of the Board, and of the Company in the General Meeting and such

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approvals as may be necessary. The remuneration structure of Managing / Whole time Director comprises of salary only.

A. Composition

The Remuneration Committee consists of the following Directors:

S.No	Name of the Director	Designation	Nature of Directorship
1	#Mr.C.N. Mallikarjuna Reddy	Chairman	Independent
2	#Mr. K. Santosh Reddy	Member	Independent
3	Mr. T. Srivenkata Ramana	Member	Non Independent

Appointed w.e.f. 15.02.2011

B. Brief description of terms of reference

The Remuneration Committee shall function in accordance with the terms of reference made by the Board of Directors, which are given as follows:

1. To fix the remuneration packages of Executive Directors i.e., Managing Director, Whole time Directors, etc.,
2. To decide on the elements of remuneration package of all the Directors i.e., salary, benefits, bonuses, stock options, pension etc.”

The Non-executive Directors are not paid any sitting fees for attending the Board & Committee meetings. The Remuneration Committee met once on 01.09.2010

None of the directors have been paid any remuneration for the year 2010-11

The Company does not have any stock option scheme to the Whole-time Directors. The appointments are made in accordance with the terms and conditions specified in the respective resolutions passed by the members in the General Meetings.

6. Investors' Grievance Committee

A. Composition

Your Company has constituted an Investors' Grievance Committee consisting of the following Directors:

S.No	Name of the Director	Designation	Nature of Directorship
1	#Mr.C.N. Mallikarjuna Reddy	Chairman	Independent
2	#Mr. K. Santosh Reddy	Member	Independent
3	Mr. T. Srivenkata Ramana	Member	Non Independent

Appointed w.e.f. 15.02.2011

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B. Powers

The Committee has been delegated with the following powers:

- to redress shareholder and investor complaints relating to transfer of shares, Dematerialization of Shares, non-receipt of balance sheet, non-receipt of declared dividend etc.
- to approve, transfer, transmission, and issue of duplicate / fresh share certificate(s)
- Consolidate and sub-division of share certificates etc.
- To redress, approve and dispose off any, other complaints, transactions and requests etc., received from any shareholder of the company and investor in general.

Mr. C.N. Somasekhara Reddy is the compliance officer of the company. The committee looks into the matters relating to the shareholder's complaints, grievances, various requests in the nature of transfer, transmission, etc., and also overseeing the performance of the Registrar & Transfer agents to improve the quality of investor services.

The Board has delegated the power to process the transfer and transmission of shares to the Registrar and Share Transfer Agents, who process share transfers within a week of lodgment in the case of shares held in physical form.

During the period under review no complaints are received from the shareholders and there are no pending Share Transfers / Complaints as on date of this report

General Body Meetings

Financial Year	Date	Time	Venue	Special resolutions passed
12th AGM 2009-10	30.09.2010	9.45 AM	Flat No 201, H No 2-1-566/1, Osmania University Road, Nallakunta , Hyderabad - 500044	Nil
11th AGM 2008-09	30.09.2009	9.45 AM	Flat No 201, H No 2-1-566/1, Osmania University Road, Nallakunta , Hyderabad - 500044	Nil
10th AGM 2007- 08	29.09.2008	9.30 AM	Flat No 201, H No 2-1-566/1, Osmania University Road, Nallakunta , Hyderabad - 500044	Nil

Auditors' Certificate on Corporate Governance as required by revised Clause 49 of the Listing Agreement is given as an annexure to the Director's Report.

7. Disclosures

- The Company has not entered into any transaction of material nature with related parties i.e., Directors, Management, their relatives conflicting with the Company's interest.

- **Details of non-compliance**

SEBI had imposed a penalty of Rs. 5 lakhs which was paid by the Company. Apart from this there has been no non-compliance of any legal requirements nor have been any strictures imposed on the Company by Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets during the last 3 years.

- **Whistle Blower policy**

We have established a mechanism for employees to report concerns about unethical behavior, fraud or violation of code of conduct of the Company. The mechanism provided direct access to the Chairman of the Audit Committee for exceptional cases. All employees can also directly meet the Audit Committee members of the Company.

- **Compliance with non-mandatory requirements of clause 49 of the listing agreement**

The Company has complied with the non –mandatory requirements relating to remuneration committee and Whistle Blower policy to the extent detailed above and is in the process of complying with other non-mandatory requirements.

- **Management Discussion and Analysis**

This is given as a separate section in the Annual Report.

8. Means of Communication

The quarterly, half-yearly and yearly financial results will be sent to the Stock Exchanges immediately after the Board approves the same and these results will also be published in prominent daily newspapers, viz. Business Standards and Andhra Prabha/ Andhra Bhoomi. As the financial performance of the Company is well published, individual communication of half yearly results are not sent to the shareholders.

The Management Discussion and Analysis Report forms part of the annual report, which is posted to the shareholders of the Company.

9. General Shareholder Information:

The following information would be useful to the shareholders:

a) Thirteenth Annual General Meeting

Date and Time : 30.09.2011, at 11.00 A.M
 Venue : 1st Floor, Society Complex, MLA's Colony, Road No.12, Banjara Hills, Hyderabad - 500034

b) Financial Calendar (tentative): Financial Year April 2011 to March 2012

First quarter results on or before : 14.08.2011
 Second quarter results on or before : 14.11.2011
 Third quarter results on or before : 14.02.2012
 Fourth quarter results on or before : 15.05.2012

Book Closure Date

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28th September 2011 to 30th September, 2011 (both days inclusive)

c) Listing on Stock Exchange : Bombay Stock Exchange Limited
Ahmedabad Stock Exchange Limited

d) Stock Code

- Stock Code / Symbol : BSE : 532403 /4THGEN
- Demat ISIN number in NSDL & CDSL : INE739B01021

e) Stock Market Data

The monthly high / low prices of shares of the Company from April, 2010 to March, 2011 at Bombay Stock Exchange and Ahmedabad Stock Exchange:

Date	High (Rs.)	Low (Rs.)	No. of Shares
April 2010	Nil	Nil	Nil
May 2010	Nil	Nil	Nil
June 2010	Nil	Nil	Nil
July 2010	Nil	Nil	Nil
August 2010	Nil	Nil	Nil
September 2010	Nil	Nil	Nil
October 2010	Nil	Nil	Nil
November 2010	Nil	Nil	Nil
December 2010	Nil	Nil	Nil
January 2011	Nil	Nil	Nil
February 2011	Nil	Nil	Nil
March 2011	Nil	Nil	Nil

f) Registrars and Transfer Agents

Big Share Services Pvt. Ltd
E-2/3, Ansa Industrial Estate,
Sakivihar Road, Saki Naka, Andheri(E),
Mumbai- 400 072.
(SEBI Regn. INR 000001385)

g) Share Transfer System

SEBI has vide its circular dated 27-12-2002, directed that all work relating to share registry, both physical and demat should be maintained at a single point.

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Accordingly, the Share Transfers, both physical and demat form, are done by the Registrar and Share Transfer Agents i.e., M/s. Big Share Services Pvt Ltd, Mumbai. The requests received for transfer of shares in physical form are generally completed within the stipulated time

10. (A) Shareholding pattern as on 31.03.2011

CATEGORY	No. of Shares Held	% of Share Holding
A. Promoters Holding		
1. Promoters & group		
-Indian Promoters	9551950	15.32
-Foreign Promoters	0	0
B. Public Share Holding		
3. Institutional Investors		
a. Mutual Funds/UTI	Nil	
b. Banks, FIs, Insurance Companies	Nil	
c. FIs	Nil	
4. Others		
a. Body Corporate	5810725	9.32
b. Indian Public (Holding more than 1 lac)	20781114	33.32
c. Indian Public (Holding less than j1 lac)	25819694	41.40
d. NRIs/s	222390	0.36
e. OCB	169627	0.27
f. clearing Number	11500	0.01
Grand Total	62367000	100.00

(B) Distribution of Shareholding as on 31.03.2011

Range (Rs)	No. of Shareholders	% of Total Shareholders	Shares Amount	% of Total Shares Amount
1 - 5000	3,817	53.77571	8728846.00	6.99797
5,001 – 10000	1,489	20.97774	12768686.00	10.23673
10,001 – 20000	922	12.98957	16077850.00	12.88971
20,001 – 30000	266	3.74753	6943252.00	5.56645
30,001 – 40000	173	2.43731	6418876.00	5.14605
40,001 – 50000	97	1.36658	4656944.00	3.73350
50,001–100000	198	2.78952	14501008.00	11.62555
1,00,001 and above	136	1.91603	54638538.00	43.80405
Total	7,098	100.00	124734000.00	100.00

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12. Dematerialization of Shares and Liquidity

Trading in Company's shares is permitted only in dematerialised form for all investors. The ISIN allotted to the Company's scrip is INE739B01021. Investors are therefore advised to open a demat account with a Depository participant of their choice to trade in dematerialized form. Over 85.64% of the Company's shares up to 31st March 2010 are now held in electronic form. Shares of the Company are suspended in Bombay Stock Exchange.

Particulars	No. of Shares	% Share Capital
NSDL	3,98,61,887	63.92
CDSL	1,35,45,013	21.72
PHYSICAL	89,60,100	14.36
Total	6,23,67,000	100.00

Registered office : 1st Floor, Society Complex,
MLA's Colony, Road No.12,
Banjara Hills, Hyderabad - 500034

R & T Agent : Big Share Services Pvt. Ltd
E-2/3, Ansa Industrial Estate,
akivihar Road, Saki Naka,
Andheri(E),
Mumbai- 400 072.
(SEBI Regn. INR 000001385)

Place: Hyderabad
Date: 31.08.2011

C.N.Somasekhara Reddy
Managing Director

T.Srivenkata Ramana
Director

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Dear Shareholder,

Please find below the Managing Director certificate as per Clause 49(V) of the Listing Agreement:

Managing Director Certificate

I, C.N.Somasekhara Reddy, Managing Director of M/s Fourth Generation Information Systems Limited certify that:

1. We have reviewed the financial statements for the year and that to the best of our knowledge and belief:
 - (a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - (b) these statements present a true and fair view of the state of affairs of the Company and of the results of the operations and cash flows. The financial statements have been prepared in conformity, in all material respects, with the existing generally accepted accounting principles including accounting standards, applicable laws and regulations.
2. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or in violation of Company's code of conduct.
3. We accept overall responsibility for establishing and monitoring the Company's internal control system for financial reporting and evaluating its effectiveness. Internal Audit function monitors the internal control system for financial reporting, which encompasses the examination and evaluation of the adequacy and effectiveness. Internal Audit works with all levels of management and Statutory Auditors, and reports significant issues to the Audit Committee of the Board. The Auditors and Audit Committee are apprised of any corrective action taken with regard to significant deficiencies and material weakness.
4. We indicate to the Auditors and to the Audit Committee:
 - (a) Significant changes in internal controls over financial reporting during the year;
 - (b) Significant changes in the accounting policies during the year;
 - (c) No instances of significant fraud of which we have become aware of and which involve the management or other employees who have significant role in the Company's internal control system over financial reporting.

However, during the year there were no such changes and instances.

Place: Hyderabad
Date: 31.08.2011

C.N. Somasekhara Reddy
(Managing Director)

MANAGEMENT DISCUSSIONS AND ANALYSIS

1. Industry Structure and Developments:

The earlier trend of smaller companies being marginalized has continued in the year under review. Another distinct trend during the year has been the preference of foreign companies to outsource their entire IT needs to the larger companies and get them to setup large offshore operations to support these contracts.

2. Opportunities and Threats

Though the overall scenario for the smaller companies is extremely competitive, there are some niche areas where there are some opportunities for growth. The management is exploring these areas to consider entering these areas and develop expertise in such areas.

3. Segment wise or Product wise Performance

Not applicable

4. Outlook

The management is doing its best to forge relations with other companies and take the company forward in the new business lines. However, the outlook of the management is cautious in view of the competitive nature of the market.

5. Risks and Concerns

While venturing into new business lines, the company would need access to funds. The risk of not being able to raise funds at the timer needed is the biggest risk that the management foresees.

6. Internal Control Systems

The Company has adequate internal control systems commensurate with the size and the nature of business of the Company.

The internal control system is constantly assessed and strengthened with tighter control procedures. The internal control systems ensure effectively of operations, compliance with internal policies and applicable laws and regulations, protection of resources and assets, and accurate reporting of financial transactions.

The audit committee periodically reviews the adequacy and efficacy of the said internal control systems. All the issues relating to internal control systems are resolved by the audit committee.

7. Discussion on financial performance with respect to operational performance

In view of the fall in extent of operations and the delay in materialization of the new business lines, the revenue of the company has seen a further dip. Also, the management has decided to adopt even more prudential accounting norms as a matter of conservative accounting. This measure, which will definitely help the company in the future, has led to certain write offs.

8. Human resource development and industrial relations

The Company recognizes the importance and contribution of the employees. Human Resource is viewed to be as one of the most important factor in the growth process with a view to cross further frontiers in business performance, the Company strives to organize training modules for understanding and improving the core skills of the employees. It is the continuous effort by the Company that helps to provide the right environment in order to maximize team efforts while exploiting individual growth potential in the right manner.

The Directors record their appreciation of the support and continued contribution of all employees towards the growth of the Company.

CAUTIONARY STATEMENT:

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations may be "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand/supply and price conditions in the domestic and international markets in which the Company operates, changes in the Government regulations, tax laws and other statutes and other incidental factors.

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Auditors' Certificate**To**

The Members of Fourth Generation Information Systems Limited
Hyderabad.

We have examined the compliance of conditions of corporate governance by Fourth Generation Information Systems Limited for the year ended March 31st, 2011, as stipulated in Clause 49 of the Listing Agreement of the Company with stock exchanges.

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

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

We 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 of the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For M M REDDY & CO.,
Chartered Accountants
Firm Registration No.010371S

Place: Hyderabad
Date : May 05, 2011

M Madhusudhana Reddy
Partner
Membership No.213077

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Auditors' Report

To
The Members of
Fourth Generation Information Systems Ltd.,
Hyderabad.

We have audited the attached Balance Sheet of M/s Fourth Generation Information Systems Limited, Hyderabad as at 31st March 2011, the Profit & Loss Account and also 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.

We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining on 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 the management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditor Report) Order 2003, issued by the Company Law Board in terms of section 227(4A) of the Companies Act 1956, we give in annexure a statement on the matters specified in the paragraph 4 & 5 of the said order.

Further to our comments in the annexure referred to in paragraph 1 above, we state that:

- a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
- b) In our opinion proper books of accounts as required by the law have been kept by the company so far as appears from our examination of these accounts.
- c) The company's Balance Sheet, Profit & Loss Account and Cash Flow statement dealt with by the report are in agreement with the books of accounts.
- d) In our opinion the Balance Sheet, Profit & Loss Account and Cash Flow statement comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
- e) On the basis of written representations received and taken on record by Board of Directors, none of the directors is disqualified under clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

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f) In our opinion and to the best of our information and according to the explanations given to us the said accounts read with other notes to accounts and accounting policies give the information required by the Companies Act 1956, in the manner so required and give a true and fair view subject to point numbers 2 and 5 mentioned in the notes to accounts:-

i) In the case of Balance Sheet of the state of the affairs of the Company as at 31st March 2011 and

ii) In the case of Profit & Loss Account of the Loss of the Company for the year ended on that date. and

iii) In the Cash Flow statement of the Cash Flow for the year ended on that date.

For M M REDDY & CO.,
Chartered Accountants
Firm Registration No.010371S

Place: Hyderabad
Date : May 5, 2011

M Madhusudhana Reddy
Partner
Membership No.213077

ANNEXURE TO THE AUDITOR'S REPORT

1.(a) The company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.

(b) According to the information and explanations given to us, fixed assets were physically verified by the management during the year and no material discrepancies were noticed on such verification.

(c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the company during the year.

2. As per books of accounts, there is no inventory existing in the company and hence sub clauses 2(a), 2(b) and 2(c) of this Order are not applicable.

3. (a) According to the information and explanation given to us, the Company has not granted/taken any loan, secured or unsecured to/from Companies/firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Sub clauses 3(b), 3(c) and 3(d) of this Order are not applicable.

4. In our opinion and according to the information & explanations given to us, there are adequate internal control procedures commensurate with the size of the company and nature of business for the purchase of inventory and fixed assets and for sale of goods. In our opinion and according to the information and explanations given to us, there is no continuing failure to correct major weakness in internal control.

5. (a) As per information & explanations given and on the basis of records provided to us, there is no transaction that need to be entered in the register maintained under Section 301 of the Companies Act. In view of this clause, clause 5(b) of this Order is not applicable for the current year.

6. According to information and explanations given to us, the company has not accepted any deposits from the public for the period under consideration.

7. The Company has an adequate internal audit system commensurate with its size and nature of its business.

8. The Company is not required to maintain cost records u/s 209 (1) (d) of the Companies Act, 1956.

9. (a) According to the information and explanations given to us and the records of the company examined by us, the Company is regular in depositing with appropriate authorities undisputed statutory dues including income-tax, and other material statutory dues as applicable with the appropriate authorities. According to the information and explanations given to us and the records of the company examined by us, excise duty and cess are not applicable to the company for the current year.

(b) According to the information and explanations given to us and the records of the company examined by us, there are no dues of income-tax, sales-tax, wealth tax, service tax, customs duty which have not been deposited on account of any dispute.

10. The company has accumulated losses Rs.12,52,47,963 /- at the end of the financial year and not incurred any cash loss during the year and incurred cash loss during the preceding previous year.

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11. In our opinion and on verification of records, the company has not defaulted in repayment of loan to bank. No loan has been taken from Financial Institutions and company has not issued any debenture.
12. In our opinion and according to information and explanations given to us and as per verification of records, the company has not granted any loan or advance on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion and according to explanations given to us, the clause relating to chit or nidhi or mutual benefit fund or society is not applicable to the company.
14. The Company is not dealing or trading in shares, securities, debentures and other investments. Hence no records are required to be maintained.
15. As per information and explanations given to us, the company has not given any guarantee for loans taken by others from banks and financial institutions during the year.
16. The company has not taken any term loan during the year.
17. In our opinion and according to the explanations given to us and as per verification of records produced before us the company during the period under consideration has not raised any fund on short-term basis.
18. The company has not made any preferential allotment of shares to parties covered under section 301 of the Companies Act, 1956.
19. The company during the year has not issued any debentures.
20. The company has not raised any money by public issue during the year.
21. In our opinion and according to the information and explanations given to us, no fraud has been noticed or reported during the period under consideration.

For M M REDDY & CO.,
Chartered Accountants
Firm Registration No.010371S

Place: Hyderabad
Date : May 5, 2011

M Madhusudhana Reddy
Partner
Membership No.213077

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Balance Sheet As At 31st March, 2011		Amount in Rs.	
	Schedules	As at 31-03-2011	As at 31-03-2010
I. SOURCES OF FUNDS			
1. Share Capital			
a) Share Capital	1	124734000.00	124454250.00
b) Reserves & Surplus	2	-	-
2. Loan Funds			
a) Secured Loans		-	-
b) Unsecured Loans	3	2800000.00	-
Total (1+2+3)		<u>127534000.00</u>	<u>124454250.00</u>
II. APPLICATION OF FUNDS			
1. Fixed Assets			
a) Gross Block	4	66050524.00	66050524.00
b) Less: Depreciation		64698563.48	64469144.00
c) Net Block		1351960.52	1581380.00
d) Capital work in progress including advances on capital account		0.00	7453545.00
		<u>1351960.52</u>	<u>9034925.00</u>
2. Investments	5	-	99949237.00
3. Current Assets, Loans and Advances			
a) Sundry Debtors	6	3327276.00	2862845.00
b) Cash & Bank Balances	7	446857.00	34705.00
c) Loans & Advances	8	5384571.00	23596820.57
	(A)	<u>9158704.00</u>	<u>26494370.57</u>
Less: Current Liabilities and Provisions			
a) Current Liabilities	9	6644990.00	27262928.00
b) Provisions	10	979637.03	979637.03
	(B)	<u>7624627.03</u>	<u>28242565.03</u>
Net Current Assets (A-B)		1534076.97	-1748194.46
4. Miscellaneous Expenditure			
Accumulated Losses		124647962.51	17218283.03
Total (1+3+4)		<u>127534000.00</u>	<u>124454249.57</u>
Notes to Accounts	15		

The schedules referred to above and notes to accounts form an integral part of the Balance Sheet
As per our report of even date For and on behalf of the Board of Directors
For **M M REDDY & CO.**,
Chartered Accountants
Firm Registration No.010371S

Managing Director

CA M. Madhusudhana Reddy
Partner
Membership No.213077
Place: Hyderabad
Date : May 05, 2011

Director

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Profit & Loss Account for the year ended 31st March, 2011		Amount in Rs.	
	Schedules	Year ended 31-03-2011	Year ended 31-03-2010
<u>INCOME</u>			
Sales		659002	0
Other Income	11	1866711	350885
Total		2525713	350885
<u>EXPENDITURE</u>			
Staff Cost	12	651250	138800
Cost of Sales	13	225452	0
Administrative, Marketing and Other expenses	14	108849271	247839
Depreciation		229419	231444
Total		109955392	618083
Profit (Loss) Before Tax		(107429679)	(267198)
Provision for Tax			
Short Provision for FY 2000-01		0	(20250)
Current Year		0	0
Deferred Tax		0	(415581)
Net Profit after Tax		(107429679)	(703029)
Balance brought forward from previous year		(17818283)	(17115254)
Balance Carried to Balance Sheet		(125247963)	(17818283)
Notes to Accounts	15		

The schedules referred to above and notes to accounts form an integral part of the Balance Sheet

As per our report of even date

For and on behalf of the Board of Directors

For M M REDDY & CO.,

Chartered Accountants

Firm Registration No.010371S

Managing Director

CA M Madhusudhana Reddy

Partner

Membership No. 213077

Place: Hyderabad

Director

Date : May 05, 2011

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Cash Flow Statement for the year ended 31st March, 2011

Amount Rs.

	Year ended 31-03-2011	Year ended 31-03-2010
A. Cash Flow from Operating Activities:		
Net Profit before tax	(107,429,679)	(267,198)
Adjustments for:		
1. Depreciation	229,419	231,444
2. Diminution in value of investments	99,949,237	0
3. Advances written off	7,453,545	0
Operating Profit before changes in working capital	202,522	(35,754)
Adjustments for:		
1. (Increase)/Decrease in Trade Receivables	(464,431)	-
3. (Increase)/Decrease in Loans & Advances	18,212,250	-
4. Increase/(Decrease) in current liabilities	(20,617,938)	45,000
	(2,870,119)	45,000
Net cash flow from operating activities (A)	(2,667,597)	9,246
B. Cash flow from Investing Activities:		
1. Purchase of fixed assets & Advances on Capital Account	0	0
2. Sale of fixed assets	0	0
3. Sale of investments/ purchase of investments	0	0
Net cash used for Investing Activities(B)	0	0
C. Cash flow from Financing Activities:		
1. Realization of calls in arrears	279,750	
2. Unsecured loans taken from directors	2,800,000	0
Net cash flow from Financing Activities (C)	3,079,750	0
Net Increase/(Decrease) in cash & cash equivalents: (A+B+C)	412,153	9,246
Cash and Cash equivalent at the beginning of the year	34,705	25,459
Cash and Cash equivalent at the end of the year	446,857	34,705
Net cash and cash equivalent generated / (used) during the year	412,152	9,246

As per our report of even date

For M M REDDY & CO.,
Chartered Accountants
Firm Registration No.010371S

CA M Madhusudhana Reddy
Partner
Membership No.213077
Place: Hyderabad
Date : May 05, 2011

For and on behalf of the Board of
Directors

Managing Director

Director

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Schedules forming part of the Balance Sheet as at 31st March, 2011**1. Share Capital**

	As at 31-03-2011	As at 31-03-2010
Authorised		
6,47,50,000 Equity Shares of Rs. 2/- each	129,500,000	129,500,000
Issued, Subscribed and Paid up:		
Issued, subscribed capital		
6,23,67,000 Equity shares of Rs. 2/- each	124,734,000	124,734,000
Last year Calls in Arrears (allotment money of Rs 1.50 each on 186500 equity shares)	-	(279,750)
	124,734,000	124,454,250

2. Reserves & Surplus

	As at 31-03-2011	As at 31-03-2010
I.General Reserve:		
Opening balance	600,000	600,000
II.Balance as per profit & loss account	(125,247,963)	(17,818,283)
	(124,647,963)	(17,218,283)

3. Unsecured Loans

	As at 31-03-2011	As at 31-03-2010
unsecured loans from: Directors	2,800,000	-
Others	-	-
	2,800,000	-

5. Investments

	As at 31-03-2011	As at 31-03-2010
105000 equity shares (50%) in Netsoft Technologies Inc., USA as joint venture	99,949,237	99,949,237
Less: Provision for diminution in value of investments	99,949,237	-
	-	99,949,237

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6. Sundry Debtors

	As at 31-03-2011	As at 31-03-2010
(Unsecured, Considered good)		
Debts outstanding for a period exceeding six months	2,862,845	2,862,845
Other debts	464,431	-
	<u>3,327,276</u>	<u>2,862,845</u>

7. Cash and Bank balances

	As at 31-03-2011	As at 31-03-2010
Cash on hand	442,219	34,317
Balance with Scheduled Banks on Current Accounts	4,638	388
	<u>446,857</u>	<u>34,705</u>

8. Loans & Advances**(Un secured and considered good)**

	As at 31-03-2011	As at 31-03-2010
Deposits	3,012,100	212,100
Other receivables	2,322,471	23,334,721
Advance income tax	50,000	50,000
	<u>5,384,571</u>	<u>23,596,821</u>

9. Current Liabilities

	As at 31-03-2011	As at 31-03-2010
Sundry Creditors	6,252,165	27,241,915
Other Liabilities	392,825	21,013
	<u>6,644,990</u>	<u>27,262,928</u>

10. Provisions

	As at 31-03-2011	As at 31-03-2010
Provision for Income Tax	200,000	200,000
Provision for Income Tax (Short provision for FY 2000-01)	20,250	20,250
Deferred Tax	454,636	454,636
Other provisions	304,751	304,751
	<u>979,637</u>	<u>979,637</u>

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11.Other Income

	As at 31-03-2011	As at 31-03-2010
Fee Collections	1,866,711	350,885
Profit on exchange variation	-	-
	<u>1,866,711</u>	<u>350,885</u>

12.Staff Cost

	As at 31-03-2011	As at 31-03-2010
Salaries	600,000	
Staff Welfare	51,250	-
	<u>651,250</u>	

13.Cost of Sales

	As at 31-03-2011	As at 31-03-2010
Software Development Expenses	225,452	-
Other Developmental Expenses	-	-
	<u>225,452</u>	<u>-</u>

14.Administrative,Marketing and other expenses

	As at 31-03-2011	As at 31-03-2010
Power Charges	54,373	4764
Office Rent	180,000	91980
Audit fee	15,000	15,000
Legal & Professional Fees	165,000	40,768
Miscellaneous expenses	105,320	2,150
Bank Charges	750	210
Office Maintenance	135,400	0
Postage and Delivery	82,540	35,250
Printing and stationary	68,450	21,075
Repairs and Maintenance	186,400	0
Telephones	46,845	6,642
Travelling expenses and conveyance	185,480	0
Listing Fee	220,931	30,000
Advances written off	7,453,545	0
provision for diminution in value of investments	99,949,237	0
	<u>108,849,271</u>	<u>247,839</u>

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4.Fixed Assets

(In Rs.)

S.No.	Assets	Gross Block			Depreciation			Net Block	
		Rate	As at 31-03-2010	As at 31-03-2011	As at 1-4-2010	For the year	As at 31-03-2011	As at 31-03- 2011	As at 31-03-2010
1	2	3	4	6	7	8	9	10	11
1	Computers, Networking & Accessories	33.33%	61,990,305	61,990,305	61,990,305	-	61,990,305	-	-
2	Office equipment	4.75%	563,885	563,885	250,677	26,785	277,462	286,423	339,993
3	Furniture & Fixtures	6.33%	3,201,184	3,201,184	1,933,012	202,635	2,135,647	1,065,537	1,470,807
4	Vehicles	9.50%	295,150	295,150	295,150	-	295,150	-	2,024
	Total		66,050,524	66,050,524	64,469,144	229,419	64,698,563	1,351,961	1,812,824

15. Notes forming part of the Accounts:**Significant Accounting Policies and Notes on Accounts:****I. Significant Accounting Policies****1. Basis of Accounting:**

- a) The financial statements have been prepared on the basis of going concern under historical cost convention in accordance with generally accepted principles and provisions of the Companies Act, 1956 with revenue recognized and expenses accounted on accrual basis unless otherwise stated.
- b) Accounting policies not specifically referred to otherwise are in consonance with prudent accounting principles.
- c) All Income and Expenditure items, having material bearing on the financial statements are recognized on accrual basis.

2. Fixed Assets:

Fixed assets are stated at cost less accumulated depreciation. All costs, directly attributable to bringing the asset to the present condition for the intended use, are capitalized. Advances paid to capital creditors continuously shown under capital work in progress. The position of the advances given and their acknowledgements is yet to be confirmed.

3. Depreciation:

Depreciation on fixed assets has been provided on straight-line method.

4. Foreign Currency Transactions:

There are no transactions involving foreign exchange took place during the year under consideration.

5. Investments:

During the year 2003-04, Company has invested in the shares of M/s Net soft Technologies Inc., USA as a joint venture to the extent of 50% of the total share capital in equivalent to Rs. 9,99,49,237/- as a long-term investment. Company provided in profit and loss Rs.9,99,49,237 /- provision for diminution in value of the investment and diminution is permanent nature not temporary.

6. Retirement Benefits:

2010-11

- a) No provision has been made for retirement benefits, as they are not applicable to the company

7. Related Party Transactions:

- a) Associate enterprises and amounts due from them: Nil
- b) Key Management Personnel and relatives: Nil
- c) Transactions with associate companies/firms/individuals: Nil

8. In accordance with the provisions of Accounting Standard 17, the company has only one reportable primary segment consisting of information technology services. Hence segment reporting not applicable.

9. Cash flow statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, investing and financing activities of the company are segregated.

10. Earnings per share

In determining earnings per share, the company considers the net profit after tax expense. The number of shares used in computing basic earnings per is the weighted average shares used in outstanding during the period.

2010-11

II. Notes on Accounts:**1. Contingent Liabilities:** Nil

2. Figures have been rounded off to the nearest rupee.

3. Previous year figures have been regrouped, reclassified and recast wherever necessary to conform to current year's classification.

4. Managerial Remuneration: Managerial Remuneration paid to the Managing Director and Whole time Directors

Salaries	Nil	Nil
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No computation of Profit under Sec. 350 of the Companies Act, 1956 has been given as no Commission is paid to directors.

5. Auditors Remuneration:

	2010-11	2009-10
For Statutory Audit	Rs. 15,000	Rs. 15, 000
For Tax Audits	Rs. Nil	Rs. Nil
For Other Services	Rs. Nil	Rs. Nil

6. Foreign Exchange Earnings and outgo:

	2010-11	2009-10
Export sales	Rs. Nil	Rs. Nil
Profit due to foreign exchange		
Variation	Rs. Nil	Rs. Nil
Investment in joint venture	Rs. Nil	Rs. Nil

7. The Company has not received any information from any of the suppliers of their being Small Scale Industrial Unit. Hence, the amounts due to Small Scale Industrial Units outstanding as on 31st March 2011 are not ascertainable.

8. Quantitative Details:

The Company is engaged in the business of development of Computer Software. The production and sale of such software is not capable of being expressed in any generic unit. Hence, it is not possible to give the quantitative details of such sale and the information required under paragraphs 3, 4C and 4D of the Part II of Schedule VI of the Companies Act, 1956.

2010-11

9. Some of the Sundry Debtors, Loans and Advances, Deposits, Other Receivables and Sundry Creditors are subject to confirmation, reconciliations and adjustments if any.
10. Unclaimed dividend pertaining to the year 2000-01 to the extent of Rs. 15,765 has not been transferred to Central Govt. account for unclaimed dividends.
11. during the year company Rs. 7,453,545 /- of capital advances has been written off.
12. Earnings per share

	2010-11	2009-10
Net profit after tax	(107,429,679)	(703,029)
Weighted average number of equity shares	6,23,67,000	6,22,27,125
Nominal value of shares	2.00	2.00
Earnings per share (basic/diluted)	(1.72)	(0.01)

13. Schedules 1 to 15 form part of Balance Sheet and have been authenticated.

As per our report of even date attached

For M M REDDY & CO.,
Chartered Accountants
Firm Registration No.010371S

For and on behalf of Board of Directors

Mr.C.N.Somasekhara Reddy
Managing Director

M Madhusudhana Reddy
Partner
Membership No.213077
Place: Hyderabad
Date : May 05, 2011

T.srivenkata Ramana
Director

2010-11

Balance Sheet abstract and Company's General Business Profile**I. Registration Details:**

Registration No. : 29999 State Code : 01
 Balance Sheet Date : 31-03-2011

II. Capital Raised During The Year : (Amount in Thousands Rs.)

Public Issue : NIL Rights (ESOP) : NIL
 Bonus Issue : NIL Warrants & Equity : NIL

III. Position of Mobilization and Deployment of Funds: (Rs. in thousands)

Total Liabilities : 135,158,627 Total Assets : 135,158,627

SOURCES OF FUNDS:

Paid-up Capital : 124,734,000 Reserves & Surplus: 128,844.72
 Secured Loans : 0 Unsecured Loans :
 2,800,000

APPLICATION OF FUNDS:

Net Fixed Assets : 1,351,961 Investments : NIL
 Net Current Assets : 1,534,077 Accumulated Losses. : 24,647,963

IV. Performance of the Company:

Turnover : 2,525,713 Total Expenditure : 109,955,392
 Profit/ (Loss) before tax : (107,429,679) Profit/Loss after tax :
 (107,429,679)

V. Generic Names of Three Principal Products/Services of the Company (as per monetary terms):

Item Code No.:8524-90	Product	Description:	Software
Development, (ITC Code)		It enabled services and It training.	

As per our Report of even date

For M M REDDY & CO.,
 Chartered Accountants
 Firm Registration No.010371S

For and on behalf of Board of Directors

 Mr.C.N.Somasekhara Reddy
 Managing Director

M Madhusudhana Reddy
 Partner
 Membership No.213077
 Place: Hyderabad
 Date : May 18, 2011

T.srivenkata Ramana
 Director

2010-11

PROXY FORM**Fourth Generation Information Systems Limited**

1st Floor, Society Complex, MLA'S Colony,
Road No. 12, Banjara Hills,
Hyderabad-500 034, Andhra Pradesh.

DP.ID & Client ID / Master Folio No. _____
(To be filled in by Member)

I/We _____ of _____ in the District
of _____ being a member(s) of FOURTH GENERATION
INFORMATION SYSTEMS LIMITED, hereby appoint _____ of
_____ or failing him _____ of _____ as my/our Proxy to
attend and vote for me/us behalf at the Twelfth Annual General Meeting of the Company
to be held on Friday 30th Sep, 2011 at 11.00 a.m. and at any adjournment thereof.
Signed this _____ day of _____ 2011

1 Rupee Revenue Stamp

No. of Shares _____

Note: The Proxy, in order to be effective, should be duly stamped, completed in all respects, and signed, and must be deposited at the registered office of the Company not less than 48 hours before the time for holding the aforesaid meeting. The Proxy need not to be a member of the Company.

ATTENDANCE SLIP

DP.ID & Client ID / Master Folio No. _____
(To be filled in by Member)
Name of Member (in Block letters) _____

No of shares held _____ Name of Proxy _____

I hereby record my presence at the 13th Annual General Meeting on Friday, 30th Sep.2011, 11.00 a.m., At the Registered Office of the Company situated at 1st Floor, Society Complex, MLA'S Colony, Road No. 12, Banjara Hills, Hyderabad-500 034, Andhra Pradesh.

Signature of Member/Proxy _____

Note: A Member/Proxy wishing to attend the meeting must complete this Admission slip and hand it over at the entrance.
