

**FOURTH GENERATION  
INFORMATION SYSTEMS LTD**

**14<sup>th</sup> ANNUAL REPORT  
2011-2012**

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## CORPORATE INFORMATION

### Board of Directors:

- |                                 |   |                   |
|---------------------------------|---|-------------------|
| 1. Mr. C. N. Somasekhara Reddy  | — | Managing Director |
| 2. Mr. K. Sudheer               | — | Director          |
| 3. Mr. K. Santosh Reddy         | — | Director          |
| 4. Mr. C. N. Mallikarjuna Reddy | — | Director          |
| 5. Mr. T. Srivenkata Ramana     | — | Director          |

### Registered Office:

1<sup>st</sup> Floor, Society Complex,  
MLA'S Colony, Road No.12,  
Banjara Hills,  
Hyderabad-500034  
Tel: 040 – 23373949

### Auditors:

M. M. Reddy & Co.,  
Chartered Accountants,  
Rajbhavan Road,  
Somajigudda, Hyderabad.

### Audit Committee:

- 1) Mr. C. N. Mallikarjuna Reddy
- 2) Mr. T. Srivenkata Ramana
- 3) Mr. K. Santosh Reddy

### Remuneration Committee:

- 1) Mr. C. N. Mallikarjuna Reddy
- 2) Mr. T. Srivenkata Ramana
- 3) Mr. K. Santosh Reddy

### Investor Grievance Committee:

- 1) Mr. C. N. Mallikarjuna Reddy
- 2) Mr. T. Srivenkata Ramana
- 3) Mr. K. Santosh Reddy

### Bankers:

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

### Listed At:

- 1) Bombay Stock Exchange Limited
- 2) Ahmedabad Stock Exchange Limited

### Registrar & Share Transfer Agents:

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

**NOTICE**

NOTICE is hereby given that the Fourteenth Annual General Meeting of the Shareholders of Fourth Generation Information Systems Limited will be held on Saturday the 29<sup>th</sup> day of September, 2012 at 10.00 A.M.. at registered office of the company at 1<sup>st</sup> Floor, Society Complex, MLA'S Colony, Road No.12,Banjara Hills,Hyderabad-500034, to transact the following business:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the audited Balance Sheet as on 31<sup>st</sup> March, 2012 and Profit & Loss Account for the year ended on that date along with the report of Directors and Auditors thereon.
2. To appoint a director in place of Mr. T. Srivenkata Ramana who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint M M Reddy & Co., as statutory auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company at a remuneration fixed by the Directors.

**SPECIAL BUSINESS:**

4. To consider, and if thought fit, to pass with or without modifications, the following resolution as a Special Resolution:  
“RESOLVED THAT pursuant to the provisions of Section 31 and all other applicable provisions of the Companies Act, 1956 and Rules framed there under, the existing Articles of Association of the Company be and is hereby amended as under :
  - i) After Article 67 of the Articles of Association of the Company, the following new Article 67a shall be inserted:  
67a: The Board may provide video conference facility and/or other permissible electronic mode of communication to the shareholders of the Company for participating in General Meetings of the Company. Such participation by the shareholders at General Meetings of the Company through video conference facility and/or other permissible electronic mode of communication shall be governed by the Rules and Regulations as applicable to the Company for the time being in force.
  - ii) After Article 90 of the Articles of Association of the Company, the following new Article 90a is inserted:  
90a: Directors may participate in Meetings of the Board and/or Committees thereof, through video conference facility and/or other permissible electronic mode of communication. Such participation by the Directors at Meetings of the Board and/or Committees thereof, through video conference facility and/or other permissible electronic mode of communication shall be governed by the Rules and Regulations as applicable to the Company for the time being in force.”  
“FURTHER RESOLVED THAT the Board of Directors of the Company (hereinafter referred to as “the Board” which term shall be deemed to include any Committee or any person which the Board may nominate/constitute to exercise its powers, including the powers by this Resolution) be and is hereby

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## Fourth Generation Information Systems Ltd.

authorized to carry out the abovementioned amendments in the existing Articles of Association of the Company and that the Board may take all such steps as may be necessary to give effect to this Resolution.”

For and on behalf of the Board

Place: Hyderabad  
Date: 14.08.2012

**C.N. Somasekhara Reddy**  
(Managing Director)

### NOTES:

1. An Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in relation to the Special Business of the Meeting is annexed hereto and forms part of this Notice.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF / HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES, IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
3. The Register of Members and Share Transfer Books of the Company will be closed from 26.09.2012 to 29.09.2012 (Both days Inclusive).
4. Members are requested to produce the Attendance Slip duly signed as per the Specimen Signature recorded with the Company/Depository Participant for admission to the meeting hall.
5. Members holding shares in physical form are requested to notify immediately any change in their address along with address proof, i.e. Electric/Telephone Bill, Driving License or a copy of passport and Bank particulars to the Company or its Registrar & Share Transfer Agent and in case their shares are held in dematerialized form, this information should be passed on directly to their respective Depository Participants and not to the Company/RTA without any delay..
6. A Member desirous of receiving any information on the accounts or operations of the company is requested to forward his/her queries to the Company at least 7 working days prior to the meeting, so that the required information can made available at the meeting.
7. Members, who hold shares in de-materialized form, are requested to bring their Client ID and DP IDs for easier identification of attendance at the meeting.
8. It shall be mandatory for the transferee(s) to furnish copy of PAN Card to the Company / RTAs for registration of such transfer of shares, for securities market transactions and off market/private transaction involving transfer of shares in physical form of listed companies.
9. 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.

**EXPLANATORY STATEMENT**

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

**Item No. 4:**

The Ministry of Corporate Affairs (MCA), Government of India, New Delhi vide General Circulars No.27/2011 and 28/2011 dated May 20, 2011 and Circular No. 35/2011 dated June 06, 2012 have permitted the companies to hold Board Meetings and Shareholders' Meetings through video conference facility, as part of the Green Initiatives under Corporate Governance.

Further, MCA vide Circular No. 72/2011 dated December 27, 2011 made the video conference facility at the Shareholders' Meetings optional to the Company. In order to provide video conference facility to its Directors and Shareholders, your Company has been advised to carry out necessary amendments in the existing Articles of Association of the Company by inserting enabling provisions. In terms of Section 31 of the Companies Act, 1956, approval of the Members by way of a Special Resolution is required to amend the Articles of Association of the Company.

The Articles of Association with alterations proposed therein as referred to in the Notice shall be available for inspection by the Members at the Registered Office of the Company on any working day during usual business hours up to the date of the Meeting and will also be available at this Annual General Meeting.

Accordingly, your Board recommends passing of the Resolution No.4 as a Special Resolution.

None of the Directors is interested or concerned in this Resolution.

For and on behalf of the Board

**C.N. Somasekhara Reddy**  
(Managing Director)

Place: Hyderabad

Date: 14.08.2012

**DIRECTORS' REPORT**

To,  
The Members

We have pleasure in presenting the Fourteenth Annual Report with Audited Statements of Accounts for the year ended 31st March 2012.

**FINANCIAL HIGHLIGHTS AND OPERATIONS**

The Operating results for the year are as follows:

(Rs in Lakhs)

<b>Particulars</b>	<b>2011-2012</b>	<b>2010-11</b>
Total Income	<b>76.71</b>	25.25
Profit/(Loss) before Interest and Depreciation	<b>(43.30)</b>	(1072.00)
Less:	—	—
Interest and Financial Charges	—	—
Depreciation and other Write-offs	<b>2.29</b>	2.29
Profit/(Loss) before tax	<b>(45.59)</b>	(1074.29)
Provision for current tax and deferred tax	—	—
Profit/(Loss) after tax	<b>(45.59)</b>	(1074.29)
Add: Balance Brought forward	<b>(1252.47)</b>	(178.18)
Balance carried forward	<b>(1298.06)</b>	<b>(1252.47)</b>

**OPERATIONS:**

During the year 2011-12, the Company had a turnover of Rs. 76.71 Lakhs against which the Company incurred a net loss of Rs. 45.59 Lakhs as compared to the turnover of Rs. 25.25 Lakhs and a net loss of Rs. 1074.29 in the previous year 2010-11.

**DIVIDEND:**

Keeping the Company's expansion and growth plans in mind, your Directors have decided not to recommend dividend for the year.

**PUBLIC DEPOSITS:**

Your Company has not accepted any deposits falling within the meaning of Sec.58A of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, during the financial year under review.

**LISTING:**

The equity shares of your company are listed on the Bombay Stock Exchange, Ahmedabad Stock Exchange.

**REVOCAION OF SUSPENSION IN THE TRADING OF THE SHARES OF THE COMPANY:**

Bombay Stock Exchange Limited has revoked the suspension in the trading of the shares of the company w.e.f 29/12/2011 and the shares are activity traded now.

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### **CAPITAL OF THE COMPANY:**

Authorized capital of the company stands at Rs.12,95,00,000 divided into 6,47,50,000.equity shares of Rs. 2/- each. Paid up capital of the company stands at Rs.124,734,000 divided into 6,23,67,000 equity shares of Rs. 2/- each.

### **SUBSIDIARY COMPANY:**

The Company do not have any subsidiary company.

### **MANAGEMENT DISCUSSION AND ANALYSIS:**

A detailed review of operations, performance and future outlook of your Company and its businesses is given in the Management Discussion and Analysis, which forms part of this Report.

### **DIRECTORS:**

In accordance with the Companies Act, 1956 read with Articles of Association of the company the Director namely Mr. T. Srivenkata Ramana retires by rotation and being eligible, offers himself for re-appointment at this ensuring Annual General Meeting. Your Directors recommend his re-appointment.

### **BRIEF PROFILE OF APPOINTING/RE-APPOINTING DIRECTOR:**

Mr. T. Sri Venkataramana

<b>Particulars</b>	Mr. T. Sri Venkataramana
Date of Birth	10.08.1962
Date of Appointment	31.07.2010
Expertise in specific functional areas	Has more than 25 years of experience in the business of software and oil and securities market.
Qualifications	B.Com, MBA
No. of Shares held in the Company	2550050
Directorships held in other companies (excluding private limited and foreign companies)	NIL
Positions held in mandatory committees of other companies	NIL

### **DIRECTORS' RESPONSIBILITY STATEMENT:**

In pursuance of Section 217(2AA) of the Companies Amendment Act, 2000 your directors confirm

- i) That the directors in the preparation of the annual accounts the applicable accounting standards have been followed along with proper explanations relating to material departures.
- ii) That the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent



so as to give a true and fair view of the state of affairs of the company at the end of the financial year.

- iii) That the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safe guarding the assets of the company and for preventing and deleting fraud and other irregularities.
- iv) That the directors had prepared the annual accounts on the going concern basis.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS AND OUT GO :**

The required information as per Sec.217 (1) (e) of the Companies Act 1956 is provided hereunder:

**A. Conservation of Energy:**

Your Company's operations are not energy intensive. Adequate measures have been taken to conserve energy wherever possible by using energy efficient computers and purchase of energy efficient equipment.

**B. Technology Absorption:**

- 1. Research and Development (R&D) : NIL
- 2. Technology absorption, adoption and innovation : NIL

**C. Foreign Exchange Earnings and Out Go:**

- Foreign Exchange Earnings : Rs. 30,96,576/-
- Foreign Exchange Outgo : —

**REDUCTION OF CAPITAL, CONVERSION OF UNSECURED LOANS INTO EQUITY AND INFUSION OF FUNDS:**

In view of the complete erosion of its Net worth, the company was not in a position to undertake operations in a reasonable way. The Company was also not able to raise any loans from Financial Institutions, which is essential for continuing/expanding/diversifying its business activities.

In view of the above circumstances, the Company proposes to undertake a corporate restructuring through reduction of capital, conversion of unsecured loans into equity and infusion of funds. The Company has already made an application to Bombay Stock Exchange under clause 24(f) of Listing Agreement and received no objection for the same. Pursuant to NOC of Bombay Stock Exchange. The company has filed petition before Hon'ble High Court of Andhra Pradesh for approval of proposed restructuring of the company.

**PARTICULARS OF EMPLOYEES:**

There is no employee who is falling under section 217 (2A). Therefore, the disclosures required to be made under section 217 (2A) of the Companies Act, 1956 and the rules made there under are not applicable.

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### **CODE OF CONDUCT:**

The Code of conduct has been circulated to all the members of the Board and Senior Management and the compliance of the same has been affirmed by them. Code of conduct has also been place signed on the website the company. A declaration signed by the Managing Director is given in Annexure.

### **AUDITORS:**

Your directors propose the appointment of M/s. M. M. Reddy & Co., as statutory auditors to hold office until the conclusion of the next Annual General Meeting of the company.

### **CORPORATE GOVERNANCE:**

As a listed company, necessary measures have been taken to comply with the listing agreements of Stock Exchanges. A report on Corporate Governance, along with a certificate of compliance from the Auditors, Forms part of this Report as Annexure.

### **ACKNOWLEDGEMENTS:**

Your directors would like to express their grateful appreciation for assistance and cooperation received from clients, banks, investors, Government, other statutory authorities and all others associated with the company. Your directors also wish to place on record their deep sense of appreciation for the excellent contribution made by the employees at all levels, which enabled the company to achieve sustained growth in the operational performance during the year under review.

### **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

**C.N. Somasekhara Reddy**  
(Managing Director)

Place: Hyderabad

Date: 14.08.2012

## **MANAGEMENT DISCUSSION AND ANALYSIS**

(Forming part of Directors' Report)

### **REPORT ON CORPORATE GOVERNANCE**

(Forming part of Directors' Report)

#### **I. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE**

Fairness, accountability, disclosures and transparency form the four pillars of your Company's philosophy of Corporate Governance. Your Company strongly believes that for attaining sustainable growth in this competitive corporate world, Corporate Governance is a pre-requisite. The governance practices followed by your Company have played a vital role in its journey of continued success. Our endeavor over the years has been to strengthen the governance processes and systems attributing to constant improvisations, sustainability, and profitable growth and creating long-term value for the stakeholders.

All the procedures, policies and practices followed by your Company are based on sound governance principles.

Comprehensive disclosures, structured accountability in exercise of powers, adhering to international standards and commitment in compliance with regulations and statutes in letter as well as spirit have enabled your Company to enhance shareholder value. In fact, this has become an integral part of the way business is done. The governance practices followed by your Company are continuously reviewed and the same are benchmarked to the best governed companies.

#### **II. BOARD OF DIRECTORS**

The Board of Directors consists of 5 Members of whom 3 are Non-Executive, Independent Directors and 2 are Promoter, Executive Directors. The Composition of the Board is in conformity with the listing requirements.

The details of the Directors being appointed/ re-appointed on retirement by rotation at the ensuing Annual General Meeting, as required pursuant to Clause 49(IV) (G) of the Listing Agreement, are mentioned in the Notice to the Annual General Meeting, forming part of the Report.

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 the private limited companies, section 25 companies and of companies incorporated outside India. Chairmanship/Membership of board Committees includes only Audit and shareholders/ Investor Grievances Committees.

Pecuniary relationship or transaction 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.

The Board of Directors met 6 times during the year on, 13.05.2011, 13.08.2011, 31.08.2011, 14.10.2011, 14.02.2012 and 27.02.2012 and the maximum gap between any two meetings was less than four months, as stipulated under Clause 49.

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The details of Composition of Board of Directors, directors' attendance at Board Meetings, AGM and details of other directorships, committee chairmanships/ memberships held by the Directors during the year are as follows:

S. No	Name of the Directors	Category	Attendance Particulars			No. of other Directorships and Committee memberships/ chairmanships		
			No. of Board meetings		Last AGM	Other Directorships	Committee Memberships	Committee Chairmanships
			Held	Attended				
1.	Mr. C. N. Somasekhara Reddy	Promoter & Executive Director	7	7	Yes	2	NIL	NIL
2.	Mr. T. Srivenkata Raman	Promoter & Executive Director	7	7	Yes	2	2	NIL
3.	Mr. C. N. Mallikarjuna Reddy	Independent Director	7	7	Yes	2	NIL	2
4.	Mr. K. Santosh Reddy	Independent Director	7	7	Yes	1	2	NIL
5.	Mr. K. Sudheer	Independent Director	7	7	Yes	NIL	NIL	NIL

### Committees of the Board:

Currently, there are four (4) Committees of the Board, namely: Audit Committee, Remuneration Committee, Shareholders/ Investors Grievance Committee and Share Transfer Committee. The Board decides the terms of reference for these Committees. The minutes of the meetings of the Committees are placed before the Board for information. The details as to the composition, terms of reference, number of meetings and related attendance, etc., of these Committees are provided hereunder:

### III. AUDIT COMMITTEE

#### Composition, meetings and the attendance during the year:

- a) 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.
- b) 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:
    1. Any changes in accounting policies and practices;
    2. Qualification in draft audit report;
    3. Significant adjustments arising out of audit;
    4. The going concern concept;
    5. Compliance with accounting standards;
    6. Compliance with stock exchange and legal requirements concerning financial statements;
    7. 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.
- c) The previous Annual General Meeting of the Company was held on 22<sup>nd</sup> September 2011 and Mr. C. N. Mallikarjuna Reddy, Chairman of the Audit Committee, attended previous AGM.
- d) The composition of the Audit Committee and the attendance of each member of the Audit Committee are given below:

The Company has complied with all the requirements of Clause 49 (II) (A) of the Listing Agreement relating to the composition of the Audit Committee. During the financial year 2011-2012, (4) four meetings of the Audit Committee were held on the 13.05.2011, 13.08.2011, 14.10.2011 and 14.02.2012.

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The details of the composition of the Committee and attendance of the members at the meetings are given below:

Name	Designation	Category	No. of meetings attended
Mr. C. N. Mallikarjuna Reddy	Chairman	NED (I)	4
Mr. T. Srivenkata Ramana	Member	ED (P)	4
Mr. K. Santosh Reddy	Member	NED (I)	4

**NED (I):** *Non-Executive Independent Director*

**ED (P):** *Executive Director Promoter*

The necessary quorum was present at all the meetings.

### IV. REMUNERATION COMMITTEE

The details of composition of the Committee are given below:

Name	Designation	Category
Mr. C. N. Mallikarjuna Reddy	Chairman	NED (I)
Mr. T. Srivenkata Ramana	Member	ED (P)
Mr. K. Santosh Reddy	Member	NED (I)

### Terms of reference:

The main term of reference of the Committee is to approve the fixation/revision of remuneration of the Managing Director/Whole Time Director/ other key employees of the Company and while approving:

- ◆ To take into account the financial position of the Company, trend in the industry, appointee's qualification, experience, past performance, past remuneration etc.
- ◆ To bring out objectivity in determining the remuneration package while striking a balance between the interest of the Company and the Shareholders.

### Remuneration Policy:

The objectives of the remuneration policy are to motivate Directors to excel in their performance, recognize their contribution and retain talent in the organization and reward merit.

The remuneration levels are governed by industry pattern, qualifications and experience of the Directors, responsibilities shouldered, individual performance etc.

The details of remuneration paid to the Executive Directors for the financial year 2011-12 are given below:

Name of the Director	Designation	Salary (Rs in Lakhs)	Commission (Rs in Lakhs)	Perquisites (Rs in Lakhs)	Retirement Benefits (Rs in Lakhs)
Mr. C. N. Somasekhar Reddy	Managing Director	Nil	Nil	Nil	Nil
Mr. T. Srivenkata Ramana	Director	Nil	Nil	Nil	Nil

**V. SHAREHOLDERS / INVESTOR GRIEVANCE AND SHARE TRANSFER COMMITTEE**

**A) Composition, meetings and the attendance during the year:**

The Shareholders/Investors Grievance Committee was constituted to look into the redressing of Shareholders and Investors complaints concerning transfer of shares, non receipt of Annual Reports, and non receipt of Dividend and other allied complaints.

The Details of composition of the Committee and attendance of the members at the meetings are given below:

Name	Designation	Category
Mr. C. N. Mallikarjuna Reddy	Chairman	NED (I)
Mr. T. Srivenkata Ramana	Member	ED (P)
Mr. K. Santosh Reddy	Member	NED (I)

**B) Powers:**

**The committee has been delegated with the following powers:**

- ◆ To redress shareholders 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 certificate 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.

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.

The Board has designated Mr. C. N. Somasekhar Reddy, Managing Director as the Compliance Officer.

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The Company has designated email id info@fgisindia.com & cnsreddy99@gmail.com for redressal of shareholders' complaints/grievances.

### Complaints received and redressed by the Company during the financial year:

During the year no complaints were received.

S.No	Particulars	Remarks
1.	At the beginning of the year	NIL
2.	Received during the year	NIL
3.	At the end of the year	NIL

### VI. GENERAL BODY MEETINGS:

Financial Year	Date	Time	Venue	Special Resolution
13 <sup>th</sup> AGM 2010-2011	30.09.2011	11.00 AM	1 <sup>st</sup> Floor, Society Complex, MLA's Colony, Road No.12, Banjara Hills, Hyderabad.	1) Regularisation of Mr. Santosh Reddy Kattamidi, as a Director. 2) Regularisation of Mr. C. N. Mallikarjuna Reddy, as a Director. 3) Appointment of Mr. C. N. Somasekhar Reddy, as Managing Director.
12 <sup>th</sup> AGM 2009-10	30.09.2010	09.45 AM	Flat No. 201, H No. 2-1-566/1, Osmania University Road, Nallakunta, Hyderabad	—
11 <sup>th</sup> AGM 2008-09	30.09.2009	09.45 AM	Flat No. 201, H No. 2-1-566/1, Osmania University Road, Nallakunta Hyderabad	—

### VII. OTHER DISCLOSURES

- There were no significant related party transactions that may have potential conflict with the interests of the Company at large.
- In the preparation of financial statements, no treatment materially different from that prescribed in Accounting Standards had been followed.
- There were no penalties or strictures imposed on the Company by the Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets at any time during the last 3 years.
- Whistle Blower policy:** The Company 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 Managing Director/Chairman of the Audit Committee for exceptional cases. All employees can also directly meet the Audit Committee members of the company.

- (e) The Company has complied with the non –mandatory requirements to relating to remuneration committee and Whistle Blower policy.
- (f) Managing Director of the Company has furnished the requisite Certificates to the Board of Directors under Clause 49 of the Listing Agreement.

### VIII. 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 one English newspaper and at one vernacular newspaper. These financial statements, press releases are also posted on the company's website, at [fgsindia.com](http://fgsindia.com)

### IX. GENERAL SHAREHOLDERS INFORMATION

#### a) 14<sup>th</sup> Annual General Meeting:

Date and Time	Saturday the 29 <sup>th</sup> day of September, 2012 at 10.00 A.M.
Venue	at registered office of the company 1 <sup>st</sup> Floor, Society Complex,MLA'S Colony, Road No.12 Banjara Hills,Hyderabad-500034

- b) **Book Closure Date** : 03.08.2012 to 07.08.2012 (Both days inclusive)

#### c) **Financial Year and Calendar (Tentative) 2012-13:**

The Company follows April to March as its Financial Year. The results of every quarter beginning from April are declared in the first month following each quarter as follows:

#### **Financial Calendar**

Financial Reporting for 2012-2013 (tentative)	On or before
The First Quarter results	14.08.2012
The Second quarter results	14.11.2012
The Third quarter results	14.02.2013
The Fourth quarter results	15.05.2013

- d) **Listing on Stock Exchanges** : 1) Bombay Stock Exchange Limited
- e) **Listing Fees** : Listing fee for the year 2012-13 has been paid

## Fourth Generation Information Systems Ltd.

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- f) **Stock Code** : For equity shares: - BSE: 532403  
g) **ISIN No.** : For equity shares: - INE739B01021  
h) **Stock Price Data** : The monthly high / low prices of shares of the Company from April, 2011 to March, 2012 at Bombay Stock Exchange .

Month	High (Rs.)	Low (Rs.)
April, 2011	-	-
May, 2011	-	-
June, 2011	-	-
July, 2011	-	-
August, 2011	-	-
September, 2011	-	-
October, 2011	-	-
November, 2011	-	-
December, 2011	1.90	0.40
January, 2012	0.68	0.36
February, 2012	0.50	0.39
March, 2012	0.49	0.33

\*The trading in share of the company resumed with effect from 29<sup>th</sup> December, 2011.

- i) **Registrar & Share Transfer Agents (for shares held in both physical and demat mode):**

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

- j) **Share Transfer System:**

The Physical shares transfers are processed and the share certificates are returned to the shareholders within a maximum period of one month from the date of receipt, subject to the document being valid and complete in all respects.

Any transferee who wishes to demat the shares may approach a Depository Participant along with a duly filled Demat Request Form, who shall, on the basis of the Share Certificate, generate a demat request and send the same to the Registrar and Share Transfer Agents (RTA). On receipt, the Depository Registrar confirms the request.

All the requests for Dematerialization of shares are processed and the confirmation is given to the respective Depositories i.e., National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) within 21 days on receipt.

## Fourth Generation Information Systems Ltd.

**k) Shareholding Pattern as on 31<sup>st</sup> March, 2012:**

Particulars	Category	No. of shares held	Percentage of shareholding
<b>A</b>	Shareholding of Promoter and promoter group		
<b>1.</b>	Promoters & Persons		
	acting in concert	9,551,950	15.32
	<b>Sub- Total A</b>	<b>9,551,950</b>	<b>15.32</b>
<b>B</b>	Public Shareholding		
<b>1.</b>	Institutions	Nil	Nil
<b>2.</b>	Non- Institutions		
<b>a)</b>	Bodies Corporate	2804281	4.50
<b>b)</b>	Indian public and others	49670681	79.64
<b>c)</b>	Any others		
	i) NRI's	222390	0.36
	ii) Clearing Members	117698	0.18
	Sub Total B	<b>52815050</b>	<b>84.68</b>
	<b>Grand Total (A+B)</b>	<b>62367000</b>	<b>100.00</b>

**l) Distribution of shareholding of the Company by number of shares held as on 31st March, 2012 is as follows:**

Particulars	Shareholders		Shareholding	
	Number	%	Number	%
UPTO - 5000	3864	54.24	4369062	7.01
5001-10000	1474	20.68	6326125	10.15
10001-20000	910	12.78	7930494	12.72
20001-30000	263	3.69	3434510	5.50
30001-40000	173	2.42	3216107	5.15
40001-50000	100	1.40	2389762	3.83
50001-100000	205	2.88	7500907	12.03
100001 & ABOVE	136	1.91	27200033	43.61
<b>Total</b>	<b>7125</b>	<b>100.00</b>	<b>62367000</b>	<b>100.00</b>

**m) Dematerialization of Shares:**

The Company's shares are dematerialized on National Securities Depositories limited (NSDL) and Central Depository Services (India) Limited. The Company's ISIN is - INE739B01021. As on 31<sup>st</sup> March, 2012, **6,23,67,000**

## Fourth Generation Information Systems Ltd.

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equity shares are dematerialized which is 99.18% of the paid up capital of the company and out of which 4,58,19,351 shares are in NDSL and 1,60,31,899 shares are in CDSL and the balance are in physical form.

**n) Address for Investors Correspondence:**

The Shareholders may correspond with the Company for the redressal of their grievances, if any to the registered office of the company.

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

**o) CEO/MD Certification:**

As required by the clause 49 (V) of the Listing Agreement, the certificate from CEO is attached elsewhere in the annual report.

**p) Compliance Certificate of the Auditors:**

The Statutory Auditor has certified that the company has complied with the conditions of the Corporate Governance as stipulated in clause 49 of the listing agreement and the same forms part of the Annual Report. The Certificate from the statutory auditor will be sent to the stock exchange along with the Annual Report of the Company.

For and on behalf of the Board of  
**Fourth Generation Information Systems Limited**

Place: Hyderabad  
Date: 14.08.2012

**C. N. Somasekhara Reddy**  
Managing Director

## DECLARATION

To

The Members of Fourth Generation Information

This is to declare that the Code of Conduct envisaged by the Company for members of the Board and the Senior Management Personnel have been complied with by all the members of the Board and the Senior Management Personnel of the Company respectively.

For and on behalf of the Board of  
**Fourth Generation Information Systems Limited**

Place: Hyderabad  
Date: 14.08.2012

**C. N. Somasekhara Reddy**  
Managing Director

## MANAGEMENT DISCUSSIONS AND ANALYSIS

### 1. Overview

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956, guidelines issued by the Securities and Exchange Board of India (SEBI) and the Generally Accepted Accounting Principles (GAAP) in India. Our Management accepts responsibility for the integrity and objectivity of these financial statements, as well as for the various estimates and judgments used therein. The estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis, so that the financial statements reflect in a true and fair manner the form and substance of transactions, and reasonably present our state of affairs, profits and cash flows for the year.

### 2. 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.

According to the Global Tech Market Outlook for 2012 and 2013, an independent report published by Forrester Research, Inc. in January 2012, purchases of IT consulting, systems integration services and IT outsourcing by global businesses and governments are estimated to grow by 6.3% in calendar year 2012, when calculated in U.S. dollars.

### 3. 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.

### 4. Segment wise or Product wise Performance: Not applicable

### 5. 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.

### 6. 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.

### 7. 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.

### 8. 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.

### 9. Human resource development and industrial relations

The Company recognizes the importance and contribution of the employees. Human

## Fourth Generation Information Systems Ltd.

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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.

Dear Shareholder,

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

### MANAGING DIRECTOR CERTIFICATE

I, C. N. Somasekhar 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.

For and on behalf of the Board of  
**Fourth Generation Information Systems Limited**

**C. N. Somasekhara Reddy**  
Managing Director

Place: Hyderabad  
Date: 14.08.2012

**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 31<sup>st</sup>, 2012, 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

Sd/-  
**M Madhusudhana Reddy**  
Partner  
Membership No.213077

Place: Hyderabad  
Date : August 14, 2012

## **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 31<sup>st</sup> March 2012, 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.

1. 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.
2. 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.
  - 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



## Fourth Generation Information Systems Ltd.

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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 2012 and
- ii) In the case of Profit & Loss Account of the Loss of the Company for the year ended on that date.
- 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

Sd/-  
**M Madhusudhana Reddy**  
Partner  
Membership No.213077

Place: Hyderabad  
Date : August 14, 2012

**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. 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. 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,

## Fourth Generation Information Systems Ltd.

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wealth tax, service tax, customs duty which have not been deposited on account of any dispute.

10. The company has accumulated losses Rs. 129,807,766/- at the end of the financial year and Rs. 43,30,383 /- incurred cash losses during the year, and has accumulated losses of Rs. 12,52,47,963/- in the immediately preceding and previous financial year and not incurred any cash losses in that immediately preceding previous financial year.
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

Sd/-  
**M Madhusudhana Reddy**  
Partner  
Membership No.213077

Place: Hyderabad  
Date : August 14, 2012

## Fourth Generation Information Systems Ltd.

### Balance Sheet As at 31st March, 2012

(All amounts in Indian Rupees except for share data or otherwise stated)

PARTICULARS	Note No's	AS AT	
		Mar'31, 2012	Mar' 31,2011
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' Funds</b>			
Share Capital	2	124,734,000	124,734,000
Reserves and Surplus	3	(129,207,766)	(124,647,963)
Preference Share Warrant		—	—
	<b>A</b>	<b>(4,473,766)</b>	<b>86,037</b>
<b>Non - current liabilities</b>			
Long - term borrowings	4	11,050,000	2,800,000
Deferred tax liabilities (Net)	5	454,636	454,636
Long term provisions	-	—	—
	<b>B</b>	<b>11,504,636</b>	<b>3,254,636</b>
<b>Current liabilities</b>			
Short - term borrowings		—	—
Trade Payables	6	8,233,032	6,644,990
Short - term provisions	7	525,001	525,001
	<b>C</b>	<b>8,758,033</b>	<b>7,169,991</b>
<b>Total</b>	<b>(A+B+C)</b>	<b>15,788,903</b>	<b>10,510,664</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Fixed assets</b>			
<b>Net block</b>			
Capital work- in- progress	8	1,122,540	1,351,960
	<b>A</b>	<b>1,122,540</b>	<b>1,351,960</b>
Deferred tax assets (Net)		—	—
Long - term loans and advances	9	5,712,100	3,012,100
Non-current investments		—	—
Other Non- Current Assets		—	—
	<b>B</b>	<b>5,712,100</b>	<b>3,012,100</b>
<b>Current assets</b>			
Inventories		—	—
Trade receivables	10	4,515,735	3,327,275
Cash and cash equivalents	11	506,056	446,857
Short - term loans and advances	12	3,932,471	2,372,471
Other current assets		—	—
	<b>C</b>	<b>8,954,262</b>	<b>6,146,603</b>
<b>Total</b>	<b>(A+B+C)</b>	<b>15,788,903</b>	<b>10,510,663</b>

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

As per our report of even date  
For **M M REDDY & CO.,**  
Chartered Accountants  
Firm Registration No.010371S

Sd/-  
**CA M. Madhusudhana Reddy**  
Partner  
Membership No.213077  
Place: Hyderabad  
Date :14-08-2012

For and on behalf of the Board of Directors  
**Fourth Generation Information Systems Ltd.**

Sd/-  
**C. N. Somasekhara Reddy**  
Managing Director

Sd/-  
**T. Srivenkata Ramana**  
Director

**Profit & Loss Account for the year ended 31st March, 2012**

(All amounts in Indian Rupees except for share data or otherwise stated)

<b>PARTICULARS</b>	<b>Note No's</b>	<b>Year Ended Mar'31, 2012</b>	<b>Year Ended Mar' 31,2011</b>
<b>INCOME</b>			
<b>Turnover (Gross)</b>			
Revenue from operations		7,671,576	659,002
Other Income		—	1,866,711
<b>Total Revenue</b>		<u>7,671,576</u>	<u>2,525,713</u>
<b>EXPENDITURE</b>			
Operating Expenses	13	6,151,065	225,452
Personal Cost	14	3,227,149	651,250
Administration expenses	15	2,623,746	108,849,271
Depreciation/amortization	8	229,419	229,419
<b>Total</b>		<u>12,231,379</u>	<u>109,955,392</u>
<b>Profit / (Loss) before tax</b>		<b>(4,559,803)</b>	<b>(107,429,679)</b>
<b>Profit before tax</b>			
Provision for taxation			
- Current Year Tax		—	—
- Deferred tax		—	—
<b>Total tax expense</b>		<u>—</u>	<u>—</u>
Profit/(Loss) from continuing operations		<b>(4,559,803)</b>	<b>(107,429,679)</b>
Balance brought forward from previous year		<b>(125,247,963)</b>	<b>(17,818,283)</b>
<b>Balance carried to Balance Sheet</b>		<u><b>(129,807,766)</b></u>	<u><b>(125,247,963)</b></u>
<b>Earnings per share</b>			
Basic		<b>(0.07)</b>	<b>(1.72)</b>
Weighted Number of Shares		<b>62,367,000</b>	<b>62,367,000</b>
Nominal value		<b>2</b>	<b>2</b>
<b>Notes to accounts</b>	<b>16</b>		

The notes referred to above form an integral part of the Profit and Loss Account.

As per our report of even date  
For **M M REDDY & CO.,**  
Chartered Accountants  
Firm Registration No.010371S

Sd/-  
**CA M. Madhusudhana Reddy**  
Partner  
Membership No.213077  
Place: Hyderabad  
Date :14-08-2012

For and on behalf of the Board of Directors  
**Fourth Generation Information Systems Ltd.**

Sd/-  
**C. N. Somasekhara Reddy**  
Managing Director

Sd/-  
**T. Srivenkata Ramana**  
Director

## Fourth Generation Information Systems Ltd.

### Cash Flow Statement for the year ended 31st March, 2012

(All amounts in Indian Rupees except for share data or otherwise stated)

	As at Mar'31, 2012	As at Mar' 31, 2011
<b>A. Cash flow from operating activities</b>		
<b>Net profit / (Loss) before tax</b>	<b>(4,559,803)</b>	<b>(107,429,679)</b>
<b>Adjustments for:</b>		
Preliminary Expences Written Off		
Depreciation	<b>229,419</b>	229,419
Diminution in value of invetsments	—	99,949,237
Advances written off	—	7,453,545
<b>Operating profit before working capital changes</b>	<b>(4,330,383)</b>	<b>202,520</b>
<b>Movements in working capital :</b>		
(Increase)/Decrease in Trade Receivables	<b>(1,188,460)</b>	(464,431)
(Increase)/Decrease in inventories	—	—
(Increase)/Decrease in Long term loans and advances	<b>(2,700,000)</b>	18,212,250
(Increase)/Decrease in in Short term loans and advances	<b>(1,560,000)</b>	—
Increase/ (Decrease) in Trade Paybles	<b>1,588,042</b>	(20,617,938)
<b>Cash generated from /(used in) operations</b>	<b>(8,190,801)</b>	<b>(2,667,599)</b>
Taxes paid	—	—
<b>Net cash used in /(generated from ) operating activities</b>	<b>(8,190,801)</b>	<b>(2,667,599)</b>
<b>B. Cash flows from investing activities</b>		
Purchase of fixed assets	—	—
Sale of fixed assets	—	—
Fixed deposits	—	—
Dividends received	—	—
<b>Net cash used in investing activities</b>	<b>—</b>	<b>—</b>
<b>C. Cash flows from financing activities</b>		
Realisation of calls in arrears	—	279,750
Other Long term Borrowings	<b>8,250,000</b>	2,800,000
Other Short term Unsecured Loans (Net)	—	—
Interest received	—	—
Interest paid	—	—
<b>Net cash generated from /(used in) financing activities</b>	<b>8,250,000</b>	<b>3,079,750</b>
<b>Net increase/(decrease) in cash and cash equivalents (A+B+C)</b>	<b>59,199</b>	<b>412,152</b>
Cash and cash equivalents at the beginning of the year	<b>446,857</b>	34,705
<b>Cash and cash equivalents at the end of the year</b>	<b>506,056</b>	446,857

As per our report of even date

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

Sd/-  
**CA M. Madhusudhana Reddy**  
Partner  
Membership No.213077

Place: Hyderabad  
Date :14-08-2012

For and on behalf of the Board of Directors  
**Fourth Generation Information Systems Ltd.**

Sd/-  
**C. N. Somasekhara Reddy**  
Managing Director

Sd/-  
**T. Srivenkata Ramana**  
Director

### Note : 1

#### 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:

The company follow the foreign currency transactions as per applicable accounting standards.

##### 6. Retirement Benefits:

- 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.

## Fourth Generation Information Systems Ltd.

### Notes to Accounts

(All amounts in Indian Rupees except for share data or otherwise stated)

	As at Mar'31, 2012	As at Mar' 31,2011
<b>Note : 2</b>		
<b>Authorised:</b>		
64750000 Equity Shares of Rs.2/- each	129,500,000	129,500,000
<b>Issues, Subscribed and Paid up</b>		
62367000 equity shares of Rs.2 each	124,734,000	124,734,000
	<u>124,734,000</u>	<u>124,734,000</u>
<b>Reconciliation of shares outstanding at the beginning and at the end of the reporting period</b>		
Equity Shares outstanding at the beginning of the year	62,367,000	62,367,000
Add: Additional shares issued during the year	—	—
Equity Shares outstanding at the closing of the year	<u>62,367,000</u>	<u>62,367,000</u>
<b>Terms/rights attached to equity shares</b>		
The company has only one class of equity shares having a par value of ' 2/- per share. Each holder of equity shares is entitled to one vote per share.		
In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held		
<b>Names of shareholders holding more than 5 % shares</b>	<b>No of Shares</b>	<b>No of Shares</b>
<b>Equity Shares</b>	<b>NIL</b>	<b>NIL</b>
No Shareholder holds more than 5% Shares of the company		
<b>Note 3 : Reserves and Surplus</b>		
<b>General Reserve</b>		
Balance as per last account	600,000	600,000
<b>Capital Reserve</b>		
Forfeiture of shares on Capital Reduction	—	—
<b>Profit &amp; Loss A/c Surplus</b>		
Balance in the statement of profit & loss	(125,247,963)	(17,818,283)
Additions during the year	(4,559,803)	(107,429,679)
	<u>(129,207,766)</u>	<u>(124,647,963)</u>
<b>Note 4 : Long - term borrowings</b>		
<b>Loans and advances from banks</b>		
<b>Term loans</b>		
From banks	—	—
From others- Directors (Unsecured)	11,050,000	2,800,000
<b>Other Loans</b>		
	<u>11,050,000</u>	<u>2,800,000</u>



## Notes to Accounts

(All amounts in Indian Rupees except for share data or otherwise stated)

	As at Mar'31, 2012	As at Mar' 31, 2011
<b>Note 5 : Deferred tax liabilities (Net)</b>		
Opening Balance	454,636	454,636
Add/Less: Current year Provision	—	—
	454,636	454,636
<b>Note 6 : Trade Payables</b>		
Sundry Creditors	7,929,881	6,644,990
Expenses payable	303,151	—
	8,233,032	6,644,990
<b>Note 7 : Short - term provisions</b>		
Provision for Income tax	220,250	220,250
Others Provisions	304,751	304,751
	525,001	525,001
<b>Note 9 : Long - term loans and advances</b>		
Capital advances	—	—
Security deposits	5,712,100	3,012,100
Others	—	—
	5,712,100	3,012,100
<b>Note 10 : Trade receivables (Unsecured, considered good, unless otherwise stated)</b>		
Debts outstanding for a period exceeding six months		
Considered good	2,641,914	2,862,844
Considered doubtful		
Other debts		
Considered good	1,873,821	464,431
	4,515,735	3,327,275
Less: Provision for doubtful debts	—	—
	4,515,735	3,327,275
<b>Note 11 : Cash and cash equivalents</b>		
Cash on hand	59,969.00	442,219
Balances with scheduled banks		
On current accounts	446,087.00	4,638.00
On deposit accounts	—	—
	506056	446857

## Fourth Generation Information Systems Ltd.

### Notes to Accounts

(All amounts in Indian Rupees except for share data or otherwise stated)

	As at Mar'31, 2012	As at Mar' 31,2011
<b>Note 12 : Short - term loans and advances</b>		
Other receivables	3,882,471	2,322,471
Advance tax	50,000	50,000
	<u>3,932,471</u>	<u>2,372,471</u>
<b>Note 13 : Operating Expenses</b>		
Software Development Expenses	6,151,065	225,452
	<u>6,151,065</u>	<u>225,452</u>
<b>Note 14 : Personal Cost</b>		
Salaries and incentives	3,150,000	600,000
Staff welfare expenses	77,149	51,250
	<u>3,227,149</u>	<u>651,250</u>
<b>Note 15 : Administration expenses</b>		
Power Charges	68,126	54,373
Office Rent	240,000	180,000
Audit Fee	22,500	15,000
Legal & Professional Fee	161,944	165,000
Miscellaneous Expenses	113,724	105,320
Bank Charges	4,346	750
Office Maintenance	163,826	135,400
Postage & Courier	91,523	82,540
Printing & Stationery	73,628	68,450
Repairs & Maintenance	72,634	186,400
Communication Charges	52,472	46,845
Traveling & Conveyance	178,788	185,480
Listing Fees	1,380,235	220,931
Advances Written Off	—	7,453,545
Provision for Diminution in Value of Investments	—	99,949,237
	<u>2,623,746</u>	<u>108,849,271</u>

**Notes to Accounts**

(All amounts in Indian Rupees except for share data or otherwise stated)

**8. FIXED ASSETS**

(Amount in Rupees)

Particulars	Gross Block		Depreciation/Amortization			Net Block	
	As at April 1, 2011	Additions	As at March 31, 2012	For the year	As at March 31, 2012	As at March 31, 2012	As at March 31, 2011
Furniture & Fixtures	3,201,184	—	3,201,184	202,635	2,338,282	862,902	1,065,537
Vehicles	295,150	—	295,150	—	295,150	—	—
Office equipment	563,885	—	563,885	26,785	304,247	259,638	286,423
Computers, Networking & Accessories	61,990,305	—	61,990,305	229,419	64,927,983	1,122,540	1,351,960
Total	66,050,524	—	66,050,524	229,419	64,927,983	1,122,540	1,351,960
Previous Total	66,050,524	—	66,050,524	229,419	64,698,564	1,351,960	1,581,379

## Fourth Generation Information Systems Ltd.

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### Note : 16

#### 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: Nil

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:

	2011-12	2010-11
For Statutory Audit	Rs. 22,500	Rs.15, 000
For Tax Audits	Rs. Nil	Rs. Nil
For Other Services	Rs. Nil	Rs. Nil

#### 6. Foreign Exchange Earnings and outgo:

	2011-12	2010-11
Export sales	Rs. 30,97,576/-	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 31<sup>st</sup> March 2012 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.

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.

## Fourth Generation Information Systems Ltd.

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12. Earnings per share

	2011-12	2010-11
Net profit after tax	<b>(45,59,803)</b>	(10,74,29,679)
Weighted average number of equity shares	<b>6,23,67,000</b>	6,23,67,000
Nominal value of shares	<b>2.00</b>	2.00
Earnings per share (basic/diluted)	<b>(0.07)</b>	(1.72)

13. Notes 1 to 16 form part of Balance Sheet and have been authenticated.

As per our report of even date  
For **M M REDDY & CO.,**  
Chartered Accountants  
Firm Registration No.010371S

Sd/-  
**CA M. Madhusudhana Reddy**  
Partner  
Membership No.213077  
Place: Hyderabad  
Date :14-08-2012

For and on behalf of the Board of Directors  
**Fourth Generation Information Systems Ltd.**

Sd/-  
**C. N. Somasekhara Reddy**  
Managing Director

Sd/-  
**T. Srivenkata Ramana**  
Director

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

<b>I.</b>	<b>REGISTRATION DETAILS:</b>	
	Registration No	29999
	State Code	1
	Balance Sheet Date	31-03-2012
<b>II.</b>	<b>CAPITAL RAISED DURING THE YEAR: (Rs. in thousands)</b>	
	a) Public Issue	Nil
	b) Rights (ESOP)	Nil
	c) Bonus Issue	Nil
	d) Warrants & Equity	Nil
<b>III.</b>	<b>POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS: (Rs. in thousands)</b>	
	Total Liabilities	15788903
	Total Assets	15788903
	<b>SOURCES OF FUNDS</b>	
	Paid-up Capital	124734000
	Reserves & Surplus	(129207766)
	Secured Loans	0
	Unsecured Loans	11050000
	<b>APPLICATION OF FUNDS</b>	
	Net Fixed Assets	1122541
	Investments	Nil
	Net Current Assets	196229
	Miscellaneous Expenditure	Nil
<b>IV.</b>	<b>PERFORMANCE OF COMPANY (Rs. in Thousands):</b>	
	Total Income	7671576
	Total Expenditure	12231379
	Profit / (Loss) before Tax	(4559803)
	Profit / Loss after Tax :	(4559803)
<b>V.</b>	<b>GENERIC NAMES OF THREE PRINCIPAL PRODUCTS / SERVICES OF COMPANY AS PER MONETARY TERMS)</b>	
	ITC Code No. Development, (ITC Code)	8524-90
	Product Description	Software
	It enabled services and it training	

As per our report of even date  
For **M M REDDY & CO.,**  
Chartered Accountants  
Firm Registration No.010371S

Sd/-  
**CA M. Madhusudhana Reddy**  
Partner  
Membership No.213077  
Place: Hyderabad  
Date :14-08-2012

For and on behalf of the Board of Directors  
**Fourth Generation Information Systems Ltd.**

Sd/-  
**C. N. Somasekhara Reddy**  
Managing Director

Sd/-  
**T. Srivenkata Ramana**  
Director

# Fourth Generation Information Systems Limited

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

## PROXY FORM

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

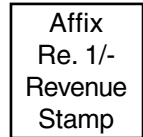
In the District of \_\_\_\_\_ being a member/members of the above named company, hereby appoint Mr/Mrs/Ms \_\_\_\_\_ in the District of \_\_\_\_\_ as my/our proxy to attend and vote for me /us on my/ our behalf at the 14<sup>th</sup> Annual General Meeting of the Company to be held at 1st Floor, Society Complex, MLA's Colony, Road No. 12, Banjara Hills, Hyderabad - 500 034 on Saturday the 29th day of September, 2012 at 10.00 A.M. and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2012

Address \_\_\_\_\_

Folio No. / Client ID \_\_\_\_\_

No. of Shares held : \_\_\_\_\_



**Note:** The proxy form duly signed completed must be signed deposited at the Registered Office of the Company not less than 48 hours before the time of holding the meeting.

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## Fourth Generation Information Systems Limited

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

## ATTENDANCE SLIP

I hereby record my presence at the 14<sup>th</sup> Annual General Meeting of the Company to be held at 1st Floor, Society Complex, MLA's Colony, Road No. 12, Banjara Hills, Hyderabad - 500 034 on Saturday the 29th day of September, 2012 at 10.00 A.M. and at any adjournment thereof.

Shareholders/Proxy's Signature \_\_\_\_\_

Shareholders/Proxy's full name \_\_\_\_\_  
(In Block Letters)

Folio No. / Clind ID \_\_\_\_\_ No. of Sharesheld \_\_\_\_\_

**Note:** Shareholder attend the meeting in person or by proxy are required to complete the attendance slip and hand it over at the entrance of the meeting hall.

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**Fourth Generation Information Systems Ltd**

1st Floor, Society Complex, MLA's Colony,  
Road No. 12, Banjara Hills, Hyderabad - 34, A.P.

Telefax : 040-23373949