

FOURTH GENERATION INFORMATION SYSTEMS LTD.



Tenth Annual Report 2007 - 2008

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**Table of Contents****Board of Directors**

1. K. Sudheer, Managing Director  
2. P. Veeraiah, Director  
3. A. Sambasiva Rao, Director

**Auditors**

M/s G. Narasimha Rao & Associates,  
Chartered Accountants,  
Abids, Hyderabad

**Bankers**

The Federal Bank Ltd.  
Lakadi-ka-pool Branch,  
Hyderabad.

**Registered Office**

Flat No 201, H No 2-1-566/1,  
Osmania University Road,  
Nallakunta,  
Hyderabad-500044,  
Andhra Pradesh

**Registrar & Share  
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)

**NOTICE**

NOTICE is hereby given that the Tenth Annual General Meeting of the Members of the Company will be held on this Monday, 29<sup>th</sup> Day of September 2008, at 09.30 a.m., at the Registered Office of the Company situated at Flat No 201, H No 2-1-566/1, Osmania University Road, Nallakunta Hyderabad-500 044, Andhra Pradesh, to transact the following business-

**ORDINARY BUSINESS:**

- 1) To receive, consider and adopt the Balance Sheet as at 31<sup>st</sup> March, 2008, 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 a Director in the place of Mr. K. Sudheer, who retires by rotation and expressed his willingness for reappointment.
- 3) To appoint Auditors and to fix their remuneration.

**SPECIAL BUSINESS:**

4. To consider and if thought fit, with or without modification, to pass the following resolution as an ordinary resolution:

"RESOLVED that pursuant to the provisions of Section 257 of the Companies Act, 1956 and other applicable provisions, if any, of the Act, Shri. Veeraiah Pothana who was appointed as additional director on 14.03.2008, retires at this Annual General Meeting and on behalf of whom the Company has received a proposal of his candidature for appointment, along with a deposit amount of Rs. 500/- (Rupees Five Hundred only), be and is hereby appointed as director of the Company."

5. To consider and if thought fit, with or without modification, to pass the following resolution as an ordinary resolution:

"RESOLVED that pursuant to the provisions of Section 257 of the Companies Act, 1956 and other applicable provisions, if any, of the Act, Shri. Sambasiva Rao Adapa who was appointed as additional director on 18.08.2008, retires at this Annual General Meeting and on behalf of whom the Company has received a proposal of his candidature for appointment, along with a deposit amount of Rs. 500/- (Rupees Five Hundred only), be and is hereby appointed as director of the Company."

**For and on behalf of the Board**

**K. Sudheer**  
**Managing Director**

**Place : Hyderabad**  
**Date : September 1, 2008**

**NOTES FOR MEMBERS' ATTENTION:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. THE INSTRUMENT APPOINTING A PROXY SHOULD HOWEVER BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTYEIGHT HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. THE REGISTER OF MEMBERS AND SHARE TRANSFER BOOKS OF THE COMPANY WILL REMAIN CLOSED ON 27<sup>TH</sup> to 29<sup>TH</sup> SEPTEMBER 2008 (Both days inclusive).

**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956:****Item no. 4 to 5:**

Your Board of Directors had appointed Shri. Veeraiah Pothana and Shri. Sambasiva Rao Adapa as Additional Directors in the Board Meeting held on 14.03.2008 and 18.08.2008 respectively. They hold office till the date of this Annual General Meeting. In view of the requirement for their continuation the company shall re appoint them as Directors.

Thus your approval has been sought for the item nos. 4 to 5, as stated in the notice.

None of the directors, except the appointee directors and directors to the extent of their shareholding in the paid-up share capital of the company, are interested in the aforesaid item of business.

Place: Hyderabad  
Date : September 1, 2008

**For and on behalf of the Board**

**K. Sudheer**  
**Managing Director**

## DIRECTORS' REPORT

To  
The Members of Fourth Generation Information Systems Limited.

Your Directors have pleasure in presenting the Tenth Annual Report on the business and operations of your company and the Audited Financial Results for the year ended on 31<sup>st</sup> March, 2008.

### FINANCIAL HIGHLIGHTS FOR THE YEAR 2007-08:

The Operating results for the year are as follows:

Particulars	(Rs in Lakhs)	
	31-03-2008	31-03-2007
Total Income	3.77	4.10
Profit/(Loss) before Interest and depreciation	0.12	0.18
Less:	-	-
Interest and Financial Charges	-	-
Depreciation and other Write-offs	2.57	2.57
Profit/(Loss) before tax	(2.45)	(2.39)
Provision for current tax and deferred tax	-	-
Profit/(Loss) after Tax	(2.45)	(2.39)
Add: Balance brought forward	(164.87)	(162.48)
Balance Carried forward	(167.32)	(164.87)

### Review of Performance and business prospects:

The management, after due deliberations has decided to explore new avenues for revenue generation such as Training, Development and other IT services to various industries. During the financial year the company could not perform well due to some reasons which were beyond the control of management and also due to financial constraints. However, the management is hoping for the positive changes in the current fiscal year.

### DIRECTORS' RESPONSIBILITY STATEMENT:

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:**

During the year the Company's Audit Committee comprised of three Directors viz. Mr. Syed Waseemuddin, (Chairman), Mr. A. Chalapati Rao (Member) and Mr. K. Sudheer (Member).

**FIXED DEPOSITS:**

During the year under review, your Company has not accepted or invited any deposits from public.

**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.

**DIRECTORS:**

Mr. A. Chalapati Rao resigned on 14.03.2008 and Mr. Waseemuddin Ahmed Syed also resigned on 18.08.2008. The Board conveyed its appreciation for their services.

During the year Mr. Veeraiah Pothana was appointed as additional Director on 14.03.2008 and expressed his willingness for reappointment.

During the year Mr. Sambasiva Rao Adapa was also appointed as additional Director on 18.08.2008 and expressed his willingness for reappointment.

**AUDITORS:**

M/s. G. Narasimha Rao & Associates, Chartered Accountants, Auditors of the Company, retire at the ensuing Annual General Meeting and are eligible for reappointment.

**PARTICULARS OF EMPLOYEES:**

There are no employees, whose particulars are required to be furnished under Section 217(2A) of Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

**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.

**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.

For and on Behalf of the Board

**K. Sudheer**  
Managing Director

**P. Veeralah**  
Director

Place : Hyderabad

Date : September 01, 2008

**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 arised 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.

**K. Sudheer**  
**Managing Director**

**Veeraiah**  
**Director**

Place : Hyderabad  
Date : September 01, 2008



**REPORT ON CORPORATE GOVERNANCE****PHILOSOPHY:**

The objective of FGIS and also that of its Management and employees is to render best services in the IT related fields and to create value sustainable over the long term for valuable customers, shareholders, employees and Nation as whole and continue to incorporate well disciplined code of Corporate Governance.

**BOARD OF DIRECTORS:**

Composition, Category of Directors and their other Directorships and Committee Memberships (As on 31<sup>st</sup> March, 2008):

Directors	Category	Other Directorships/Board Committees	
Mr.A. Chalapathi Rao (Resigned on 14-03-2008)	Director	-	Audit Committee and Share Holders Grievance Committee
Mr. K. Sudheer	Managing Director	-	Audit Committee and Share Holders Grievance Committee
Mr. Syed Waseemuddin	Director	-	Audit Committee and Share Holders Grievance Committee

Six Meetings of the Board of Directors were held during the year 2007-08 as under:

Dates of Board Meetings
30.04.2007
31.07.2007
01.09.2007
31.10.2007
31.01.2008
14.03.2008

Attendance of the Directors at the Board Meetings and the Last Annual General Meeting:

Name of Director	Board Meetings Attended	Attendance at the Last Annual General Meeting held on 29/09/2007
Mr. K. Sudheer	6	Yes
Mr. Syed Waseemuddin	6	Yes
Mr. A. Chalapathi Rao	-	No

## **AUDIT COMMITTEE**

Brief description of Terms of reference:

The Audit Committee's role would include the following:-

- (a) Overseeing the Company's financial reporting process and the disclosure of its financial information, to ensure that the financial statement is correct, sufficient and credible.
- (b) Recommending the appointment/removal of external auditors, fixing audit fees and approving payments for any other services.
- (c) Reviewing with management the annual financial statements before submission to the Board, focusing primarily on:
  - Any changes in accounting policies and practices
  - Major accounting entries based on exercise of judgment by Management.
  - Qualifications in draft Audit Report
  - Significant adjustments arising out of audit.
  - The going concern assumption
  - Compliance with the accounting standards
  - Compliance with Stock Exchanges and legal requirements concerning financial statements.
  - Any related party transaction i.e. transactions of the Company of material nature, with promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of company at large.
- (d) Reviewing with Management, external and internal auditors, the adequacy of internal control systems.
- (e) Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
- (f) Discussion with internal auditors of any significant findings and follow-up-thereon.
- (g) Reviewing the findings of any internal investigations by the internal auditors into 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.
- (h) Discussion with external auditors before the audit commences, the nature and scope of audit as well as have post-audit discussions to ascertain any area of concern.
- (i) Reviewing the Company's financial and risk management policies.
- (j) To look into the reasons for substantial defaults in the payments to shareholders (in case of non-payment of declared dividends) and creditors.

## **Composition, Names of the Members and Chairman**

During the year the Audit Committee consisted of three Directors viz. Mr. Syed Waseemuddin (Chairman), Mr. K. Sudheer (Member) and Mr. A. Chalapathi Rao (Member).

Meetings and Attendance during the year 2007-08

Name of the Director	No. of Meetings	
	Held	Attended
Mr. K. Sudheer	6	6
Mr. Syed Waseemuddin	6	6
Mr. A. Chalapathi Rao	6	-

**Remunerations to Directors for the Year 2007-08: Nil**

**SHARE HOLDERS/IN/VESTORS GRIEVANCE COMMITTEE DURING THE YEAR**

Chairman : Mr. K. Sudheer

Members : Mr. Syed Waseemuddin and Mr.A. Chalapathi Rao

Compliance Officer : Mr. K. Sudheer

**Details of Annual General Meeting / Extra Ordinary General Meetings conducted during the year:**

General Meeting	Location	Date
9 <sup>th</sup> AGM	Registered Office	29 <sup>th</sup> September, 2007

No special resolutions were passed through postal ballot at the last Annual general Meeting (AGM). No special resolutions are proposed through postal ballot at the forthcoming AGM.

**Disclosures:**

**Disclosures on materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, the Directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the company at large:**

There are no materially significant related party transactions during the year 2007-08 that may have potential conflict with the interest of the Company at large.

There are some non-compliances by the Company viz. payment of listing fee to stock exchanges and thus the trading of company's shares in the Bombay Stock Exchange has been suspended.

**General Shareholder Information**

**1. Annual General Meeting**

Day, Date, Time

: Monday, 29.09.2008, 9.30 a.m.

Venue

: Flat No 201, H No 2-1-566/1, Osmania University Road, Nallakunta Hyderabad-500 044, Andhra Pradesh.

**2. Financial Calendar**

Financial reporting for the quarter ending

June 30<sup>th</sup>, 2007

: July, 2007

September 30, 2007

: October, 2007

December 31, 2007

: January, 2008

March 31, 2008

: April, 2008

**3. Book Closure Date**

: 27<sup>th</sup> to 29<sup>th</sup> September 2008.

## 4. Listing of Equity Shares of the company:

Stock Exchanges	Stock code	Remarks
The Stock Exchange, Mumbai.	32403	Trading under suspension
The Stock Exchange, Hyderabad	6476	Applied for de-listing
The Stock Exchange, Ahmedabad.	17545	Applied for de-listing

## 5. Registrar and Share 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)

## 6. Share Transfer Systems:

Trading in Equity Shares of the Company is permitted only in the dematerialized form, as per circular issued by Securities and Exchange Board of India (SEBI)

Share Transfers in physical form are registered and returned between 15 to 30 days from the date of receipt, if documents are in order in all respects.

The Committee of Directors (Shareholders/Investors Grievances) of the Board of Directors meets usually every 30 days to approve the transfer of shares. Officers of the Company and of the Share transfer Agents have been authorized to approve transfers subject to the approval of the Managing Director and in his absence by the Executive Director of the Company. Such transfers are ratified by the Committee of Directors (Shareholders/Investors Grievances).

## 7. Market Price Data:

No quotation for shares are available as the shares are under suspension with BSE

8. Categories of Shareholding (As on 31<sup>st</sup> March, 2008):**SHARE HOLDING PATTERN AS ON 31/03/2008**

<b>CATEGORY</b>	<b>No. of Shares Held</b>	<b>%of Share Holding</b>
<b>A. Promoters Holding</b>		
1. Promoters & group		
-Indian Promoters	10389600	16.659
-Foreign Promoters	0	0
<b>B. Non Promoters Holding</b>		
3. Institutional Investors		
a. Mutual Funds/UTI	Nil	
b. Banks, FIs, Insurance Companies	Nil	
c. FIs	Nil	
4. Others		
a. Private Corporate Bodies	3560298	5.70
b. Indian Public	32950187	71.438
c. NRIs/s	318890	0.511
d. OCB	3550000	5.692
e. Any other (Demat in Transit)	0	0
<b>Grand Total</b>	<b>62367000</b>	<b>100.00</b>

## 10. Dematerialization of Shares and liquidity:

Over 81% of outstanding shares have been dematerialized up to 31<sup>st</sup> March, 2008.

## 11. Address for Correspondence: FOURTH GENERATION INFORMATION SYSTEMS LTD.

(Regd. Office)

Flat No 201, H No 2-1-566/1, Osmania University Road,  
Nallakunta, Hyderabad-500 044, Andhra Pradesh.

**K. Sudheer**  
**Managing Director**

**P. Veeralah**  
**Director**

Place : Hyderabad

Date : September 01, 2008

## 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 this 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 times needed is the biggest risk that the management foresees.

### 6. Internal control systems and their adequacy

The management considers the internal control systems, which has evolved over time and are continuously improved, to be adequate enough.

### 7. Discussion on financial performance with respect to operational performance

In view of the fall in extent of operations and the delay in materialisation 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 writeoffs.

### 8. Material developments in Human Resources / Industrial Relations front, including number of people employed

There are no material developments that need to be specifically mentioned.

**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>, 2008, 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 G. Narasimha Rao & Associates**  
Chartered Accountants

**Place:** Hyderabad.

**Date :** September 1, 2008.

**G. Narasimha Rao**  
Proprietor

**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 2008, 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 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 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 the point number 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 2008 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 G.Narasimha Rao & Associates**  
Chartered Accountants

**G.Narasimha Rao**

(Proprietor)

**ANNEXURE TO THE AUDITOR'S REPORT**

1. a) The company has not maintained proper records for showing particulars including quantitative details and situation of the fixed assets.  
b) As certified by the management physical verification of the fixed assets was not undertaken during the year. Confirmations are not available for the advances given to the capital creditors. The position of the recovery is to be ascertained.  
c) The company during the year has not disposed off substantial part of the fixed assets, affecting its going concern status.
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 into 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. In our opinion the company does not have an internal audit system.
8. The Company is not required to maintain cost records u/s 209 (1) (d) of the Companies Act, 1956.
9. a) According to information and explanations given to us and as per records produced before us for verification, the company is regular in depositing statutory dues including P.F. E.S.I., Sales Tax, Income tax, Custom duty and any other statutory dues except old arrears of Rs. 5,046/- and 6,467/- being dues towards PF and ESI respectively and listing fee of Rs. 90,000/- for the years 2005-06, 2006-07 and 2007-08 payable to the Stock Exchange, Mumbai. As per information and explanations given to us, no undisputed statutory dues except as mentioned in this clause are outstanding as at 31.03.08, for a period exceeding six months from the date they became payable.

b). As per information and explanations furnished to us and on verification of records produced, we opine that the company has no pending dispute in respect of sales tax / custom / wealth tax / excise / service tax except the order passed for the Assessment Year 2001-02 by Income Tax Officer, Hyderabad, later revised order passed by CIT (Appeals), Hyderabad and now it is pending at Income Tax Appellate Tribunal, Hyderabad. During the year, there was no proceedings took place.

Statute	Dispute	Amount (Rs.)	Forum Where Dispute is pending
Income Tax Tribunal,	Denial of share capital amount and certain expenses	3, 65, 33,266/-	IT Appellate Hyderabad.

10. The company has not done any business operation during the year 2007-08 except giving training in software. Company has an accumulated loss of Rs. 1,61,32,290 as at 31<sup>st</sup> March 2008.

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 G. Narasimha Rao & Associates  
Chartered Accountants

Place: Hyderabad  
Date : September 1, 2008

G. Narasimha Rao  
Proprietor

## Balance Sheet As At 31st March, 2008

	SCH	As at 31-03-2008	(In Rs.) As At 31.03. 2007
<b>I. SOURCES OF FUNDS</b>			
1. Share Capital			
a) Share Capital	1	124,454,250	124,454,250
b) Reserves & Surplus	2	-	-
2. Loan Funds			
a) Secured Loans		-	-
b) Unsecured Loans		-	-
<b>Total (1+2+3)</b>		<b>124,454,250</b>	<b>124,454,250</b>
<b>II. APPLICATION OF FUNDS</b>			
1. Fixed Assets	3		
a) Gross Block		66,050,524	66,050,524
b) Less: Depreciation		63,980,241	63,722,782
c) Net Block		2,070,283	2,327,742
d) Capital work in progress including advances on capital account		7,453,545	7,453,545
		9,523,828	9,781,287
2. Investments	4	99,949,237	99,949,237
3. Current Assets, Loans and Advances			
a) Sundry Debtors	5	2,862,845	2,862,845
b) Cash & Bank Balances	6	105,963	71,002
c) Loans & Advances	7	23,596,821	23,596,821
(A)		26,565,629	26,530,668
<b>Less: Current Liabilities and Provisions</b>			
a) Current Liabilities	8	27,262,928	27,262,928
b) Provisions	9	453,806	430,806
(B)		27,716,734	27,693,734
<b>Net Current Assets (A-B)</b>		<b>(1,151,105)</b>	<b>(1,163,066)</b>
4. Miscellaneous Expenditure (To the extent not written off or adjusted)			
Accumulated Losses		16,132,290	15,886,793
<b>Total (1+3+4)</b>		<b>124,454,250</b>	<b>124,454,250</b>
Notes forming part of the accounts	12		

As per our report of even date

For and on behalf of the Board of Directors

for **G.Narasimha Rao & Associates**  
Chartered Accountants

**G.Narasimha Rao**  
Proprietor

**K.Sudheer**  
Managing Director

**P. Veeraiah**  
Director

**Place:**Hyderabad  
**Date :**September 1, 2008

**Profit & Loss Account for the year ended 31st March, 2008**

(In Rs.)

	SCH	Year ended 31-03-2008	Year ended 31-03-2007
<b>INCOME</b>			
Other Income	10	377,432	410,392
<b>Total</b>		<b>377,432</b>	<b>410,392</b>
<b>EXPENDITURE</b>			
Staff Cost		127,600	57,652
Administrative, Marketing and Other expenses	11	237,871	334,589
Depreciation		257,459	257,459
<b>Total</b>		<b>622,930</b>	<b>649,700</b>
<b>Profit (Loss) Before Tax</b>		<b>(245,498)</b>	<b>(239,308)</b>
Provision for Tax		-	-
<b>Net Profit after Tax</b>		<b>(245,498)</b>	<b>(239,308)</b>
Deferred Tax		-	-
<b>Net Profit after Deferred Tax</b>		<b>(245,498)</b>	<b>(239,308)</b>
Balance brought forward from previous year		(16,486,792)	(16,247,484)
Balance available for appropriation		(16,732,290)	(16,486,792)
<b>Appropriations:</b>			
<b>Balance Carried to Balance Sheet</b>		<b>(16,732,290)</b>	<b>(16,486,792)</b>
		<b>(16,732,290)</b>	<b>(16,486,792)</b>

Notes forming part of the accounts 12

As per our report of even date  
for **G.Narasimha Rao & Associates**  
Chartered Accountants

For and on behalf of the Board of Directors

**G.Narasimha Rao**  
Proprietor

**K.Sudheer**  
Managing Director

**P. Veeraiah**  
Director

Place: Hyderabad

Date : September 1, 2008

**Schedules forming part of the Balance Sheet as at 31st March, 2008****1. Share Capital**

	(In Rs.)	
	As at	As at
	31-03-2008	31-03-2007
<b>Authorised</b>		
6,47,50,000 Equity Shares of Rs. 2/- each	<u>129,500,000</u>	<u>129,500,000</u>
<b>Issued, Subscribed and Paid up:</b>		
Issued, subscribed capital		
6,23,67,000 Equity shares of Rs. 2/- each	124,734,000	124,734,000
Less- Calls in Arrears (allotment money of Rs 1.50 each on 186500 equity shares)	(279,750)	(279,750)
	<u>124,454,250</u>	<u>124,454,250</u>

**2. Reserves & Surplus**

	As at	As at
	31-03-2008	31-03-2007
<b>I. General Reserve:</b>		
Opening balance	600,000	600,000
<b>II. Balance as per profit &amp; loss account</b>		
	(16,732,290)	(16,486,792)
	<u>(16,132,290)</u>	<u>(15,886,792)</u>

**4. Investments**

105000 equity shares (50%) in Netsoft Technologies Inc., USA as joint venture

	99,949,237	99,949,237
	<u>99,949,237</u>	<u>99,949,237</u>

**5. Sundry Debtors**

	As at	As at
	31-03-2008	31-03-2007
(Unsecured, Considered good)		
Debts outstanding for a period exceeding six months	2,862,845	2,862,845
Other debts	-	-
	<u>2,862,845</u>	<u>2,862,845</u>

**6. Cash and Bank balances**

	As at	As at
	31-03-2008	31-03-2007
Cash on hand	105,575	70,614
Balance with Scheduled Banks on Current Accounts	388	388
	<u>105,963</u>	<u>71,002</u>

## 3.Fixed Assets

(In Rs.)

Fixed Assets											
S.No.	Assets	Gross Block				Depreciation				Net Block	
		rate	As at 01-04-2007	Additions/D eletions during the year	As at 31-03-2008	As at 1-4-2007	Reduction of Depreciation due to disposal of asset	For the year	As at 31-03-2008	As at 31-03-2008	As at 31-03-2007
1	2	3	4	5	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	170,322	-	26,785	197,107	366,778	393,563
3	Furniture & Fixtures	6.33%	3,201,184	-	3,201,184	1,325,107	-	202,635	1,527,742	1,673,442	1,876,077
4	Vehicles	9.50%	295,150	-	295,150	237,048	-	28,039	265,087	30,063	58,102
Total			66,050,524	-	66,050,524	63,722,782	-	257,459	63,980,241	2,070,283	2,327,742
Previous year			66,050,524	-	66,050,524	63,465,323	-	257,459	63,722,782	2,327,742	2,585,201

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

	As at 31-03-2008	As at 31-03-2007
Deposits	212,100	212,100
Loans, advances & other receivables	23,334,721	23,334,721
Advance income tax	50,000	50,000
	<u>23,596,821</u>	<u>23,596,821</u>

**8.Current Liabilities**

	As at 31-03-2008	As at 31-03-2007
Sundry Creditors	27,241,915	27,241,915
Other Liabilities	21,013	21,013
	<u>27,262,928</u>	<u>27,262,928</u>

**9.Provisions**

	As at 31-03-2008	As at 31-03-2007
Provision for Income Tax	200,000	200,000
Deferred Tax	39,055	39,055
Other provisions	214,751	191,751
	<u>453,806</u>	<u>430,806</u>

**10.Other Income**

	As at 31-03-2008	As at 31-03-2007
Fee Collections	377,432	410,392
Profit on exchange variation	-	-
	<u>377,432</u>	<u>410,392</u>



**11. Administrative, Marketing and other expenses**

	As at 31-03-2008	As at 31-03-2007
Power Charges	4156	15,787
Office Rent	92909	144,000
Audit fee	15,000	15,000
Legal & Professional Fees	34,393	60,641
Miscellaneous expenses	3,091	9,855
Bank Charges	306	186
Office Maintenance	0	9,578
Postage and Delivery	30,708	24,566
Printing and Reproduction	20,596	17,654
Telephones	6,712	7,322
Travelling expenses	0	0
Listing Fee	30,000	30,000
Advances written off	0	0
	<u>237,871</u>	<u>334,589</u>

**12. 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.

**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. During the year under consideration, there is no dividend declared by this company. This investment is stated at cost and diminution in value if other than temporary is not recognized and provided due to lack of information. Confirmation of the status of investments has not been provided by the management.

**6. Retirement Benefits:**

- a) Provident Fund: Contribution to Provident Fund is not made during the year under review.
- b) Provision for gratuity and superannuation has not been made during the year under review.

**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 respect of some of the Sundry Debtors, Loans and Advances, Other Receivables and Sundry Creditors confirmation of balances is still to be received and revalued.

9. Contingent Liabilities

During the year 2004-05, CIT (Appeals) of the concerned jurisdiction has served a demand notice for Rs.3,65,33,266/- towards assessment year 2001-02, the orders of which is appealed before Income Tax Appellate Tribunal and appeal proceedings are in progress. Therefore, provision is not made for the above said amount during the year.

10. 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 as defined is not submitted.

11. 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.

II.

**Notes on Accounts:**

**1. General:**

Figures have been rounded off to the nearest rupee.

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

Figures in brackets are for previous year.

**2. 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.

**3. Auditors Remuneration:**

For Statutory Audit	Rs. 15,000	(Rs.15, 000)
For Tax Audits	Rs. Nil	(Rs. Nil)
For Other Services	Rs. Nil	(Rs. Nil)

**4. Foreign Exchange Earnings and outgo:**

Export sales	Rs. Nil	(Rs. Nil)
Profit due to foreign exchange		
Variation	Rs. Nil	(Rs Nil)
Investment in joint venture	Rs. Nil	(Rs. Nil)

5. 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, 2008 are not ascertainable.

**6. 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.

As per our report of even date  
For **G.Narasimha Rao & Associates**  
Chartered Accountants

For and on behalf of the Board of Directors

**G.Narasimha Rao**  
Proprietor

**K. Sudheer**                      **P. Veeraiah**  
**Managing Director**          **Director**

**Place:**Hyderabad  
**Date :** September 1, 2008

Information Pursuant to the Provisions of Part IV of Schedule VI of the Companies Act, 1956.

# BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

## Registration Details

Registration No.: 12191919 State Code: 011

## Balance Sheet date

Date Month Year  
311 013 2101018

## Capital raised during the year (Amount in Rs. Thousands)

Public Issue	N1111	Rights Issue	N1111
Bonus Issue	N1111	Private Placement	N1111
		Share Application Money	N1111

## Position of Mobilisation and Deployment of funds (Amounts in Rs. Thousands)

### Sources of Funds

Total Liabilities	11214141514	Total Assets	11214141514
Paid-up Capital	11214141514	Reserves & Surplus	N1111
Share Application Money	N1111		
Secured Loans	N1111	Unsecured Loans	N1111

### Application of Funds

Net Fixed Assets	19151214	Investments	919191419
Net Current Assets	-11111511	Miscellaneous expenditure	N1111
		Accumulated losses	116111312

## Performance of the Company (Amount in Rs. Thousands)

Turnover	131717	Total expenditure	61213
Loss	121415		

## Generic Names of three principal products/services of Company (as per Monetary terms)

ITC Code: 181512141-1910

Product Description: SIOIFITIWAIRIEI IDIEIVIEILOIPMIEINITI IITI IEINIAIBLIEIDI ISIEIRIVIIICIEISI  
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**Cash Flow Statement for the year ended 31st March, 2008**

(Pursuant to clause 32 of the Listing Agreement)

	2007-08 Rs.	2006-07 Rs.
<b>A. Cash Flow from Operating Activities:</b>		
Net Profit before tax	(245,498)	(239,308)
<b>Adjustments for:</b>		
1. Depreciation	257,459	257,459
2. Advances written off/back	0	0
3. Work in progress written off	0	0
Operating Profit before changes in working capital	11,961	18,151
<b>Adjustments for:</b>		
1. (Increase)/Decrease in Trade Receivables	-	-
2. (Increase)/Decrease in work in Progress	-	-
3. (Increase)/Decrease in Loans & Advances	-	-
4. Increase/(Decrease) in current liabilities & provisions	23,000	45,000
	<u>23,000</u>	<u>45,000</u>
<b>Net cash flow from operating activities (A)</b>	<u>34,961</u>	<u>63,151</u>
<b>B. Cash flow from Investing Activities:</b>		
1. Purchase of fixed assets & Advances on Capital Account	-	-
2. Sale of fixed assets	-	-
3. Investments	-	-
<b>Net cash used for Investing Activities(B)</b>	<u>-</u>	<u>-</u>
<b>C. Cash flow from Financing Activities:</b>		
<b>Realisation of calls in arrears</b>		
1. Unsecured loans repaid to directors or their relatives	-	-
<b>Net cash flow from Financing Activities (C)</b>	<u>-</u>	<u>-</u>
<b>Net Increase/(Decrease) in cash &amp; cash equivalents: (A+B+C)</b>	<u>34,961</u>	<u>63,151</u>
Cash and Cash equivalent at the beginning of the year	71,002	7,851
Cash and Cash equivalent at the end of the year	<u>105,963</u>	<u>71,002</u>
	<u>-</u>	<u>-</u>

We have verified the above Cash Flow Statement of Fourth Generation Information Systems Ltd., derived from the audited financial statements and the books and records maintained by the Company for the year ended 31st March, 2008 and 2007 and found the same in agreement therewith and also with the requirements of clause 32 of the listing agreement of the Stock Exchanges.

As per our report of even date

For and on behalf of the Board of Directors

for **G.Narasimha Rao & Associates**

Chartered Accountants

**G.Narasimha Rao**

Proprietor

**K.Sudheer** **P. Veeraiah**

Managing Director Director

Place: Hyderabad

Date : September 1, 2008

**Fourth Generation Information Systems Limited**

Flat No 201, H No 2-1-566/1, Osmania University Road,  
Nallakunta, Hyderabad-500 044, A.P.

**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 10<sup>th</sup> Annual General Meeting on Monday, 29<sup>th</sup> September, 2008, 09.30 a.m., At the Registered Office of the Company situated at Flat No 201, H No 2-1-566/1, Osmania University Road, Nallakunta, Hyderabad-500 044, 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.

**PROXY FORM****Fourth Generation Information Systems Limited**

Flat No 201, H No 2-1-566/1, Osmania University Road,  
Nallakunta, Hyderabad-500 044, A.P.

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 Tenth Annual General Meeting of the Company to be held on 29<sup>th</sup> September, 2008 at 9.30 a.m. and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2008

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.

***Regd. Office***

Flat No.201, H. No.2-1-566/1, Osmania University  
Road, Nallakunta, Hyderabad – 500 044.  
Ph: 040-27660206