

# FIRST OBJECT

TECHNOLOGIES LIMITED

## Foray into E-Learning

- Learning Made Easy.

**First e School**  
**First Law School**  
**First Management School**  
**First e Pandit**  
**Firstcall Research.**



**The 21st Century Classroom**  
Beyond the classroom walls

**TENTH ANNUAL REPORT 2009-2010**

## CORPORATE INFORMATION

### Board of Directors:

|                         |                              |
|-------------------------|------------------------------|
| Dr. Vivek Hebbar        | Chairman, Board of Directors |
| J. Satya Surya Narayana | Whole Time Director          |
| P. Ramnath              | Whole Time Director          |
| N. Shiva                | Independent Director         |
| P. Sailesh              | Independent Director         |
| Sita Rama Sastry        | Independent Director         |

### Auditors:

J&K.Agarwal & Co.  
Chartered Accountant  
204, Camy House,  
3 Dhus Wadi  
Off. Dr.Cawasji Hormusji Street  
Mumbai – 400 002

### Internal Auditors:

Sumeet & Murali  
K. S. M. Krishna, Chartered Accountant  
H.Rao & Co  
G.H. Rao, Chartered Accountant

### Company Secretary:

Bijoy Pulipra

### Registered Address :

Firstobject Technologies Limited  
Swayamkrishi, 1st Floor,  
SMILINE Building,  
No: 8-3-952/10/2 & 2/1  
Srinagar Colony,  
Hyderabad-500 073, India.  
Tel: 040 - 20000235 / 20000233  
Email : [info@firstobjectindia.com](mailto:info@firstobjectindia.com)  
Website : [www.firstobjectindia.com](http://www.firstobjectindia.com)

### Registrars:

Bigshare Services Pvt. Ltd  
E/2, Ansa Industrial Estate  
Saki Vihar Road, Saki Naka ,  
Andheri (E) Mumbai -400053  
Tel : 28523474, 28560652, 28560653  
Fax : 28525207  
Email : [bigshare@bom7.vsnl.net.in](mailto:bigshare@bom7.vsnl.net.in)

### Bankers:

Axis Bank Limited  
Dhanalakshmi Bank Limited

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**MESSAGE FROM CHAIRMAN, BOARD OF DIRECTORS, DR.VIVEK HEBBAR**

*"Profit in business comes from repeat customers, customers that boast about your project or service, and that bring friends with them."*

*W. Edwards Deming*

Dear Shareholders, Patrons and Customers,

I am glad to welcome you to the 10th Annual General Meeting of your company. I thank you for your continued trust, encouragement and support.

We are one of the most rapidly developing software consulting organizations offering a composite portfolio of IT Services like Consulting, ERP Solutions and Outsourcing. We have a significant role in providing Integrated Solutions for a rapidly increasing customer base in IT segment.

FY 2009-10 was a landmark year for FirstObject. It was a year in which our business entered into a new segment of **E - Education**. We were able to execute the first leg of our long-term strategic plan to make a significant difference by our presence in the emerging E - Education industry in India, as well as strengthen our global presence. E – Education entry of FirstObject comprises, Virtual classrooms that can be accessed from anywhere, with professional instructors functioning just like traditional education, diverse programs in a variety of disciplines, technical programs that provide real-time training, freedom to enhance skills and resume while still working full-time, real-life application of classroom materials, greater comfort with interactive technologies and work/life balance.

Also FY 2009-10 was a year where your company faced many challenges including a fire accident at the company's premises, but for the leadership provided by our COO, Mrs. C.V.S.L.Kameshwari enabling us to function smoothly without any disruption to the work from alternative premises while revamping the facility affected by the fire accident. The whole team of FTL showed their energetic strength and made the company continue its financial performance which enabled the company to declare maiden dividend in the history of your company's 10 years journey. Accolades followed as our Company's COO, Mrs.C.V.S.L.Kameshwari was chosen for her dynamic leadership for the award of "Rajeev Gandhi Excellence Award-2010", a true recognition to her efforts at FirstObject.

Going forward, the Company's aim is to lead E- Education space and be in forefront by providing diversified education solutions and initiate various innovative programs in the E-Education space from Preschool to Higher Education. Online education is the fastest-growing segment of the education field, as students are finding that they can improve their skills, finish their degrees and improve their earning potential by taking classes from the comfort of their home. Besides our aim is to decrease the tutorial costs of students and make education affordable to one and all.

The under- served education sector in India gives us a unique opportunity to fulfill the basic education needs of millions of young people; nothing could be more satisfying and economically rewarding than this. For many years, education was a closed economy in India. Private capital and enterprises were not allowed to participate fully, but things are changing. We stand at the threshold of a great leap into the future as many of the regulatory hurdles that plagued the development of this sector are vanishing at a faster pace. The coming years will be our most exciting years. We now have the building blocks of our future growth in place. We expect rapid regulatory change which will welcome private participation in every segment of the education sector. This will mean new opportunities for FirstObject, of a size and scale never seen before.

Putting inspirational leadership to work is one of the many ways in which we will be able to tap these new opportunities. FirstObject is a place where we believe have an unique working environment in which entrepreneurship can thrive and our team of business leaders are sharply focused on sustainable growth through innovation in business models and providing a clear value proposition to our customers.

The company in the process of ramping up manpower has empanelled various eminent Academicians of well known and established Colleges and Universities.

**Acknowledgements:**

I would like to sincerely thank all our valued customers, both domestic and international, for their unstinted support at all times. Their active involvement has been a source of great encouragement and inspiration.

I am sure that your company will continue to have your blessings.

I take this opportunity to express my sincere thanks to The Government of India, The Government of Andhra Pradesh and The Government of Maharashtra, and the financial institutions and banks for their encouragement and support to our company.

I would like to thank our collaborators for their help and assistance.

I sincerely appreciate the contributions of all our employees and request them to carry on the good work for the great future of **FirstObject Technologies Limited**.

I, with great pleasure thank our shareholders for their continued support at all times. Wealth Maximization of the Shareholders is the main motto for which, the company is striving.

**Conclusion:**

While concluding, I convey my personal gratitude for the confidence that you have reposed in your company's Board of Directors. I sincerely hope that you will continue to extend your whole-hearted support to us so that we, along with the management team, and all employees will further accelerate the growth and progress of the company.

Thank you!  
 Best Regards.

**Dr. Vivek Hebbar**

*Chairman, Board of Directors*

## NOTICE TO THE SHAREHOLDERS

Notice is hereby given that the Tenth Annual General Meeting of the members of the FirstObject Technologies Limited will be held on Thursday the 30th September, 2010 at 10.00 A.M at The Seminar Hall, Hotel Savera Residency, Beside Big Bazaar Shopping Mall, Ameerpet Main Road, Hyderabad-500 016.

### ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 2010 and Profit and Loss Account for the period ended on that date and the report of the Auditors and Directors thereon.
2. To consider and if thought fit to pass with or without modifications the following resolution as an Ordinary Resolution :  
**“RESOLVED THAT** M/s. J. K. Agarwal & Co., Chartered Accountants, Mumbai be and hereby appointed as Statutory Auditors of the Company to hold office from conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting.”

### SPECIAL BUSINESS

3. 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 81(1A) and all other applicable provisions, if any, of the Companies Act 1956 (including any statutory modifications or re-enactment thereof, for the time being in force), the Memorandum and Articles of Association of the Company, Listing Agreements entered into by the Company with the Stock Exchanges where the shares of the Company are listed, Chapter VII of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (“SEBI Regulations”) and other applicable Regulations/ Guidelines, wherever applicable, such other approvals, permissions, sanctions, consents as may be necessary or expedient under the applicable laws, rules and regulations and subject to such terms, conditions, alterations and modifications as may be considered appropriate by the Board of Directors of the Company, (hereinafter referred to as “Board” which shall include any Committee of Directors), the consent of the Company be and is hereby accorded to the Board to offer, issue and allot, in the course of offerings, in domestic and/or one or more foreign markets, any Securities including Equity Shares, Global Depository Receipts and/or American Depository Receipts, Foreign Currency Convertible Bonds, Convertible Bonds, Euro-convertible Bonds/Shares/Debentures, Preference Shares whether Cumulative/ Redeemable/ Partly convertible/ convertible at the option of the company and / or at the option of the holders of the Security(s), Securities partly or fully convertible into Equity shares and/or securities linked to Equity Shares and/or any instruments or securities with or without detachable warrants, secured or unsecured or such other types of securities representing either Equity Shares or Convertible Securities (hereinafter referred to as “Securities”) to Companies in the process of acquiring companies, either by way of swap of equity shares or by way of cash payments, or a mix of both swap and cash, to Foreign/Domestic Investors, Non-residents, Foreign Institutional Investors/ Foreign Companies/ NRI(s) / Foreign National(s)/Banks/Mutual Funds/Financial Institutions or such other entities or persons as may be decided by the Board, whether or not such persons/entities/investors are Members of the Company, through Prospectus, Offering Letter, Circular to the general public and/or through any other mode or on private placement basis as the case may be from time to time in one or more tranches as may be deemed appropriate by the Board on such terms and conditions as the Board may in its absolute discretion deem fit for an amount not exceeding US\$ 20 Million (US Dollar Twenty Million only) or equivalent thereof, including green shoe option on such terms and conditions, as the Board may in its sole discretion decide including pricing, the form and the persons to whom such securities may be issued and all other terms and conditions and matters connected therewith.

**RESOLVED FURTHER THAT** without prejudice to the generality of the above the aforesaid issue of the Securities may have all or any term or combination of terms in accordance with normal practice including but not limited to conditions in relation to payment of interest, dividend, premium or redemption or early redemption at the option of the company and/ or of the holder(s) of the securities and other debt service payment whatsoever and all such terms as are provided in offerings of this nature including terms for Issue of additional Equity Shares, Variation of interest payment, Variation of the price or the period of conversion of securities into Equity Shares, Issue of Equity Shares on swap basis for the acquisition of company / companies whether wholly or partly in whatever manner what so ever equation the said acquisition may be worked out whether partly / fully transacted by way of swap of shares and / or cash payable and /or reorganization of capital or , Issue of Equity Shares during the duration of the securities or terms pertaining to voting rights or option for early redemption of securities.

**RESOLVED FURTHER THAT** the Board be and is hereby authorized on behalf of the Company to finalise the terms and conditions relating to issue and allot such number of underlying Equity Shares as may be required to be issued and allotted upon conversion of any such securities referred to above or as may be and all matters incidental thereto as it may in its absolute discretion think fit, in accordance with all applicable laws, rules and regulations for the time being in force in that behalf.

## NOTICE TO THE SHAREHOLDERS

**RESOLVED FURTHER THAT** the offer, issue and allotment of the aforesaid Equity Shares or any such instrument as specified above shall be made within 15 days from the date of passing of this resolution subject however to the applicable statutory regulatory provisions and the Guidelines by the Securities Exchange Board of India.

**RESOLVED FURTHER THAT** the pricing of the Equity Shares or any such instrument as specified above shall be made subject to and in compliance with all applicable laws, guidelines, notifications, rules and regulations considering the "Relevant Date" under SEBI Regulations for the purpose of determining the issue price of resultant shares.

**RESOLVED FURTHER THAT** the Equity Shares or any such instrument as specified above so issued and allotted shall rank pari passu with the then existing Equity Shares of the Company in all respects including dividend.

**RESOLVED FURTHER THAT** the Board be and is hereby authorised to delegate all or any of the powers conferred by this resolution on it, to any Committee of Directors or the Chairman or any other Director(s) or Officer(s) of the Company to give effect to the aforesaid resolution.

**RESOLVED FURTHER THAT** for the purpose of giving effect to the above, the Board be and is hereby authorised to agree, make and accept all such term(s), condition(s), modification(s) and alteration(s) as it may deem fit, including, condition(s), modifications(s) and alteration(s) stipulated or required by any relevant authorities or by their bye-laws, rules, regulations or guidelines, and the Board is also hereby authorised to resolve and settle all questions, difficulties or doubts that may arise with regard to such offer, issue and allotment, to finalise and execute all agreements, documents and writings and to do all acts, deeds and things in this connection and incidental as the Board in its absolute discretion deem fit without being required to seek any further consent or approval of the Company or otherwise to the end and intent that they shall be deemed to have given approval thereto expressly by the authority of this resolution.

**RESOLVED FURTHER THAT** the Dividend paid by the Company in two tranches during 2009-10 be considered and approved as full and final Dividend for 2009-10.

For and on behalf of Board of Directors

Sd/-

**Dr.Vivek Hebbar**

*Chairman, Board of Directors*

**Regd Office:**

1st Floor, Swayamkrishi,  
SMILINE Building, No: 8-3-952/10/2 & 2/1  
Srinagar Colony,  
Hyderabad-500 073

Place: Hyderabad.

Date: 04.09.2010

**NOTES**

1. A member entitled to attend and to vote is entitled to appoint a proxy to attend and vote instead of him/her and proxy need not be a member of the Company. The Proxy in order to be effective must be deposited duly stamped and signed at the registered office of the Company not less than 48 hours before the meeting.
2. The register of members and share transfer books of the Company shall remain closed on 29th September 2010 to 30th September 2010 (Inclusive).
3. Members are requested to bring copies of the Annual Report as no extra copies shall be provided at the meeting. Shareholders desiring any information as regards to the Audited Accounts need to write to the Company at least one week before the meeting enabling the chairman to keep the information ready to reply at the meeting.
4. Members are requested to notify immediately change of address if any, to the company or to M/s Bigshare Services (P) Ltd, E/2 Ansa Industrial Estate, Sakivihar Road, Sakinaka, Andheri East, Mumbai – 400072 Registrars, and Share Transfer Agents or their Depository office.
5. Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 relating to the Special Business to be transacted at the meeting is attached hereto.
6. Members who hold shares in dematerialized form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the Annual General Meeting.

**NOTICE TO THE SHAREHOLDERS****Annexure to Notice:****EXPLANATORY STATEMENTS PURSUANT TO SEC 173(2) OF THE COMPANIES ACT 1956.****Item no. 1**

To implement the growth plan of the Company, a rational fund raising program is being designed along with the augmenting of the present and future working capital facilities of the company, future acquisition that the company has and is envisaging in the near future which might be by way of swap of shares or by way of cash payment or a mix of both the swap and / or cash payment. The fund raising would be through a mix of debt / equity related instruments, as may be appropriate, which would be worked out in consultation with Advisors, Lead Managers and other intermediate agencies. The fund raising program is subject to approval of the Government of India, Reserve Bank of India, Securities and Exchange Board of India and other authorities wherever applicable. It is proposed to issue appropriate securities for an amount not exceeding the equivalent of US\$ 20 million in one or more tranches in such form and on such terms and conditions and in such manner, at such price or prices and at such time as may be considered appropriate by the Board of Directors to the various categories of investors in the domestic/ international markets as set out in the Resolution.

Section 81(1A) requires that approval of members of the Company by way of a special resolution is required for further issue of equity shares or any instrument being a potential equity share. Accordingly, item no. 3 deals with the requisite approval under Section 81(1A) of the Companies Act, 1956.

Your Directors recommend the proposed resolution in item no.3 to be passed as Special Resolution. None of the Directors is interested or concerned in the said resolution.

For and on behalf of Board of Directors

Sd/-

**Dr.Vivek Hebbar**

*Chairman, Board of Directors*

**Regd Office:**

1st Floor, Swayamkrishi,  
SMILINE Building, No: 8-3-952/10/2 & 2/1  
Srinagar Colony,  
Hyderabad-500 073

Place: Hyderabad

Date: 04.09.2010

## DIRECTORS REPORT

### To The Members of FIRSTOBJECT TECHNOLOGIES LIMITED.

Your Directors take pleasure in presenting the 10th Annual Report together with Audited accounts for the financial year ended 31st March, 2010. The report covers all major events till the date of report.

#### a) REVIEW OF OPERATIONS

The standalone results of the Company for the year are furnished as follows:

| Sr. No. | Particulars   | Year ended<br>31.03.10<br>(Amt. in Rs) | Year ended<br>31.03.09<br>(Amt. in Rs) |
|---------|---|--|--|
| 1       | Sales & Other Income  | 249,350,784                            | 178,905,924                            |
| 2       | Total Expenditure   | 197,311,571                            | 147,564,825                            |
| 3       | Profit/Loss Before Depreciation, Taxes and Extra ordinary Items | 52,039,212                             | 31,341,099                             |
| 4       | Depreciation  | 2,996,816                              | 17,299,326                             |
| 5       | Profit/Loss Before Taxes and Extra ordinary Items               | 49,042,396                             | 14,041,773                             |
| 6       | Extra Ordinary Items - Loss By Fire                             | 15,886,365                             | -                                      |
| 7       | Profit Before Taxes   | 33,156,031                             | 14,041,773                             |
| 8       | Provision For Taxation  | 10,156,383                             | (2,474,000)                            |
| 9       | Net Profit/(Loss)   | 22,999,649                             | 16,515,773                             |
| 10      | Equity Share Capital  | 191,492,990                            | 191,492,990                            |

The Consolidated results of the Firstobject Technologies for the year are furnished as follows:

| Sr. No. | Particulars   | Year ended<br>31.03.10<br>(Amt. in Rs) | Year ended<br>31.03.09<br>(Amt. in Rs) |
|---------|---|--|--|
| 1       | Sales & Other Income  | 488,787,316                            | 423,448,024                            |
| 2       | Total Expenditure   | 340,754,741                            | 307,951,562                            |
| 3       | Profit/Loss Before Depreciation, Taxes and Extra ordinary Items | 148,032,575                            | 115,496,462                            |
| 4       | Depreciation  | 3,751,487                              | 19,328,989                             |
| 5       | Profit/Loss Before Taxes and Extra ordinary Items               | 144,281,088                            | 96,167,473                             |
| 6       | Extra Ordinary Items - Loss By Fire                             | 15,886,365                             | -                                      |
| 7       | Profit Before Taxes   | 128,394,723                            | 96,167,473                             |
| 8       | Provision For Taxation  | 10,156,383                             | (2,474,000)                            |
| 9       | Net Profit/(Loss)   | 118,238,340                            | 98,641,473                             |
| 10      | Equity Share Capital  | 191,492,990                            | 191,492,990                            |

During the year, a major fire broke out at our company's operational premises located at Srinagar Colony, Hyderabad due to an electric short circuit. The Company had to shift its operations to an alternative site located at Kukkatpally, Hyderabad. During the said period the work continued without any break. We are proud to say that the re-building of the facility has been completed in a record time and the facility has been once again made fully operational during the current year itself.

#### b) DIRECTORS:

In accordance with the Provision of Companies Act, 1956 and Articles of Association of the Company, the Directors of the Company are as under.

| Name of the Director        | Designation          |
|-----------------------------|----------------------|
| Dr. Vivek Hebbar            | Chairman             |
| Mr. J. Satya Surya Narayana | Whole Time Director  |
| Mr. P.Ramnath               | Whole Time Director  |
| Mr. N. Shiva                | Independent Director |
| Mr. P.Sailesh               | Independent Director |
| Mr. Sita Rama Sastry        | Independent Director |

## DIRECTORS REPORT

### c) AUDITORS

M/s J.K.Agarwal & Co. Chartered Accountants, Mumbai appointed as Statutory Auditors of the Company to hold office from conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting.

M/s H. Rao & Co, Chartered Accountants, Hyderabad and M/s Sumeet & Murali, K.S.M.Krishna, Chartered Accountants, Bangalore have been appointed as Internal and Taxation Auditors of the company to hold office from conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting.

### d) EMPLOYEES

During the year under review none of the employees of your company were in receipt of remuneration in excess of the limits prescribed for disclosure as per section 217(2A) of the Companies Act, 1956 read with the companies (Particular of Employees) Rules, 1975 as amended from time to time.

Information on conservation of Energy, Technology absorption and Foreign Exchange earnings/out goings as per section 217(1) (e) of the Companies Act, 1956:

Your company has no activities relating to the conservation of energy and technology absorption. Your company has received foreign exchange during the year under review.

### CORPORATE GOVERNANCE:

Your company has complied with the provision of Clause 49 of the Listing Agreement relating to Corporate Governance and believes that the initiatives on corporate governance will assist the management in the efficient conduct of the business and in meeting its obligation to all its stakeholders.

### DIRECTORS RESPONSIBILITY STATEMENT:

As required under the Companies Act, 1956 your Director wish to state:

That in the preparation of the annual accounts the applicable accounting standards had been followed along with proper explanation relating to material departures.

That they have selected such accounting policies and applied them consistently and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of financial year and of the profit or loss of the Company for the period under review.

That they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities, and

That they have prepared the accounts for the period ended 31st March 2010 on a going concern basis.

### ACKNOWLEDGEMENTS:

Your Directors express sincere thanks to the Bankers of the Company for their support and encouragement.

Your Directors also wish to thank all the employees for their unstinted co-operation in achieving the good performance of your company.

For and on Behalf of the Board of Directors

Sd/-

**Dr.Vivek Hebbar**

Chairman, Board of Directors

### Regd Office:

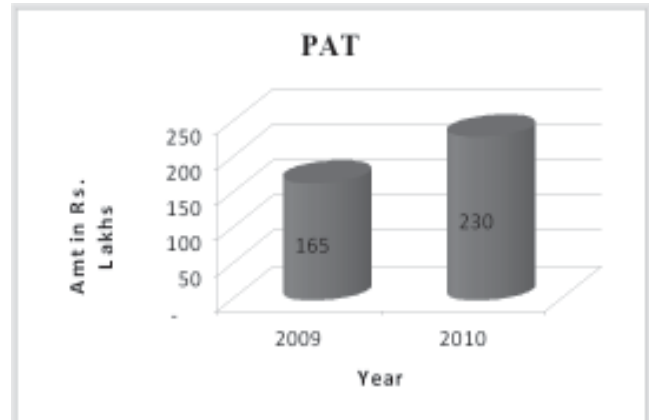
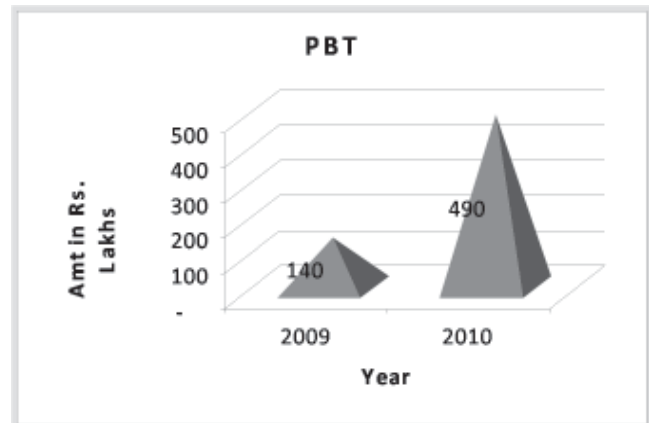
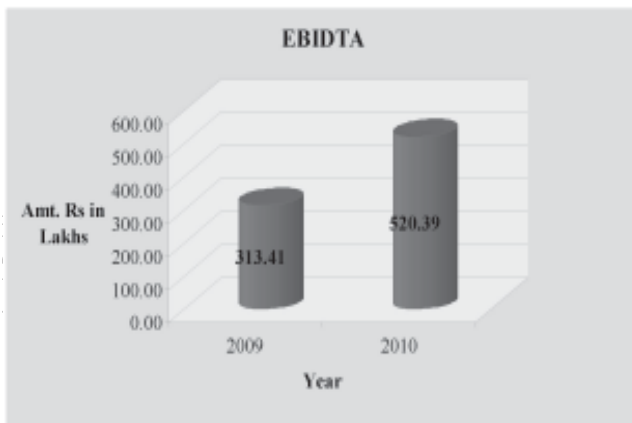
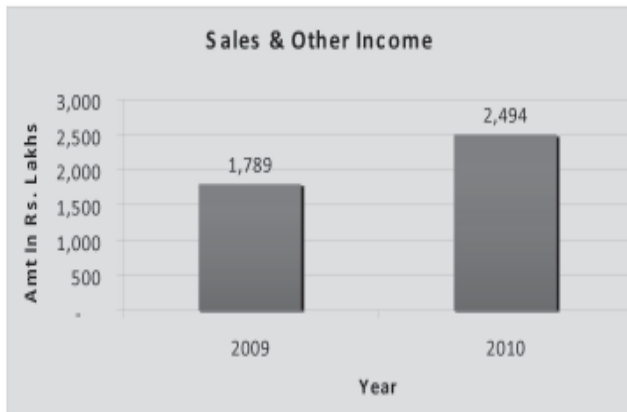
1st Floor, Swayamkrishi,  
 SMILINE Building, No: 8-3-952/10/2 & 2/1  
 Srinagar Colony,  
 Hyderabad-500 073

Place: Hyderabad

Date: 04.09.2010



**PERFORMANCE AT GLANCE**



## MANAGEMENT DISCUSSION & ANALYSIS REPORT

*“The secret of business is to know something that nobody else knows.”*

Aristotte Onassis

### CORPORATE OVERVIEW

FirstObject Technologies Limited (FTL) is a provider of integrated business, technology and process solutions on a global delivery platform. As a part of expansion and diversification strategy, during the year the company forayed into E-education, encompasses of providing e-education for school students. E-education comprises of Virtual classrooms that can be accessed from anywhere, with professional instructors functioning just like traditional education, diverse programs in a variety of disciplines, technical programs that provide real-time training, freedom to enhance skills and resume - while still working full-time, real-life application of classroom materials, greater comfort with interactive technologies and work/life balance.

Commonly referred to as online education, e-education is the process of learning online. Online education is the fastest-growing segment of the education field. Students are finding that they can improve their skills, finish their degrees, and improve their earning potential by taking classes from the comfort of home. Whether it's a high school student or a graduate college student, a person looking to expand technical skills or a retiree who simply wants to learn more, Internet learning provides a boundary-free way to broaden their horizons. The flexibility of online learning is particularly helpful for working professionals who need to remain employed to support their families. The Company is undertaking various online research educational programs. While the thought of taking classes online is surely attractive; finding the right program requires extensive research. The Company has empanelled various eminent Academicians of well known and established Colleges and Universities. The company has already completed Pilot runs with the available infrastructure and the project proved to be successful in meeting the customer satisfaction on commercial basis.

The Company has formally inaugurated its 18 seater facility on 24\*7 basis on a double shift at STPI, Kakinada through the hands of Mr. B.Suresh, Dy. Director, STPI, Kakinada. The Company has ramped up requisite manpower for this facility and the operations commenced at full capacity. Data Management, Software Solutions and E-Learning Modules are the major functional areas of the company's STPI premises at Kakinada.

FirstObject has also obtained a 30 seater space in Visakhapatnam Special Economic Zone (VSEZ) , Vizag and it has formally inaugurated the facility on 24\*7 double shift basis on 7th July 2010. The Data Management, Software Solutions and E-Learning Modules are the functional areas of the company at VSEZ, Vizag.

### INDUSTRY OVERVIEW

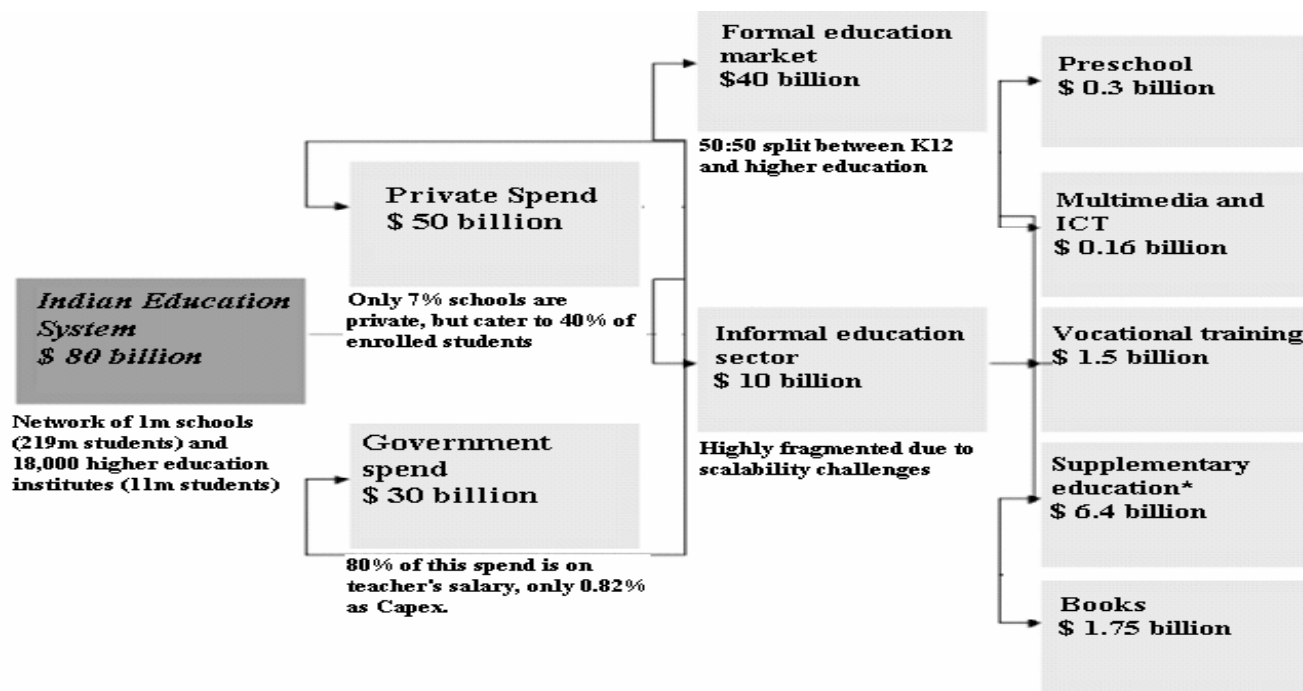
#### EDUCATION INDUSTRY

India has the largest student population in the world with over 13.5 crore pupils in primary education followed by China at over 12.1 crore pupils at this level. Educating such a large population is not only an expensive task but also a very difficult one. This task is being handled primarily by the Government through its school infrastructure and large budgetary outlays. India is home to the largest growth of potential consumers of education services in the world. The Government spend is approximately at 3.7% of GDP which is around \$30bn and an **\$50bn annual spend on private education (\$80bn by 2012E)**, 14% CAGR over FY08-12E. This has created one of the largest education networks of around 10 lakhs schools and 18000 higher education institutes in India.

India's public spend on education amounts to approximately 5.2% of the world's cumulative public spend, but the country is home to 20% of the population in the target group which is highly disproportionate considering the global distribution patterns of public education expenditure and population. The role of private educational institutions have proliferated rapidly over the past decades with K-12 segment estimated at US\$ 20bn, private professional colleges at US\$ 7bn and tutoring at US\$5bn. Out of 1million existing schools, as many as 75000 schools are privately run. It is pertinent to note that the private educational institutions dispense education to around 40% of the total students enrolled in India (219 mn) assuming that only 7% of the total schools are private. This is despite K12 (schools) being a focus area for the Government as less than 10% of the total public expenditure on education is assigned to higher and university education. As a result, 77% of India's ~18,000 HEIs are private.

## MANAGEMENT DISCUSSION & ANALYSIS REPORT

### INDIAN EDUCATION SYSTEM



### GOVERNMENT'S FOCUS ON EDUCATION

The Government intends to raise the general literacy rate in India in line with which, it introduced the Right to Education Bill 2005. This Bill seeks to guarantee free elementary education to every child between the age of 6 and 14 years. There has been significant growth in infrastructure, but the implementation process has been slow and a huge gap still remains. The very nature of this mission is to complete the task of improving the literacy levels of India in a time-bound manner. The demand for upper primary school would be greater than the demand for primary schools in the next five years; the Government has been focusing on the Education Sector through increased fund allocations. This amount would be spent under various schemes like the Sarva Shiksha Abhiyan (SSA), Kasturba Gandhi Balika Vidyalaya and teacher's education.

The Government has imposed an Education cess on income tax to fund its various programs, which target to improve the quality and reach of education in India. This cess is used to fund programs like the SSA. This will go a long way in improving literacy levels in India and enhancing the implementation and execution of various schemes undertaken by the Government to increase the reach and improve the quality of education in India. Collection of Education cess will also help in providing subsidies and aids to a large number of these institutions to improve accessibility for the lower and middle class families to educate their children. For the 11th Five year Plan, the Centre has allocated a 6 times higher spend on education. FirstObject would like to tap this potential and enter into MOU's with various state Governments for the use of its e learning products, which will help the various state Governments to achieve their objective of making the Education, a right for all.

### BUDGET ALLOCATION – 2010-11

Education which was mainly under States subjects has seen a substantial increase in Central Government's intervention since 1987 when New Education Policy was announced. Allocations are made to India's Human Development Resources Ministry and two departments are Department of School Education & Literacy and Department of Higher Education. The Union Budget for 2010-2011 has identified the need to have a well, regulated education system of a global standard. In Budget 2010-11 a total of **Rs. 42036 crore** have been provided for allocation to Education. The allocation for Department of School Education and Literacy is Rs. 31036 crore and allocation for Department of Higher Education is Rs. 11000 crore. The above allocation is 15 % higher than the previous year's allocation. This includes an allocation of **Rs.15,000 crore for Sarva Shiksha Abhiyan (SSA)**, the major flagship programme for universalisation of elementary education Plan allocations for School education have been increased by 16% to Rs. 31036 crores. Apart from the states, we also have access to Rs. 3675 crore for elementary education under the 13th Finance Commission. Rs. 4675 crore have been kept for Secondary Education, which includes Rs. 1385 crore on Navodaya Vidyalaya Samiti.

## MANAGEMENT DISCUSSION & ANALYSIS REPORT

An allocation of Rs. 1300 crore has been provided to Adult education. Allocation to adult education has been more than doubled increasing it from Rs. 450 crore to Rs. 1,300 crore. The major beneficiary being the recently restructured and renamed Sakshar Bharat Programme. With strong economic growth there is a greater urge to address the issues on mass education. The Government has correctly identified greater private participation as a method to increase the efficiency of spending. This has resulted in greater outsourcing by Government to the private sector and also most robust private models to participate directly in this sector.

### SERVICES AT FIRSTOBJECT

# eEDUCATION

Leveraging the power of computers and using a blend of Internet, mobile and satellite communication technologies, FirstObject is taking quality and affordable education to reach millions of students across the country and even in the most remote corners of India. FirstObject aims at educating the majority of students across India by conducting e-classes in schools and colleges where computer education was an improbable idea. Right from providing notes to e-tutorial, FirstObject is planning to launch its e-products in a phased wise manner. Occupying every space, from Kindergarten to the Business Schools and beyond, FirstObject aims at supplementing the educational needs of all age groups. Currently centered in India, FirstObject aspires to take its business model and operations to the rest of the world.

In E-education, FirstObject is ready to cater to:

- Pre Schooling
- Schooling
- Various Entrance Examinations
- Professional Courses

### PRE SCHOOLING



Preschool has become a crucial concept for both child as well as the parents. The number of preschools in India is growing at the rate of 40% annually. That really shows how important preschools are turning out to be in the context of Indian education system. Parents, especially in urban areas look forward to enroll their children in preschool because of its obvious benefits. Enrolling kids to preschools helps in preparing them for kindergarten and elementary school. From parents' point of view, some of them do not have adequate time for the kids because of work and other pressing commitments and for them, preschools come very handy.

## MANAGEMENT DISCUSSION & ANALYSIS REPORT

Preschool learning is very important in the initial development of a child's life. For one, kids get their first taste of education. They start learning things through play. At this stage of life, kids are not really expected to study. But the actual learning is imparted with the help of products developed for kids such as games, songs and other activities. Children also get to taste independence factor. Our Products for Preschools contribute significantly in the preliminary education of the child.

At FirstObject's, in the products developed for Preschools, the company has utilized the services of teachers who also don the mantle of parents. This has helped us in figuring out right way of teaching an individual child and arrive at the correct model for developing the Preschool products. Rhymes, games, songs, alphabets and numbers etc are methods through which kids get to learn their first lessons of their lives which are well developed in our preschool products. A child is made ready to identify different objects, colours and various common things. Children are also made to develop different self-help qualities along with basic etiquette's.

### SCHOOLING

FirstObject offers E-Education products mapped to the ICSE, CBSE and State Boards for 6th , 7th, 8th, 9th & 10th Std. syllabus course on subjects viz Mathematics (Algebra and Geometry), Science (Physics, Chemistry and Biology) and Social Science (History, Civics, Geography and Economics). Our courseware have been designed and prepared by eminent Academicians. The course content comprises of NCERT Questions, Enhance your Knowledge, Board Questions, Mock test which contains animations, examples, practice questions and much more to supplement the actual process of learning thereby promoting a swift grasp of the subject.

We aspire to be the world class tuition and test preparation brand and our commitment and efforts towards our goal remain concerted and consistent.



**INTERACTIVE  
CLASSROOM  
TEACHING**

### PROGRESS OF E-LEARNING MODULES AT FIRSTOBJECT:

The Company has completed all test runs for the commercial launch of its E-Learning Modules for ICSE and CBSE Syllabus under 10+2 category, Law CET (Common Entrance Test) and Law Education, Management CET (Common Entrance Test) and Management Education as proposed on the eve of the last Annual General Meeting.

The e-Learning modules, meant for ICSE and CBSE, are prepared subject-wise for classes under 10+2 stream and each module has been worked out with meticulous planning under the supervision of eminent scholars and academicians. Both under E-learning and E-Tutorial, each subject is covered keeping in mind the average student IQ and each topic has been covered under 3 sub modules in the form of Virtual Class, Tutorial and Notes.

The Company has come out with [www.firstlawseries.com](http://www.firstlawseries.com), wherein the Company through Internet Portal dedicatedly meant for the "E-legal education" is going to impart LL.B (graduate law course lecture materials) under 5 year stream and also under 3 year stream to cater to the requirements of graduate law students. For the said purpose the Company has empanelled eminent legal educationists.

## MANAGEMENT DISCUSSION & ANALYSIS REPORT

Similarly, the Company is also coming out with [www.firstmanagementseries.com](http://www.firstmanagementseries.com) on Management Courses, E-management education, where the Postgraduate and Graduate Management Courses are going to be E-enabled.

### ENTRANCE EXAMINATION

FirstObject provides all tutorials and materials for various Entrance Examinations like Engineering, Law, Management, Medical etc in the state level as well as National level.

#### Engineering Entrance Examinations:

- All-India Engineering Entrance Examination is conducted by IIT's for admission into IITs and other Universities.
- State level Common Entrance Examinations for admission into state level Engineering Colleges and state universities.

#### Law Entrance Examination:

- Common Law Admission Test (CLAT), for graduate and post-graduate courses at both state level as well as National level.
- Candidates seeking admission to the Under Graduate (LLB) and Post Graduate (LLM) Programmes in the Law schools must appear in Common Law Admission Test (CLAT). The admission is based on the rank of the candidate in the entrance examination.

#### Management Entrance Examination

- CAT (Common Admission Test) is conducted by Indian Institute Of Managements (IIMs) for admission to Post Graduate (P.G) Programmes and Fellow Programmes.
- Candidates aspiring to get admission to the 6 Indian Institutes of Managements need to appear for the Common Admission Test. Apart from the IIM's, 40 other Management Institutes use the CAT score for short listing the candidates. CAT is conducted once in a year usually in the month of November.

#### Medical Entrance Examination

- All India Pre-Medical / Pre-Dental Entrance Examination (AIPMT)  
The Central Board of Secondary Examination, Delhi conducts an All India Pre-Medical/Pre-Dental Entrance Exam to select the candidates at an all India level examination (except in the states of Jammu & Kashmir and Andhra Pradesh) for admission to roughly 15% of the total seats for Medical/Dental Courses in all Medical/Dental colleges run by the Union of India, State Governments, Municipal or other local authorities in India.
- Entrance examinations to Medical colleges/Dental colleges are conducted on an All India basis as well as state wise basis. Apart from this, some national level institutions also conduct their own entrance tests.

#### Professional Courses:

FirstObject also provides all tutorials and materials for various professional courses like Law and Management.

#### Law

The Law course is a realm where crises in social and financial areas amid the public are fairly marked. A degree in law not only offers straight opportunities for occupation but provide an instrument to fight against inequality and wrong deeds of all types in the country. Earlier, Law students had few options but nowadays they have plenty of them. From being a practicing lawyer they can become judges in various courts. The prestige is always connected with this profession. Various types of courses and careers are available in this faculty including BA, LLB, LLB and LLM.

Law is a bunch of categorized rules and regulations under which any society or country is governed. Law is one of the most essential and fundamental topic in any country. The Law regulates the rules that define human rights and obligations. People who break these rules have to suffer the penalties for their activities. The Law describes how the Government shall impose the rules and penalties. Justice is a proper standard that applies to all human behaviours. Thus, Law is the base of the society and a vital weapon of social change.

**LLB** is a law course of three-year duration. To get admission for this course, the students have to give an entrance test and a personal interview. The course arrangement is divided into 6 Semesters. **LLB** (General) Degree is offered after the successful completion of the second year. The **LLB** Degree is awarded only after the completion of three years i.e. six Semesters.

## MANAGEMENT DISCUSSION & ANALYSIS REPORT

The company is soon going to launch its Law portal [www.firstlawseries.com](http://www.firstlawseries.com). This portal will include Study Material, Model Test Paper and Semester Material. The study material contains all subjects. The Model test papers are prepared in such a way that it will make students easier to crack their entrance examination. The Semester material is prepared in such a way that it will help students to make them Lawyer. Besides the portal also provides Entrance Test Material for admission to the Law courses.

### Business Management

MBA is the common abbreviation used for Masters of Business Administration. This course is pursued after graduation and is usually conducted over a span of two years.

However, executive MBA as a career choice is also available which lasts for a year. MBA is one of the most common career choices amongst the youth in India today. This is purely because of the benefits that the course offers. An MBA can surely help individuals who want to move up in their respective careers. Management has become important in every industry today.

With the growing needs of the industry for world class managers, the institutes offering MBAs has also gone up in the last few years. There are over thousand recognized institutes offering MBA in India. However the Indian Institute of Management, IIMs, as they are commonly referred to as is the crème de la crème of all the institutes offering MBA in India.

Most of the B-schools in India offer specialization like Finance, Human Resources, Marketing, Operation etc. However, niche MBAs like MBA in Communication, Hotel Management, Fashion Technology etc are also available.

The company is soon going to launch its Management portal [www.firstmanagementseries.com](http://www.firstmanagementseries.com). This portal will include Study Material related to the entrance examinations related to Business Management. The study material covers all subjects. The Model test papers are prepared in such a way that it will make students easier to crack their entrance examination. The semester material is prepared in such a way that it will help students to make them Management Graduates.

### IT SERVICES INDUSTRY

The shift in the role of Information and Technology (IT) from merely supporting business to transforming business is driving productivity gains and helping to create new business models. This has led to an increase in the importance of IT. The increasing acceptance of outsourcing and off-shoring of activities as an economic necessity has contributed to the continued growth in our revenue. As corporate and businesses adjust to "new normal" post the recent global recession, they will need to transform their business models to the changed economic and business environment. Consequently, they will have to make significant investments in IT. This opens up opportunities for us to offer our Consulting, Systems Integration services and leverage our Global Delivery footprint and thus help our customers in their transformation journey.

These opportunities are also reflected in the forecasts of market growth. IDC forecasts worldwide IT services spending of approximately \$695 billion by 2013, reflecting a compounded annual growth rate or CAGR of 3.3%. However, Forrester US and Global IT Market Outlook Q4 2009, predicts that U.S. IT market will grow by 6.6% in 2010 following a drop of 8.2% in 2009. Similarly, according to NASSCOM Strategic Review Report 2010, the worldwide BPO market is expected to touch \$ 148 billion by 2013, representing a CAGR, of 6.11%. Key factors supporting this projection are the growing impact of technology led innovation, the increasing demand for global sourcing and gradually evolving socio-political attitudes. Global Delivery led organizations are expected to get an increased share of the IT services spends due to the powerful combination of scale, quality and cost embedded in their business model. In India, the IT services market is estimated to account for 39% of the domestic IT industry. The key verticals driving the growth of the IT services market are Retail, Government, Healthcare, Telecom and Manufacturing. However, according to IDC's report - India domestic IT / ITeS market top 10 predictions for 2010, the India domestic IT / ITeS market growth rate will come down from an average of 24% recorded during 2003-08 to 14.6% over the next five years to 2013.

### IT Products

According to NASSCOM Strategic Review Report 2010, IDC forecasts that worldwide hardware spending will increase from \$600 billion in 2008 to \$680 billion in 2013, representing a CAGR of 2.53%.

According to NASSCOM Strategic Review Report 2010, the hardware market in India is estimated to account for 39% of the domestic IT industry, growing at about 3% in 2010. Personal Computers (including desktops and notebooks) continue to be purchased at higher rates than other products in the hardware market. As prices come down, notebooks are increasingly being adopted as the computing device of choice. For the desktop segment, consumers are showing an increasing trend of moving away from locally assembled items towards branded products with relatively higher end configurations.

**MANAGEMENT DISCUSSION & ANALYSIS REPORT**

**INDIAN BPO SECTOR**

The Indian BPO sector is favorably positioned to benefit from its established delivery capabilities, which influence buyers' decision to expand their global sourcing exposure.

The Study shows that going forward, the Indian BPO sector, at its current momentum, can reach around US\$ 30 billion in export revenues by 2012. However, the sector can set itself a stretch target of US\$ 50 billion (that is, approximately five times its present size) in export revenues by 2012. A five-fold growth in the Indian BPO market will add nearly 2.5 percent directly to India's GDP from exports earnings and provide direct employment to about 2 million people. This will also spur growth in smaller Tier 2 and 3 cities to enable a six-fold growth in the number of delivery centers that will be required to support the enhanced target for the sector.

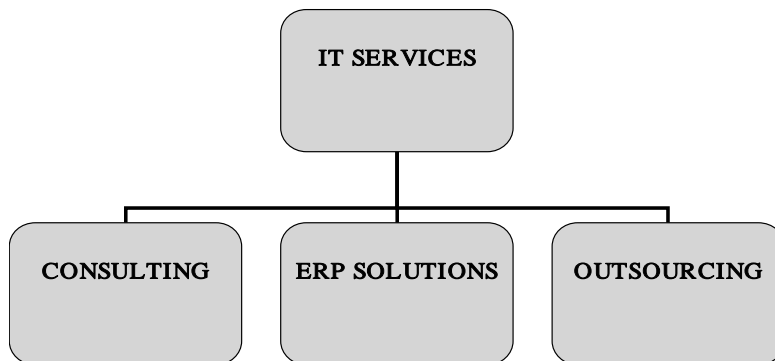
While the current mood is that of "cautious optimism," the industry is expected to witness sustainable growth over a two-year horizon, going past its USD 50 billion export target in FY2012. While the industry has significant headroom for growth, competition is also increasing, with a number of countries creating enabling business environments aimed at replicating India's success in the IT-BPO industry.

**IT SERVICES AT FIRSTOBJECT:**

At Firstobject we offer differentiated IT Services using a unique network of global delivery models. The Company is adept in delivering specific business technology solutions. The Company's strength lies in its innate ability to understand the requirements of its clients and to continuously build the competencies and strengthen the domain capabilities to provide Integrated Software Solutions, Consulting and Outsourcing customized to client's business-specific needs.

The Company focuses on delivering business impact to its clients by maximizing returns on their investments in IT and through Business Process Outsourcing solutions. The Company's unique capabilities allow it to leverage strong partnerships, latest technology innovations and human capital to deliver excellence through its global delivery model.

The Company recognizes the need for scale and capacity in competing for large contracts against top-tier competitors. Your Company has been making substantial investments in expanding its front-end capabilities, its human capital base and leveraging its world-class infrastructure facilities.



● **CONSULTING**

We work with clients to develop and deliver innovative solutions that can successfully transform an organization's capabilities. We have the breadth of experience, global resources, superior assets and deep knowledge and insights to create new forms of value and to help our clients become high-performance businesses.

We consult our clients from strategy to execution, we also delivers the insight need for better decision making and improved business outcomes to accelerate high performance.

**Consulting helps in following ways:**

- o Driving growth—from new markets, new customer segments and opportunities, marketing transformation and innovation.
- o Enhancing cost and cash advantage—through balance sheet efficiency; enhanced working capital; better capital allocation and return on investment; and resetting structural costs for more flexibility.
- o Improving operational excellence—by realigning the operating model; reengineering key processes; focusing on lean processes and operational effectiveness; and sourcing operational excellence.



## MANAGEMENT DISCUSSION & ANALYSIS REPORT

- o Restructuring the business at scale—through M&A, divestitures, consortia, industry restructuring, value chain restructuring and business ecosystems.
- o Winning the war for talent—by re-skilling the workforce, sourcing new talent, developing change agents and creating a human capital strategy.

### From strategy to execution

Economic volatility, increasing globalization, rising complexity and growing interconnectivity have forced businesses to make major changes to their operations in recent years. At the same time, advances in technology such as cloud computing, service-oriented architecture and software-as-a-service are creating more flexible, configured application environments that can deliver tremendous value if used properly. We help organizations to deal with change successfully while developing and operating scalable, efficient and agile business processes to create both immediate and long-term competitive advantage.

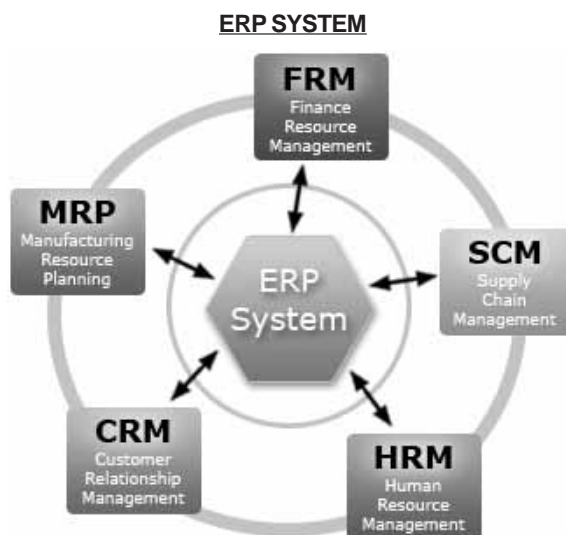
The primary focus of our Growth is to drive your growth by providing a continuous flow of information and ideas covering your market sector. We incorporate our global market analysts, market research consultants, and industry experts' perspectives with proven methodologies to help clients manage risk and achieve their profitability and growth objectives.

### ● ENTERPRISE RESOURCE PLANNING (ERP)

In today's challenging business environment, best-run companies have clarity across all aspects of their business, which allows them to act quickly with increased insight, efficiency and flexibility. By using ERP solutions, companies of all sizes – including small businesses and midsize companies – can reduce costs, optimise performance and gain the insight and agility needed to close the gap between strategy and execution. To help our customers to get the most out of their IT investments so that they can maximise their business performance, our professionals deliver the highest level of service and support.

ERP Software helps manufacturers or traders from small businesses to mid size enterprises see more clearly. Integration of data across the enterprise ensures that you have greater visibility in all areas of your business, from daily operations to a strategic decision level. Insight into production, inventory and financial data makes it easy to identify opportunities for cost savings and efficiency improvements. A high-level view of key business indicators facilitates faster and more accurate management decisions.

We offer ERP across functional boundaries including Finance, Sales and Distribution logistics, HR, and Costing. We work with clients from diverse vertical industry sectors.



Our ERP software has powerful features, it is extremely easy to implement and use, comprehensive in its scope, modular and flexible, fully customizable, totally secure and incredibly robust.

Our ERP systems have delivered proven value in streamlining enterprise processes. We have helped many companies successfully implement ERP systems effectively. Our extensive experience in ERP implementation, ERP integration and extending ERP functionality has helped us develop capabilities in creating architecture scalable. This has led our clients have access to real-time business information that is accurate and useful.

## MANAGEMENT DISCUSSION & ANALYSIS REPORT

Our ERP implementation and ERP integration methodologies speed time-to-value delivery for a number of reasons, including their incorporation of the right analytics for real-time decision-making. Our ERP implementation solutions also seamlessly integrate applications across various platforms and technologies, to increase the value of IT investments, and enhance productivity and profitability. Our ERP services expertise includes implementation and the integration of diverse and distributed application portfolios - within and across the extended enterprise. We support customers across the entire range of the application life cycle, from implementation to post-implementation support.

### ● OUTSOURCING SERVICES

#### BPO Services:

FirstObject's unique capabilities are augmented by a clear understanding of industry trends and deep knowledge of global business models allows it to leverage strong partnerships, intrinsic technology innovations and talent to deliver excellence through global delivery.

Outsourcing the development, management and ongoing maintenance of technology platforms and solutions has become increasingly important. The Company's strength lies in its innate ability to understand the requirements of its clients and to continuously build the competencies and capabilities to provide integrated IT and BPO solutions unique to client specific needs and industry demands.

The nature of technology outsourcing is changing. The Company is expanding its footprint and establishing operations across the country. In order to enhance its ability to serve its customers better, the Company has been continuously expanding on its service and capabilities. The Company is building deep customer relationships and has a well diversified geographic spread. The Company's process capabilities and range of services provide a compelling value proposition for both existing and new customers.

#### Knowledge Process Outsourcing (KPO):

FirstObject Technologies provides middle office and back office support to capital market arms of leading global banks, educational institutions, manufacturing giants and services companies. Our customer-partners are all leaders in their respective industries and are included in top business enterprises. With each of our partners, we manage a number of discrete programs providing specific needs across multiple divisions. Current customer programs include data search programs, research report preparations, price monitoring and competitive analytics, financial contract risk management and data reconciliation services

#### Below are some Demand and supply side drivers for KPO Industry

##### Demand side drivers

| Demand side drivers    |  |
|------------------------|--|
| Skills/ capabilities   | KPO is all about knowledge arbitrage. India, the dominant KPO destination, is facing a shortage of skilled professionals. Financial institutions should explore countries with an adequate pool of skilled finance resources.  |
| Language               | Countries that possess the depth and quality of KPO skill sets and non-English linguistic capabilities, are well positioned to commence KPO offerings.   |
| Business continuity    | High systems and applications availability are a critical requirement of the financial services industry. KPO providers may need geographical spread to provide adequate business continuity.  |
| Responsiveness         | KPO providers having near-shoring and on-shoring capabilities for their clients are deemed more responsive. Competitive pressures are expected to drive KPO providers to set-up delivery centers closer to client-locations.   |
| Risks                  | Financial institutions are normally wary of using one provider for all services unless part of an internal captive operation. The nature of KPO work lends itself to a multi-sourcing strategy, using multiple vendors to deliver specific activities.   |
| Regulatory constraints | Clients cannot abdicate their regulatory and legal compliance responsibility. Some regulatory constraints prohibit the transfer of certain work offshore. This is expected to force the leading KPO providers to expand their geographical footprint to become more local to clients, and become more intimate with their clients' regulatory and legal constraints. |

## MANAGEMENT DISCUSSION & ANALYSIS REPORT

### Supply side drivers

| Supply side drivers            |   |
|--------------------------------|---|
| Skills shortage                | The KPO industry appears to be driven by access to the breadth and depth of talent. The demand-supply gap for qualified resources in India, currently the dominant KPO destination, is expected to force KPO providers to find new delivery locations with depth and quality of talent required for KPO activities. |
| Risk diversification (hedging) | Service providers cannot provide services solely from one single location or country. In order to maintain business continuity during adverse circumstances, KPO providers have to diversify globally to reduce their risk exposure.  |
| Language                       | KPO providers are expected to expand to non-English speaking locations globally, to support non-English speaking clients.   |
| Global delivery model          | KPO providers having near-shoring and on-shoring capabilities are deemed more responsive. Competitive pressures are expected to drive KPO providers to set-up delivery centers closer to the client-locations.  |
| Regulatory requirements        | Some regulatory requirements prohibit the transfer of certain work overseas. In order to tap into this extra business, KPO providers are expected to set up new global delivery centers.  |

### ACQUISITION OF “M/s PRE SCHOOL ANALYTICS PVT. LTD”

The Company has completed all the legal documentation formalities and successfully concluded an Agreement for the Acquisition of Company by name “M/s Pre School Analytics Pvt. Ltd”. M/s Pre School Analytics Pvt. Ltd provides separate preschool curriculum for 2 year old, 3 year old and 4 to 6 year old children. A Preschool curriculum that combines all ages into one preschool program. The Acquisition through merger /amalgamation will be completed during 2010-11 with the due approval process being followed.

### FIRSTOBJECT'S PORTALS

#### [www.firstcallresearch.com](http://www.firstcallresearch.com)

The Company under technical collaboration with Firstcall India Equity Advisors Pvt. Ltd. has launched Equity Research Portal [www.firstcallresearch.com](http://www.firstcallresearch.com) on January 1, 2010. as one of the KPO initiatives of the company.

The portal provides equity research, comprising industry; economy and company specific analysis of listed companies in India. Firstobject has carved out a leadership position by having world's who's who in its client's lists for the research. Firstcall Research is one of the Knowledge Process Outsourcing (KPO) divisions of Firstobject Technologies Ltd. The equity portal would provide features like intraday call, special call, pre market call, key insights, reliable news and finding multibaggers.

The content provided by KPO division of FirstObject Technologies Limited through [www.firstcallresearch.com](http://www.firstcallresearch.com) is going to be subscription oriented one. The Company is making all the arrangements for the on-line subscription and off-line subscription too. The research portal provides both Fundamental and Technical Analysis on Indian Companies and Trends on Capital Markets. The Company's good work through our KPO division is yielding better response from the world's who's who., in terms of credibility and acceptability, the subscription oriented portal shall also further add to revenues.

Firstobject Technologies does research on the companies, which involves a rigorous process of data mining involving primary and secondary data search with reference to India tracking, large cap, small cap, mid cap, international economy, trends on NYSE, NASDAQ and F&O. The resource team of Firstcall Research is known for its unbiased and authentic research. The portal will provide investors with access to institutional quality research on over 1000 Indian stocks. The portal contains charts and graphs that are sourced real time from external research sites. Fund managers can use it as a tool for their investments, which would help them to manage their portfolios. The research portal provides both fundamental and technical analysis on Indian companies and trends on capital markets.

#### [www.firststepandit.com](http://www.firststepandit.com)

FirstObject Technologies has launched [www.firststepandit.com](http://www.firststepandit.com), as a commercial initiative. First-e-Pandit is mainly aimed at Non Resident Indians (NRIs) but also caters to Indians staying away from their home regions.

## MANAGEMENT DISCUSSION & ANALYSIS REPORT

Under First-e-Pandit, all the festivals / ceremonies in a calendar year celebrated in India, along with procedures to perform and live performance of the same is made available in all Indian languages with customization in respective languages, culture and tradition.

e-Pandit will cater to the requirements of one and all, for every occasion in their native language, custom and tradition. The event-wise festivals / ceremonies will be made available in downloadable format and use of the portal will be on pay-per-performance basis.

The initiative of FirstObject is expected to bridge the gaps in the culture and allow many Indians staying away from their respective regions within India and also allow NRIs take the benefit of the initiative of FirstObject. The company has tied up with PayPal for online payment services. Shortly the services from www.firstepandit.com will be started on a Global scale.

### THREATS & RISKS

#### Part i: External Risks relating to the Business of the Company:

1. Changes in Government policies could adversely affect the Company's business, results of operations and financial condition.
2. A decline in India's foreign exchange reserves may affect liquidity and interest rates in the Indian economy, which could have an adverse impact on the Company. A rapid decrease in reserves would also create a risk of higher interest rates and a consequent slowdown in growth.
3. If inflation were to rise in India, the Company might not be able to increase the prices of its services and products in order to pass costs on to its customers and the Company's profits might decline.
4. A significant change in the Central and State Governments' economic liberalization and deregulation policies could disrupt the Company's business.
5. If regional hostilities, terrorist attacks or social unrest in India increase, the Company's business could be adversely affected and the price of the Shares could decrease.
6. A slowdown in economic growth in India could cause the Company's business to suffer
7. Natural calamities could have a negative impact on the Indian economy and could cause the Company's business to suffer and the price of the Shares to decrease.

#### Part ii : Risks Associated with the Expansion of the Company's Business

1. The Company faces risks and uncertainties associated with the implementation of its expansion projects.

The Company plans to expand its brand and product portfolios and its service and distribution networks in India and abroad in the near future, both organically and inorganically via strategic acquisitions. In taking these and any other such expansion initiatives, the Company faces risks and uncertainties, including that:

- Funding anticipated to be deployed towards the cost of the project will not become available in a timely manner or at all.
- Strategic acquisitions may not initially return profits or may incur losses in the future.

### Risks and Risk Mitigation

The ITES Industry thrives under a dynamically changing and highly competitive business environment. The Company too faces several business risks, of which some prominent ones are discussed hereunder alongside the risk mitigation approach followed by the Company:

#### Concentration risks

The Company has taken significant steps to ensure that it does not become too dependent on few clients or any particular geography.

Considerable efforts are being made to generate business from new geographies. Revenue from clients are also spread across customers contributing 62 percent of the business in FY 10.

#### M & A execution risks

The Company has chosen organic and inorganic route to grow exponentially in the future years. During the course, the Company may be exposed to risks such as, increase in cost on account of staffing/advisory fees, due diligence lapses and practical challenges in integration.

## MANAGEMENT DISCUSSION & ANALYSIS REPORT

The Company follows a strategic approach in pursuance of its M & A activities and many of the risks are mitigated by restricting the choice of target companies by applying certain rigorous selection criteria as also by proper resourcing of the integration efforts. The Company also uses team of experts in carrying out the due diligence thereby reducing the risk of lapses. It has successful track record of integrating two' acquisitions in recent years.

### Investment portfolio related risks

In order to deal with surplus cash, the Company, as a policy, does not prefer to invest in high risk assets such as equities and low liquidity assets like real estate etc. The primary area of risk for the Company's market exposures are related to the interest rate risk on its investment securities. To mitigate interest rate risk, all surplus funds are invested in appropriate avenues upon a review by the investment committee. All investment decisions are driven by certain guiding principles like, safety of investments, liquidity and-returns

### Employee-related risks

Attrition: Human Resource functions and initiatives of the Company are driven by a strong set of values and policies. The Company has maintained a competitive, healthy and harmonious work environment at all levels. The Company has taken new initiatives to strengthen its recruitment processes, values and vision programmes, leadership and performance management programmes to retain the best talent.

### Constraints in availability of skilled resources

The Company offers competitive salary constantly benchmarked to the market, world class infrastructure, excellent work culture, high class training and career development and long term growth prospect, to remain an employer of choice. The Company's development centers are in cities which have good availability of skilled manpower.

### Competition-related risk

Indian IT services market remains a very competitive space. The Company is facing competition from large Indian IT vendors and global vendors which are increasing their India presence by setting up offshore delivery centres.

The Company/Subsidiaries are managed by locally recruited professionals and talents across all geographies. They have established strong interaction with various analyst firms worldwide through participation in IT conferences and industry specific events attended by CIO's and executives of major corporations. Sales & marketing and delivery infrastructure of the Company is world class. This helps the Company to maintain its competitive edge over other players.

### Exchange rate risk: Hedge Accounting

In accordance with its Risk management policies and procedures, the Company uses derivative instruments such as foreign currency forward contracts to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and highly probable forecasted transactions. The derivatives that qualify for hedge accounting and designated as cash flow hedges are initially measured at fair value & are re-measured at a subsequent reporting date and the changes in the fair value of the derivatives ie, gain or loss (net of tax impact) is recognized directly in shareholders' funds under hedging reserve to the extent considered highly effective. Gain or loss on derivative instruments that either does not qualify for hedge accounting or not designated as cash flow hedges or designated cash flow hedges to the extent considered ineffective are recognized in the Profit and Loss account.

Hedge accounting is discontinued when the hedging instrument expires, sold, terminated, or exercised, or no longer qualifies for hedge accounting. The cumulative gain or loss on the hedging instrument recognized in shareholder's funds under hedging reserve is retained there until the forecasted transaction occurs subsequent to which the same is adjusted against the related transaction. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in shareholder's fund is transferred to profit and loss account in the same period.

The functional currencies for the Company and its subsidiaries' operations are the respective currencies of the countries in which they operate. Substantial portion of the Company's revenues is derived from foreign exchange; any fluctuation in this could have an impact on the Company's performance. The Company actively books foreign exchange forward covers/ derivative options to hedge against foreign currency fluctuations related to its bills receivables and anticipated realizations from projected revenues.

### Geo-political risks

The ability of Indian ITES services companies to secure offshore projects from client organisations abroad is often subject 'to threat perceptions as regards the Indian subcontinent. Current civil situations in neighboring countries of India may have negative implications for the operations of the Company. To mitigate these risks and to ensure continued delivery of services to clients irrespective of any geo-political disturbances, the Company has been taking appropriate measures in respect of disaster recovery and business continuity, at different locations.

## CORPORATE GOVERNANCE

### 1. Company's Philosophy on Code of Governance

FirstObject Technologies Limited (FirstObject) philosophy on corporate governance envisages the attainment of the highest levels of transparency, accountability and equity, in all facets of its operations, and in all its interactions with its Shareholders, Employees, and the Government. FirstObject believes that all its operations and actions must serve the underlying goal of enhancing overall Shareholder value, over a sustained period of time.

### 2. Board of Directors

The Board of Directors consists of 6 Directors.

**Composition and category of Directors is as follows:**

| Category                               | Name of the Directors  |
|--|------------------------|
| Chairman                               | Dr. Vivek Hebbar       |
| Whole Time Director                    | J Satya Surya Narayana |
| Whole Time Director                    | P Ramnath              |
| Non-Executive and Independent Director | P.Sailesh              |
| Non-Executive and Independent Director | N. Shiva               |
| Non-Executive and Independent Director | Sita Rama Sastry       |

During the year under review, the Board of Directors of the company met 20 times on 09/12/2009, 19/12/2009, 15/12/2009, 04/01/2010, 15/01/2010, 18/01/2010, 25/01/2010, 08/02/2010, 18/02/2010, 11/03/2010, 25/03/2010 EGM, 07/04/2010, 19/04/2010, 30/04/2010, 13/05/2010, 22/05/2010, 10/06/2010, 23/06/2010, 28/07/2010, 19/08/2010 as against the minimum requirement of 4 meetings. The maximum time gap between any two meetings was not more than Four calendar months.

The attendance of each director at the Board Meeting, last Annual General Meeting and Number of other directorship and Chairmanship/membership of Committee held by each of the director in other companies are as under

| Name of the Director       | Attendance Particulars |          | No. of other directorships and committee member/Chairmanship |                       |                         |
|----------------------------|------------------------|----------|--|-----------------------|-------------------------|
|                            | Board Mtgs.            | Last AGM | Other Directorship   | Committee Member ship | Committee Chairman ship |
| Dr. Vivek Hebbar           | 20                     | Yes      | Nil  | 3                     | 2                       |
| Mr. J.Satya.Surya Narayana | 15                     | Yes      | Nil  | 2                     | 1                       |
| Mr. N.Shiva                | 10                     | Yes      | Nil  | Nil                   | Nil                     |
| Mr. P.Sailesh              | 14                     | Yes      | Nil  | Nil                   | Nil                     |
| Mr. Sita Rama Sastry       | 17                     | Yes      | Nil  | 1                     | 1                       |
| Mr. P. Ramnath             | 18                     | Yes      | Nil  | 1                     | 1                       |

### 3. Audit Committee

The Audit Committee of the company for the year 2009-10 has been constituted with Dr. Vivek Hebbar, Mr. P.Sailesh and Mr. P Ramnath as members of the committee.

The committee met 5 times. The constitution of Committee also meets with the requirements under Section 292A of the Companies Act, 1956. The terms of reference of the Audit Committee are as contained in the Clause 49 of the Listing Agreement. Dr. Vivek Hebbar is the Chairman of this Committee.

For the year 2010-11, the Audit Committee of the company is reconstituted with Dr.Vivek Hebbar, Mr. Sita Rama Sastry and Mr.P.Ramnath.

### 4. Remuneration Committee

The Remuneration Committee of the company for the year 2009-10 had been reconstituted in the last year with, Mr. J. Satya Surya Narayana, Mr. P. Sailesh and Mr.P.Ramnath as members of the committee.

The Remuneration Committee has been constituted to recommend/ review the remuneration package of the Directors based on performance and defined criteria. The remuneration policy is directed towards rewarding performance, based on review of achievements on a periodical basis. The remuneration policy is in consonance with the existing Industry practice. Mr.J.Satya Surya Narayana, to act as chairman of the committee.

## CORPORATE GOVERNANCE

For the year 2010-11, the remuneration committee is formed with Mr.J.Satya Surya Narayana, Mr. P. Sailesh and Mr.P.Ramnath as members of the committee.

Details of remuneration paid to the Directors for the year.

The aggregate value of salary, perquisites, and commission paid for the year ended 31st March 2010, to Directors is as follows:

The Company pays sitting fees to its Directors.

### 5. Shareholders / Investors Grievance Committee

The Shareholder's / Investors Grievance Committee of the company has been constituted for the Year 2009-10 with Dr. Vivek Hebbar, Mr. J. Satya Surya Narayana and Mr. P. Sailesh as members of the committee.

Mr. P. Sailesh is the Chairman of the committee.

Mrs. CV.S.L.Kameshwari is designated as Compliance Officer of the Company.

For the year 2010-11, the Shareholders' / Investors Grievance Committee is constituted with, Mr. Sita Rama Sastry, Mr. J. Satya Surya Narayana and Mr. P. Sailesh as members of the committee.

### 6. General Body Meetings

a) Location and place of last three Annual General Meetings:

|         |                            |            |            |
|---------|----------------------------|------------|------------|
| 2006-07 | At Regd Office             | 20.09.2007 | 3.00 p.m.  |
| 2007-08 | At Regd Office             | 27.09.2008 | 10.00 a.m. |
| 2008-09 | At Hotel Savera, Hyderabad | 28.11.2009 | 11.00 a.m. |
| 2009-10 | At Hotel Savera, Hyderabad | 30.09.2010 | 10.00 a.m. |

b) During the financial year , the company has not obtained any resolution by way of postal ballot in terms of Section 192A of the Companies Act, 1956.

### 7. Disclosures:

a) There were no material transactions between the company and its Directors or management or their relatives that have any potential conflict with interests of the company at large. Transactions with related party are disclosed elsewhere in the Annual Report. None of the transactions have potential conflict with interest of the company at large.

b) Details of non-compliance by the company, penalties, strictures imposed on the company by Stock Exchanges or any statutory authority, on any matter related to capital markets, during the last three years – None.

### 8. Means of communication

The company has promptly reported all information including declaration of Quarterly Financial Results to the Stock Exchange where the stocks of the company are listed. The company also publishes the Audited / Unaudited financial results in Free Press Journal, English Newspaper and in Regional Newspapers.

### 9 General Shareholder Information

|   |   |                        |            |                                   |                        |                |                       |               |                       |                          |                          |
|---|---|------------------------|------------|-----------------------------------|------------------------|----------------|-----------------------|---------------|-----------------------|--------------------------|--------------------------|
| 9.1 Annual General Meeting                                  | 30/09/2010 at 10.00 A.M.<br>At Seminar Hall, Hotel Savera Residency,<br>Besides Big Bazaar Shopping Mall, Ameerpet, Main Road<br>Hyderabad - 500 016.   |                        |            |                                   |                        |                |                       |               |                       |                          |                          |
| 9.2 Financial Calendar:                                     | <table border="1"> <tbody> <tr> <td>Annual General Meeting</td> <td>30.09.2010</td> </tr> <tr> <td>Result of First Quarter June 2009</td> <td>Last week of July 2009</td> </tr> <tr> <td>Second Quarter</td> <td>Last week of Oct 2009</td> </tr> <tr> <td>Third Quarter</td> <td>Last week of Jan 2010</td> </tr> <tr> <td>Result of Fourth quarter</td> <td>Third week of April 2010</td> </tr> </tbody> </table> | Annual General Meeting | 30.09.2010 | Result of First Quarter June 2009 | Last week of July 2009 | Second Quarter | Last week of Oct 2009 | Third Quarter | Last week of Jan 2010 | Result of Fourth quarter | Third week of April 2010 |
| Annual General Meeting                                      | 30.09.2010  |                        |            |                                   |                        |                |                       |               |                       |                          |                          |
| Result of First Quarter June 2009                           | Last week of July 2009  |                        |            |                                   |                        |                |                       |               |                       |                          |                          |
| Second Quarter  | Last week of Oct 2009   |                        |            |                                   |                        |                |                       |               |                       |                          |                          |
| Third Quarter   | Last week of Jan 2010   |                        |            |                                   |                        |                |                       |               |                       |                          |                          |
| Result of Fourth quarter                                    | Third week of April 2010  |                        |            |                                   |                        |                |                       |               |                       |                          |                          |
| 9.3 Book Closure date:                                      | 29.09.2010 to 30.09.2010  |                        |            |                                   |                        |                |                       |               |                       |                          |                          |
| 9.4 Dividend payment date :                                 | N.A   |                        |            |                                   |                        |                |                       |               |                       |                          |                          |
| 9.5 (a) Listing of Equity Shares                            | The Bombay Stock Exchange Ltd, Mumbai   |                        |            |                                   |                        |                |                       |               |                       |                          |                          |
| 9.6 (a) Stock Code  | FirstObject 532379  |                        |            |                                   |                        |                |                       |               |                       |                          |                          |
| (b) Demat ISIN Numbers in NSDL & CDSL<br>for Equity Shares. | INE 683 B 01039   |                        |            |                                   |                        |                |                       |               |                       |                          |                          |

## CORPORATE GOVERNANCE

### 9.7 Stock Market Data at BSE

| Month          | High Price | Low Price | Close Price | No. of Trades |
|----------------|------------|-----------|-------------|---------------|
| April 2009     | 7.90       | 5.00      | 6.70        | 1443          |
| May 2009       | 10.10      | 5.80      | 10.10       | 1604          |
| June 2009      | 13.20      | 8.50      | 9.50        | 3837          |
| July 2009      | 9.80       | 7.00      | 8.40        | 1764          |
| August 2009    | 10.30      | 7.80      | 10.30       | 1369          |
| September 2009 | 12.40      | 8.90      | 9.30        | 2326          |
| October 2009   | 16.20      | 8.80      | 16.20       | 1963          |
| November 2009  | 23.80      | 13.40     | 22.40       | 4993          |
| December 2009  | 32.60      | 23.50     | 27.80       | 7137          |
| January 2010   | 37.20      | 25.97     | 26.09       | 6154          |
| February 2010  | 36.20      | 24.30     | 31.70       | 6593          |
| March 2010     | 33.95      | 27.00     | 27.60       | 7977          |

Note: Price @ Rs.10 Face Value.

**Registrar and Transfer Agents:**  
(Share transfer and communication regarding share certificates, dividends and change of address)

**Bigshare Services Pvt Ltd**  
E-2, Ansal Industrial Estate,  
Saki-Vihar Road, Sakinaka,  
Andheri (E), Mumbai - 400 072

Share Transfer System as per listing agreement and Companies Act, 1956

### 9.8 Category of Shareholders as on 31st March, 2010.

| Category Code | Category of Shareholder   | No. of Shareholders | Total No. of Shares | Total No. of Shares held in Dematerialized Form | Total Shareholding as a % of Total No. of Shares |                   |
|---------------|---|---------------------|---------------------|---|--|-------------------|
|               |   |                     |                     |   | As a % of (A+B)1                                 | As a % of (A+B+C) |
| (A)           | Shareholding of Promoter and Promoter Group <sup>2</sup>                              |                     |                     |   |  |                   |
| (1)           | Indian  |                     |                     |   |  |                   |
| (a)           | Individuals/ Hindu Undivided Family   | 2                   | 135991              | 135991  | 0.71   | 0.71              |
| (b)           | Bodies Corporate  | 2                   | 2507576             | 2501985   | 13.09  | 13.09             |
|               |   | 4                   | 2643567             | 2637976   | 13.81  | 13.81             |
| 2             | Foreign   | 0                   | 0                   | 0   | 0  | 0                 |
|               | Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)                  | 4                   | 2643567             | 2637976   | 13.81  | 13.81             |
| (B)           | Public shareholding   |                     |                     |   |  |                   |
| 1             | Institutions  | 0                   | 0                   | 0   | 0.00   | 0.00              |
| 2             | Non-institutions  |                     |                     |   |  |                   |
| (a)           | Bodies Corporate  | 348                 | 2065811             | 2065811   | 10.79  | 10.79             |
| (b)           | Individuals   |                     |                     |   |  |                   |
| I             | Individuals -i. Individual shareholders holding nominal share capital up to Rs 1 lakh | 19894               | 7868871             | 7829321   | 41.09  | 41.09             |
| II            |   |                     |                     |   |  |                   |
| ii.           | Individual shareholders holding nominal share capital in excess of Rs. 1 lakh.        | 151                 | 6294068             | 6258868   | 32.87  | 32.87             |
| (c)           | Any Other (specify)   | 0                   | 0                   | 0   | 0.00   | 0.00              |
| (c-i)         | Clearing Member   | 45                  | 53494               | 53494   | 0.28   | 0.28              |
| (c-ii)        | N.R.I   | 29                  | 223488              | 223488  | 1.17   | 1.17              |
| (c-iii)       | OCB'S   | 0                   | 0                   | 0   | 0.00   | 0.00              |
| c-4           | Independent Director  | 0                   | 0                   | 0   | 0.00   | 0.00              |
|               | Sub-Total (B)   | 20467               | 16505732            | 16430982  | 86.19  | 86.19             |
|               | TOTAL (A)+(B)   | 20471               | 19149299            | 19068958  | 100.00   | 100.00            |
| (C)           | Shares held by Custodians and against which Depository Receipts have been issued      | 0                   | 0                   | 0   | 0  | 0                 |
|               | GRAND TOTAL (A)+(B)+(C)   | 20471               | 19149299            | 19068958  | 100.00   | 100.00            |



## CORPORATE GOVERNANCE

### 9.9 Distribution of Share Holding as on 31st March, 2010.

| Range            | Total Holders | % Total Holders | Holding in Rs.     | % Total Capital |
|------------------|---------------|-----------------|--------------------|-----------------|
| 1-5000           | 17,250        | 84.25           | 27,150,510         | 14.18           |
| 5001-10000       | 1,582         | 7.73            | 133,64,270         | 6.98            |
| 10001-20000      | 728           | 3.56            | 11,263,470         | 5.88            |
| 20001-30000      | 297           | 1.45            | 7,605,330          | 3.97            |
| 30001-40000      | 106           | 0.52            | 3,851,200          | 2.01            |
| 40001-50000      | 122           | 0.59            | 5,883,530          | 3.07            |
| 50001-100000     | 195           | 0.95            | 15,012,010         | 7.83            |
| 100001-999999999 | 195           | 0.95            | 107,362,670        | 56.06           |
| <b>Total</b>     | <b>20,475</b> |                 | <b>191,492,990</b> |                 |

9.10 Dematerialisation of Shares : Trading in Equity Shares of the Company is permitted only in dematerialised form. As of 31st March, 2010, 99.58% are in dematerialised form.

### 9.11 (i) Investor Correspondence

For transfer/ dematerialisation of shares :  
payment of dividend on shares, interest  
and redemption of debentures, and  
any other query relating to the shares  
and debentures of the Company.

**Bigshare Services Pvt Ltd**  
E-2, Ansal Industrial Estate,  
Saki-Vihar Road, Sakinaka,  
Andheri (E), Mumbai - 400 072.

### (ii) Any other query

**FirstObject Technologies Ltd**  
1st Floor, Swayamkrishi,  
SMILINE Building, No: 8-3-952/10/2 & 2/1  
Srinagar Colony,  
Hyderabad-500 073, India.  
E-Mail: info@firstobjectindia.com

For and on behalf of Board of Directors

Sd/-  
**Dr. Vivek Hebbar**  
Chairman, Board of Directors

### Regd Office:

1st Floor, Swayamkrishi,  
SMILINE Building, No: 8-3-952/10/2 & 2/1  
Srinagar Colony,  
Hyderabad-500 073

Place: Hyderabad  
Date: 04.09.2010

## **CORPORATE GOVERNANCE**

### **COMPLIANCE CERTIFICATE ON CORPORATE GOVERNANCE**

To  
The Board of Directors of  
M/s Firstobject Technologies Limited

We have reviewed the implementation of the Corporate Governance procedure set by FirstObject Technologies Ltd (“the company”) for the period ended 31st March, 2010 with the relevant records and documents maintained by the company and furnished to us for our review.

Based on the verification of information and explanations given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated under clause 49 of the Listing Agreement with Stock Exchanges.

**For J&K.Agarwal & Co.**  
Chartered Accountants

Sd/-  
**(J.K.Agarwal)**  
Partner  
M.No: 35554

Place: Mumbai  
Date: 04.09.2010

## AUDITORS REPORT

To the members of the FirstObject Technologies Ltd,

We have audited the attached Balance Sheet of **M/s. FirstObject Technologies Ltd** as at 31st March, 2010 and the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on the date, both 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 the 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 from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Companies (Auditors Report) Order, 2003 issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

Further to our comments. In the Annexure referred to in paragraph 3 above:

- i. 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;
- ii. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
- iii. The Balance Sheet and the Profit & Loss Account dealt with by this report are in agreement with the books of account;
- iv. In our opinion, the Balance Sheet, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred in Section 211(3C) of the Companies Act, 1956;
- v. On the basis of the written representations from the directors, taken on record by the Board of Directors, none of the directors are disqualified as on 31st March, 2010 from being appointed as a director under Section 274(1)(g) of the Companies Act, 1956;
- vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
  - i. in the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2010;
  - ii. in the case of the Profit and Loss Account, of the Profit of the Company for the year ended on that date; and
  - iii. in the case of the Cash Flow Statement of the Cash Flows of the Company for the year ended on the date.

**For J&K. Agarwal & Co.**  
 Chartered Accountants

Sd/-  
**(J.K. Agarwal)**  
 Partner  
 M.No: 35554

Place: Mumbai  
 Date: 04-09-2010

### ANNEXURE TO AUDITORS REPORT

The Annexure referred to in Auditors report to the M/s. FirstObject Technologies Ltd for the year ended 31st March, 2010. We report that:

- 1.1 The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- 1.2 The Company has phased programme of physical verification of fixed assets, which in our opinion, is reasonable having regard to the size of the company and nature of fixed assets. In accordance with the programme, the fixed assets have been physically verified by the management during the year. No material discrepancies were noticed during the year on such verification.
- 1.3 The Company has not disposed off any fixed assets of its own use, excepting the assets which has technical obsolescence, as such the assets disposed off during the year were not substantial and therefore do not affect the going concern status of the Company.

During the year, a major fire broke out at our company's operational premises located at Srinagar Colony, Hyderabad due to an electric short circuit. The company had to shift its operations to an alternative site located at Kukkatpally, Hyderabad during the said period the work continued without any break. Some of the fixed assets of the Company got destroyed in the fire accident.

## AUDITORS REPORT

- 2.0 In our opinion and according to the information and explanations 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.
- 3.0 In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of fixed assets. During the course of our audit, no major weakness has been noticed in the above controls and therefore the reporting of the same does not arise.
- 4.0 In respect of transactions entered in the register maintained in pursuance of section 301 of the Companies Act, 1956.
  - a) To the best of our knowledge and belief and according to the information and explanations given to us, transactions that need to be entered into the register have been so entered.
  - b) According to the information and explanations given to us, where each of such transactions in excess of Rs.5.lakhs in respect of any party, the transactions have been made at prices which are, prima facie, reasonable having regard to the prevailing market prices at the relevant time.
- 5.0 The Company has not accepted public deposits in accordance with the provisions of Section 58AA of the Companies Act, 1956.
- 6.0 In our Opinion, Company has an internal audit system, commensurate with the size of the Company and nature of its business.
- 7.0 The Central Government has not prescribed the maintenance of cost records under Section 209(1 )(d) of the Companies Act, 1956.
- 8.0
  - a) According to the records of the company, provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income tax, Wealth tax, and Sales tax as applicable were regularly deposited during the year with the appropriate authorities.
  - b) According to the information and explanations given to us, and the books and records examined by us, there are no dues towards sales tax, income tax, customs duty, wealth tax, excise duty and cess, which have not been deposited on account of dispute.
- 9.0 The Company has accumulated losses at the end of the financial year and has not incurred cash losses during and immediately preceding financial years.
10. Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the company has not defaulted in repayment of dues to banks.
- 11 According to the information and explanations given to us and based on our examinations of records, the company has not granted loans and advances on the basis of security by way of pledge of shares and other securities.
12. The Company is not a chit fund / niche / metal benefit fund or society.
13. Based on our examinations of records and the information and explanations given to us, the company does not deal/ trade in shares, securities, and other investments.
14. In our opinion and according to the information and explanations given to us, the company has not given guarantees.
15. To the best of our knowledge and belief and according to the information and explanations given to us, the company has not availed any term loans during the year.
16. According to the cash flow statement and other records examined by us and the information and explanations given to us, on an overall examination of the balance sheet of the company, funds raised on short term basis,. Prima facie, have not been used during the year for long term investment and vice versa.
17. According to the information and explanation given to me, the company has made preferential allotment of shares to promoters, strategic investors and others covered in the register maintained under section 301 of the act.
18. Company has not issued any debentures during the year.
19. The Company has not made any public issue of shares during the year.
20. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the company was noticed or reported during the year.
21. In our opinion and according to the information and explanation given to us, the nature of the companies business/ activities during the year have been such that clause (ii) of paragraph 4 of the Companies (Auditors Report) Order, 2003 are not applicable to the company.

**For J&K.Agarwal & Co.**  
*Chartered Accountants*

Sd/-  
**(J.K.Agarwal)**  
*Partner*  
 M.No:35554

Place: Mumbai  
 Date: 04-09-2010

**BALANCE SHEET AS ON 31ST MARCH 2010**

| Particulars  | Sch no | Amount (Rs)        |                    |
|--|--------|--------------------|--------------------|
|  |        | As at 31.03.2010   | As at 31.03.2009   |
| <b>Sources of Funds</b>  |        |                    |                    |
| 1. Shareholder's Funds   |        |                    |                    |
| A. Share Capital   | 1      | 191,492,990        | 191,492,990        |
| B. Reserves & surplus  | 2      | 58,114,556         | 75,912,671         |
| 2. Loan Funds  |        |                    |                    |
| Unsecured Loans  | 3      | 3,730,444          | 1,490,000          |
| 3. Deferred Tax Liability  | 4      | 7,656,383          | -                  |
| <b>TOTAL</b>   |        | <b>260,994,372</b> | <b>268,895,661</b> |
| <b>Application of Funds</b>  |        |                    |                    |
| 1. Fixed Assets  |        |                    |                    |
| Gross Block  | 5      | 102,774,979        | 124,615,370        |
| Less: Accumulated Depreciation   |        | 38,087,084         | 80,773,600         |
| Net block  |        | 64,687,895         | 43,841,770         |
| 2. Deferred Tax Asset  | 4      | -                  | 2,500,000          |
| 3. Investments   | 6      | 99,033,225         | 99,033,225         |
| 4. Current Assets  | 7      |                    |                    |
| Receivables  |        | 46,532,272         | 22,198,981         |
| Cash and Bank Balances   |        | 1,318,494          | 643,710            |
| Loans and Advances   |        | 62,875,349         | 62,635,300         |
|  |        | 110,726,115        | 85,477,991         |
| 5. Current Liabilities and Provisions                                  | 8      |                    |                    |
| Liabilities  |        | 33,462,858         | 1,530,000          |
| Provisions   |        | -                  | 26,000             |
|  |        | 33,462,858         | 1,556,000          |
| <b>Net Current Assets</b>  |        | <b>77,263,257</b>  | <b>83,921,991</b>  |
| 6. Miscellaneous expenditure to the extent not written off or adjusted |        |                    |                    |
|  |        | 20,009,994         | 39,598,676         |
| 7. Profit & Loss Account   |        |                    |                    |
|  |        | 260,994,372        | 268,895,661        |
| <b>TOTAL</b>   |        | <b>260,994,372</b> | <b>268,895,661</b> |

Significant Accounting Policies and Notes on Accounts.

11

As per our report of even date attached  
 For J & K Agarwal & Co.,  
 Chartered Accountants

For and on behalf of the Board

Sd/-  
 (J.K. Agarwal)  
 Partner  
 M.No: 35554

Sd/-  
 (J.S. Surya Narayana)  
 Director

Sd/-  
 (Dr. Vivek Hebbar)  
 Chairman, Board of Directors

Place : Mumbai  
 Date: 04.09.2010

sd/-  
 (P Ramnath)  
 Director

**PROFIT & LOSS ACCOUNT FOR THE PERIOD ENDED 31ST MARCH, 2010**

| Particulars                                       | Sch no | Amount (Rs)         |                  |
|---|--------|---------------------|------------------|
|   |        | As at 31.03.2010    | As at 31.03.2009 |
| <b>Income</b>                                     |        |                     |                  |
| Sales & Other Income                              | 9      | <b>249,350,784</b>  | 178,905,924      |
| <b>Total Income</b>                               |        | <b>249,350,784</b>  | 178,905,924      |
| <b>Expenditure</b>                                |        |                     |                  |
| Depreciation                                      | 5      | <b>20,794,931</b>   |                  |
| Transferred from Revaluation Reserve              |        | <b>17,798,115</b>   | 17,299,326       |
| <b>Total Expenditure</b>                          |        | <b>200,308,388</b>  | 164,864,151      |
| Profit Before Taxation and Extra Ordinary Items   |        | <b>49,042,396</b>   | 14,041,773       |
| Loss of Asset by Fire                             |        | <b>15,886,365</b>   | -                |
| Profit Before Taxation after Extra Ordinary Items |        | <b>33,156,031</b>   | 14,041,773       |
| Provision for Taxation                            |        |                     |                  |
| Current Tax                                       |        | -                   | -                |
| Deferred Tax                                      |        | <b>10,156,383</b>   | (2,500,000)      |
| Fringe Benefit Tax (Provision)                    |        | -                   | 26,000           |
| Profit/Loss after Tax before Appropriations       |        | <b>22,999,649</b>   | 16,515,773       |
| <b>APPROPRIATIONS</b>                             |        |                     |                  |
| Interim Dividend on Equity Shares                 |        | <b>1,914,930</b>    | -                |
| Proposed Dividend on Equity Shares                |        | <b>1,000,551</b>    | -                |
| Tax on Dividend                                   |        | <b>495,486</b>      | -                |
| Profit/Loss after Tax and Appropriations          |        | <b>19,588,682</b>   | 16,515,773       |
| Add : Opening Balance of P& L A/c                 |        | <b>(39,598,676)</b> | (56,114,449)     |
| Balance carried to Balance Sheet                  |        | <b>(20,009,994)</b> | (39,598,676)     |
| Significant Accounting policies/Notes to Accounts | 11     |                     |                  |
| Earnings Per Share                                |        |                     |                  |
| Basic and Diluted (On Rs 10 per share F.V)        |        | <b>1.20</b>         | 0.86             |

As per our report of even date attached  
**For J & K Agarwal & Co.,**  
*Chartered Accountants*

Sd/-  
**(J.K. Agarwal)**  
*Partner*  
 M.No: 35554

Place : Mumbai  
 Date: 04.09.2010

For and on behalf of the Board

Sd/-  
**(J.S. Surya Narayana)**  
*Director*

sd/-  
**(P Ramnath)**  
*Director*

Sd/-  
**(Dr. Vivek Hebbar)**  
*Chairman, Board of Directors*

## SCHEDULES TO THE BALANCE SHEET

| Particulars                                | Amount (Rs)         |                  |
|--|---------------------|------------------|
|  | As at 31.03.2010    | As at 31.03.2009 |
| <b>Schedule -1</b>                         |                     |                  |
| <b>SHARE CAPITAL</b>                       |                     |                  |
| <b>Authorised</b>                          |                     |                  |
| 25,00,00,00 Equity Shares of Rs. 10/- each | <b>250,000,000</b>  | 250,000,000      |
| <b>Issued Share Capital</b>                |                     |                  |
| 19,23,45,00 Equity Shares of Rs. 10/- each | <b>192,345,000</b>  | 192,345,000      |
| <b>Subscribed and paid up capital</b>      |                     |                  |
| 19,14,92,99 Equity Shares of Rs. 10/- each | <b>191,492,990</b>  | 191,492,990      |
| Total                                      | <b>191,492,990</b>  | 191,492,990      |
| <b>Schedule -2</b>                         |                     |                  |
| <b>Reserves and Surplus</b>                |                     |                  |
| Securities Premium Account                 | <b>15,060,661</b>   | 15,060,661       |
| Capital Reserve                            | <b>852,010</b>      | 852,010          |
| Revaluation Reserve Account                |                     |                  |
| Opening Balance                            | <b>60,000,000</b>   | -                |
| Additions during the year                  | -                   | 60,000,000       |
| Less: Transferred to Profit & Loss Account | <b>17,798,115</b>   | -                |
| Closing Balance                            | <b>42,201,885</b>   | 60,000,000       |
| Total                                      | <b>58,114,556</b>   | 75,912,671       |
| <b>Schedule -3</b>                         |                     |                  |
| <b>Unsecured Loans</b>                     |                     |                  |
| Others                                     | <b>3,730,444</b>    | 1,490,000        |
| <b>Schedule -4</b>                         |                     |                  |
| Deferred Tax Asset                         | <b>2,500,000</b>    | -                |
| Less: Deferred Tax Liability for the Year  | <b>(10,156,383)</b> | -                |
| Add Deferred Tax Asset for the Year        | -                   | 2,500,000        |
| Deferred Tax Asset / Liability             | <b>(7,656,383)</b>  | 2,500,000        |

| Particulars          | Amount (Rs)                    |            |            |                              |                     |                 |            |                     |                     |                     |
|----------------------|--------------------------------|------------|------------|------------------------------|---------------------|-----------------|------------|---------------------|---------------------|---------------------|
|                      | GROSS BLOCK                    |            |            |                              | DEPRECIATION        |                 |            |                     | NET BLOCK           |                     |
|                      | Balance<br>as at<br>01.04.2009 | Additions  | Deletions  | Total<br>as at<br>31.03.2010 | Up to<br>01.04.2009 | for the<br>Year | Deletions  | As at<br>31-03-2010 | As at<br>31-03-2010 | As at<br>31.03.2009 |
| Computers            | 57,942,713                     | 17,523,825 | 57,942,713 | 17,523,825                   | 51,060,001          | 2,482,716       | 51,060,001 | 2,482,716           | 15,041,109          | 6,882,712           |
| Electrical Equipment | 1,559,760                      | 301,612    | 1,559,760  | 301,612                      | 116,365             | 17,377          | 116,365    | 17,377              | 284,236             | 1,443,395           |
| Air Conditioners     | 2,588,554                      | 2,337,879  | 2,588,554  | 2,337,879                    | 2,226,386           | 120,251         | 2,226,386  | 120,251             | 2,217,627           | 362,168             |
| Furniture & Fixtures | 16,746,857                     | 3,521,506  | 16,746,857 | 3,521,506                    | 9,916,545           | 105,081         | 9,916,545  | 105,081             | 3,416,425           | 6,830,312           |
| Office Equipment     | 529,928                        | 692,599    | 529,928    | 692,599                      | 162,150             | 43,169          | 162,150    | 43,169              | 649,430             | 367,778             |
| Software and IPR's   | 45,247,558                     | 33,150,000 | -          | 78,397,558                   | 17,292,153          | 18,026,338      | -          | 35,318,491          | 43,079,067          | 27,955,405          |
| Total                | 124,615,370                    | 57,527,421 | 79,367,812 | 102,774,979                  | 80,773,600          | 20,794,931      | 63,481,447 | 38,087,084          | 64,687,895          | 43,841,770          |

**Note:**

Software and IPR's have been revalued during the year 2008-09

**SCHEDULES TO THE BALANCE SHEET**

| Particulars  | Amount (Rs)        |                   |
|--|--------------------|-------------------|
|  | As at 31.03.2010   | As at 31.03.2009  |
| <b>Schedule -6</b>   |                    |                   |
| <b>INVESTMENTS</b>   |                    |                   |
| Trade Investments  |                    |                   |
| Investment in Subsidiary Company<br>TRACTEL SOLUTIONS INC<br>(510000 equity shares of USD 1 each)                          | 60,000,000         | 60,000,000        |
| Quoted   |                    |                   |
| OCTANT INTERACTIVE TECHNOLOGIES LTD<br>(3726322 equity shares of Rs.10 each face value)<br>(Market Value - Rs. 37,524,063) | 39,033,225         | 39,033,225        |
|  | <u>99,033,225</u>  | <u>99,033,225</u> |
| <b>Schedule 7</b>  |                    |                   |
| <b>CURRENT ASSETS</b>  |                    |                   |
| (i) Receivables  |                    |                   |
| Sundry Debtors   |                    |                   |
| Secured  |                    |                   |
| Debtors exceeding for a period of six months   |                    |                   |
| Considered Good  |                    |                   |
| Considered Doubtful  |                    |                   |
| Other Debts considered good  |                    |                   |
| Unsecured  |                    |                   |
| Others (Considered Good)   | 46,532,272         | 22,198,981        |
| Others (Considered Doubtful)   |                    |                   |
|  | <u>46,532,272</u>  | <u>22,198,981</u> |
| (ii) Cash & Bank Balances  |                    |                   |
| Cash on hand (As certified by Director / Management)   | 5,000              | 11,000            |
| Bank Balances  |                    |                   |
| With Scheduled banks   | 1,313,494          | 632,710           |
| With Deposit Accounts  |                    |                   |
|  | <u>1,318,494</u>   | <u>643,710</u>    |
| (iii) Loans and Advances   |                    |                   |
| (Unsecured- Considered good unless otherwise than stated)  |                    |                   |
| Advances Recoverable in Cash or in kind or for Value to be received  | 62,875,349         | 62,635,300        |
| Considered Good  |                    |                   |
|  | <u>62,875,349</u>  | <u>62,635,300</u> |
| <b>Total Current assets</b>  | <u>110,726,115</u> | <u>85,477,991</u> |
| <b>Schedule -8</b>   |                    |                   |
| <b>CURRENT LIABILITIES &amp; PROVISIONS</b>  |                    |                   |
| Liabilities  | 33,462,858         | 1,530,000         |
| Provisions   |                    | 26,000            |
|  | <u>33,462,858</u>  | <u>1,556,000</u>  |
| <b>Total Current Liabilities</b>   | <u>33,462,858</u>  | <u>1,556,000</u>  |



**SCHEDULES TO THE PROFIT & LOSS ACCOUNT**

| Particulars                                | Amount (Rs)        |                    |
|--|--------------------|--------------------|
|  | As at 31.03.2010   | As at 31.03.2009   |
| <b>Schedule 9</b>                          |                    |                    |
| <b>INCOME</b>                              |                    |                    |
| Software Sales                             | 243,673,768        | 173,544,325        |
| Other Income                               | 5,677,016          | 5,361,599          |
| <b>Total</b>                               | <b>249,350,784</b> | <b>178,905,924</b> |
| <b>Schedule 10</b>                         |                    |                    |
| <b>ADMINISTRATIVE &amp; OTHER EXPENSES</b> |                    |                    |
| Communication Expenses                     | 228,494            | 180,000            |
| Postage & Courier Charges                  | 770,657            | 104,034            |
| Travelling Expenses                        | 2,521,240          | 1,647,311          |
| Other Expenses                             | 1,016,350          | 1,701,466          |
| Repair & Maintenance                       | 642,807            | 581,515            |
| Rent                                       | -                  | 1,500,000          |
| Bank Charges                               | 46,208             | 22,390             |
| Salaries / Outsourcing & Onsite Expenses   | 187,245,895        | 140,103,943        |
| Audit Fees                                 | 48,879             | 33,708             |
| Business Promotion Expenses                | 2,203,332          | 1,235,426          |
| Hotel Charges                              | 751,800            | -                  |
| Depository Charges                         | 375,472            | -                  |
| Web Development Charges / Domain           | 476,220            | -                  |
| Electricity Charges                        | 470,948            | 420,000            |
| Rates and Taxes                            | 513,269            | 35,032             |
| <b>Total</b>                               | <b>197,311,571</b> | <b>147,564,825</b> |

**Significant Accounting Policies and Notes on Accounts for the year ended 31st March 2010.**
**Schedule 11**
**A- Significant Accounting Policies**
**1. Basis of Accounts**

- (a) The financial statements have been prepared under the historical cost conversion and in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India and relevant, presentational requirements of the Companies Act, 1956.
- (b) Accounting policies not specifically referred to are consistent and in consonance with Generally Accepted Accounting Principles followed by the Company and are in compliance with the Accounting Standards referred to under Section 211(3C) of the Companies Act, 1956.
- (c) The Preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires management to make estimates and losses on going software projects, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates are made for expected contract cost to be incurred to complete software development and the useful life of fixed assets. Actual could differ from these estimates.

**2. Fixed Assets**

Fixed Assets are stated at cost after providing the depreciation in the Hardware & Software and other Fixed Assets. Depreciation has been provided on WDV Basis.

**3. Revenue Recognition**

The Company derived its revenues primarily from software services and software products. Revenue from time and material contract is recognized on the basis of software developed and billed in accordance with the terms of the contract, under the percentage of completion method.

**4. Taxation**

Taxation is accounted on the basis of the Liability Method which is generally followed in India. Provision is made for Income Tax based on computations after considering rebates, reliefs and exemptions under the Income Tax Act, 1961. The Provident Fund and Superannuation Schemes are defined contribution plans for which contribution accruing each year as per the scheme is expensed.

**5. Retirement Benefits**

The Company has not provided for gratuity amount. It will be paid and accounted as and when the liability arises.

**6. Loss of Asset due to Fire :**

During the year, a major fire broke out at our company's operational premises located at Srinagar Colony, Hyderabad due to an electric short circuit. The company had to shift its operations to an alternative site located at Kukkatpally, Hyderabad during the said period the work continued without any break. Some of the fixed assets of the Company got destroyed in the fire accident.

**B. Notes to Accounts**

1. Figures have been rounded off to the nearest rupee.
2. Schedule 1 to 10 consist of forming part of Balance Sheet and Profit and Loss account.
3. All figures are in Rupees. Paise have been rounded to nearest Rupee.
4. Previous year figures are regrouped and rearranged wherever necessary.
5. In the opinion of the management all current assets including loans and advances would in the normal course of business be realized to the value stated.
6. Quantitative details

The company is engaged in the business of development of Software Products. The production and sale of 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 of Part II of Schedule VI of the Companies Act, 1956.

## Significant Accounting Policies and Notes on Accounts for the year ended 31st March 2010.

7. The Company has earned a Foreign Exchange of Rs. 243,673,768 (Previous Year: Rs 16,66,32,344) during the year. The company has incurred an Expenditure of Rs.185,124,324 (Previous Year Rs.138,123,943)
8. The Company is engaged primarily in the business of software development, but during the current financial year the company did only data entry works and accordingly there are no separate reportable segments as per Accounting Standard - AS 17 - Segment Reporting issued by ICAI.
9. Provision for Deferred Tax Liability made as follows:
- |                                    |            |
|------------------------------------|------------|
| Depreciation as per Companies Act  | 2,996,816  |
| Depreciation as per Income Tax Act | 32,877,318 |
| Timing Difference                  | 29,880,502 |
| Provision for Deferred Tax         | 10,156,383 |
10. Earnings per Share (AS-20)
- Basic and Diluted Earnings per share is calculated by dividing the net profit attributable to the ordinary shareholders by the weighted average number of ordinary shares outstanding during the year and shown in the Profit and Loss account.
11. Audit Fees for the year is Rs 48,879 (Statutory Audit Rs 30,000, Tax Audit Rs 10,000 and Service Tax Rs8,879) and Previous year Rs 33,708 (Statutory Audit Rs 20,000, Tax Audit Rs 10000 and Service Tax Rs 3,708).
12. In accordance with the Accounting Standard 18 of Related Party Disclosures, name of the related parties and description of the relationship are given below :

| S no | Name of Party         | Description of relationship |
|------|-----------------------|-----------------------------|
| 1    | Tractel Solutions INC | Subsidiary                  |

As per our report of even date attached

**For J & K Agarwal & Co**

*Chartered Accountants*

Sd/-

**(J.K. Agarwal)**

*Partner*

M.No:35554

Place : Mumbai

Date: 04.09.2010

For and on behalf of the Board

Sd/-

**(J.S. Surya Narayana)**

*Director*

Sd/-

**(Dr. Vivek Hebbar)**

*Chairman, Board of Directors*

Sd/-

**(P. Ramnath)**

*Director*

**CASH FLOW STATEMENT FOR THE PERIOD ENDED 31.3.2010**

| Particulars   | Amount (Rs)         |                     |
|---|---------------------|---------------------|
|   | As at 31.03.2010    | As at 31.03.2009    |
| Profit before taxes                                     | 33,156,031          | 14,041,773          |
| Add   |                     |                     |
| Depreciation  | 2,996,816           | 17,299,326          |
| Loss by Fire  | 15,886,365          |                     |
| Tax Paid  | -                   | (26,000)            |
| Operating profit before working capital changes         | 52,039,212          | 31,341,099          |
| Increase in Current Assets                              |                     |                     |
| (Increase)/Decrease in Receivables                      | (24,333,291)        | (6,059,971)         |
| (Increase)/Decrease in Loans and Advances               | (240,049)           | (2,450,000)         |
| Increase/(Decrease) in Current Liabilities              | 30,410,821          | (7,491,320)         |
| <b>Cash from Operations (A)</b>                         | <b>57,876,693</b>   | <b>15,313,808</b>   |
| Cash flows from Investing Activities                    |                     |                     |
| Capitalization, Investments in Tractel Solutions Inc    | -                   | (60,000,000)        |
| Trade Investments                                       |                     |                     |
| Purchase of Fixed Assets                                | (57,527,421)        | (22,963,929)        |
| <b>Cash flows from Investing Activities (B)</b>         | <b>(57,527,421)</b> | <b>(82,963,929)</b> |
| Cash flow from Financing Activities                     |                     |                     |
| Proceeds from Capitalization (Preferential Allotment)   | -                   | 60,852,010          |
| Dividend  | (1,914,930)         | -                   |
| Unsecured Loans   | 2,240,444           | 437,777             |
| <b>Cash flow from Financing Activities (C)</b>          | <b>325,514</b>      | <b>61,289,787</b>   |
| <b>Net increase in Cash and Cash Equivalent (A+B+C)</b> | <b>674,786</b>      | <b>(6,360,334)</b>  |
| Cash and Cash Equivalent as at beginning of the year    | 643,710             | 7,004,044           |
| <b>Cash and Cash Equivalent as at end of the year</b>   | <b>1,318,496</b>    | <b>643,710</b>      |

As per our report of even date attached

**For J & K Agarwal & Co***Chartered Accountants*

Sd/-

**(J.K. Agarwal)***Partner*

M.No:35554

Place : Mumbai

Date: 04.09.2010

For and on behalf of the Board

Sd/-

**(J.S. Surya Narayana)***Director*

Sd/-

**(Dr. Vivek Hebbar)***Chairman, Board of Directors*

Sd/-

**(P. Ramnath)***Director*

## BALANCE SHEET ABSTRACT

### ADDITIONAL INFORMATION PURSUANT TO THE PROVISIONS OF PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956 BALANCE SHEET ABSTRACT AND THE COMPANIES GENERAL BUSINESS PROFILE

#### Registration Details

Corporate Identity No L30007KA1992PLC025294

Balance Sheet Date 31 03 2010

#### Capital Raised During the year (Amount in Rs. Thousands)

|              |     |                   |     |
|--------------|-----|-------------------|-----|
| Public Issue | NIL | Rights Issue      | NIL |
| Bonus Issue  | NIL | Private Placement | NIL |

#### Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

|                      |         |                    |         |
|----------------------|---------|--------------------|---------|
| Total Liabilities    | 260,994 | Total Assets       | 260,994 |
| Sources of Funds     |         |                    |         |
| Paid-up-Capital      | 191,493 | Reserves & Surplus | 58,115  |
| Secured Loans        | NIL     | Unsecured Loans    | 3,730   |
| Application of Funds |         |                    |         |
| Net Fixed Assets     | 64,688  | Investments        | 159,033 |
| Net Current Assets   | 17,263  | Misc. Expenditure  | NIL     |

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

|                       |         |                   |         |
|-----------------------|---------|-------------------|---------|
| Turnover              | 243,674 | Total Expenditure | 197,312 |
| Profit before tax     | 49,042  | Profit after Tax  | 23,000  |
| Earnings per Share in | Rs 1.20 |                   |         |

#### Generic Name of three principal products/services of the Company(as per monetary terms)

|                         |          |
|-------------------------|----------|
| Item code No (ITC Code) | Software |
| Product Description     | 892.2    |

As per our report of even date attached

**For J & K Agarwal & Co**  
*Chartered Accountants*

Sd/-  
**(J.K. Agarwal)**  
*Partner*  
M.No:35554

Place : Mumbai  
Date: 04.09.2010

For and on behalf of the Board

Sd/-  
**(J.S. Surya Narayana)**  
*Director*

Sd/-  
**(Dr. Vivek Hebbar)**  
*Chairman, Board of Directors*

Sd/-  
**(P. Ramnath)**  
*Director*

# **FIRSTOBJECT TECHNOLOGIES LIMITED**

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2010**

**AUDITORS' REPORT**

To, The Board of Directors of **FirstObject Technologies Limited** on the Consolidated Financial Statements of FirstObject Technologies Limited and it's Subsidiary.

1. We have audited the attached Consolidated Balance Sheet of Firstobject Technologies Limited and its subsidiary (the group), as at March 31,2010, and also the Consolidated Profit & Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These Consolidated financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statement. An Audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An Audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the Financial Statement of Subsidiary, whose Financial Statement reflect the net assets of Rs. 134,608,691 as at March 31, 2010 and net profit after tax of Rs.95,238,691 for the year ended on that date, which are considered in the Consolidated Financial Statements. This Financial Statement and other financial information have been audited by other auditor whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of the subsidiaries is based solely on the report of the other auditors.
4. We report that the Consolidated Financial Statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard-21, "Consolidated Financial Statement" issued by the Institute of Chartered Accountants of India.
5. Based on our audit, and on consideration of the report of the other auditors on the separated financial statement of the Subsidiary and other financial information of its components, in our opinion and to the best of our information and according to the explanations given to us, the attached Consolidated Financial Statement give a true and fair view in conformity with the accounting principles generally accepted in India:
  - a. In the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2010.
  - b. In the case of the Consolidated Profit & Loss account, of the Profit of the Group for the year ended on that date; and
  - c. In the case of Consolidated Cash Flow Statement, of the Cash Flows of the Group for the year ended on that date.

**For J & K Agarwal and Co.**  
*Chartered Accountants*

**(J.K.Agarwal)**  
*Partner*  
M. No. : 35554

Place : Mumbai  
Date : 04.09.2010

**CONSOLIDATED BALANCE SHEET AS ON 31ST MARCH, 2010**

|  |        | Amount (Rs.)       |                    |
|--|--------|--------------------|--------------------|
| Particulars  | Sch No | As at 31.03.2010   | As at 31.03.2009   |
| <b>Sources of Funds</b>  |        |                    |                    |
| 1 Shareholder's Funds  |        |                    |                    |
| A. Share Capital   | 1      | 191,492,990        | 191,492,990        |
| B. Reserves & Surplus  | 2      | 159,463,963        | 109,101,663        |
| 2. Minority Interest   |        | 65,958,259         | 59,532,893         |
| 3. Loan Funds  |        |                    |                    |
| Unsecured Loans  | 3      | 3,730,444          | 1,490,000          |
| 4. Deferred Tax Liability  | 4      | 7,656,383          | -                  |
| <b>TOTAL</b>   |        | <b>428,302,039</b> | <b>361,617,546</b> |
| <b>Application of Funds</b>  |        |                    |                    |
| 1. Goodwill on consolidation   |        | 70,203,641         | 70,203,641         |
| 2. <b>Fixed Assets</b>   |        |                    |                    |
| Gross Block  | 5      | 124,231,629        | 146,072,020        |
| Less: Accumulated Depreciation   |        | 57,491,740         | 99,423,585         |
| Net block  |        | 66,739,889         | 46,648,435         |
| Deferred Tax Asset   | 4      | -                  | 2,500,000          |
| 3. Investments   | 6      | 68,560,725         | 68,560,725         |
| 4. Current Assets  | 7      |                    |                    |
| Receivables  |        | 235,473,681        | 155,274,463        |
| Cash and Bank Balances   |        | 3,840,597          | 2,565,812          |
| Loans and Advances   |        | 24,357,738         | 24,969,699         |
|  |        | 263,672,016        | 182,809,973        |
| 5. Current Liabilities and Provisions                                  | 8      |                    |                    |
| Liabilities  |        | 40,874,232         | 9,079,229          |
| Provisions   |        | -                  | 26,000             |
|  |        | 40,874,232         | 9,105,229          |
| Net Current Assets   |        | 222,797,784        | 173,704,744        |
| 6. Miscellaneous expenditure to the extent not written off or adjusted |        | -                  | -                  |
| <b>TOTAL</b>   |        | <b>428,302,039</b> | <b>361,617,546</b> |
| Significant Accounting Policies and Notes on Accounts.                 | 11     |                    |                    |

As per our report of even date attached

**For J & K Agarwal & Co**

Chartered Accountants

Sd/-  
**(J.K. Agarwal)**  
Partner  
M.No:35554

Place : Mumbai  
Date: 04.09.2010

For and on behalf of the Board

Sd/-  
**(J.S. Surya Narayana)**  
Director

Sd/-  
**(Dr. Vivek Hebbar)**  
Chairman, Board of Directors

Sd/-  
**(P. Ramnath)**  
Director



## CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE 31ST MARCH, 2010

|  |               | Amount (Rs.)       |                    |
|--|---------------|--------------------|--------------------|
| Particulars  | Schedule Nos. | As at 31.03.2010   | As at 31.03.2009   |
| <b>Income</b>  |               |                    |                    |
| Sales & Other Income   | 9             | 488,787,316        | 423,448,024        |
| <b>Total Income</b>  |               | <b>488,787,316</b> | <b>423,448,024</b> |
| <b>Expenditure</b>   |               |                    |                    |
| Depreciation   | 10            | 21,549,602         |                    |
| Transferred from Revaluation Reserve                           |               | 17,798,115         |                    |
| <b>Total Expenditure</b>                                       |               | <b>344,506,228</b> | <b>307,951,562</b> |
| Profit Before Taxation and Extra Ordinary Items                |               | 144,281,088        | 96,167,473         |
| Loss of Asset by Fire  |               | 15,886,365         | -                  |
| Profit Before Taxation after Extra Ordinary Items              |               | 128,394,723        | 96,167,473         |
| Provision for Taxation   |               |                    |                    |
| Current Tax  |               | -                  | -                  |
| Deferred Tax   |               | 10,156,383         | (2,500,000)        |
| Fringe Benefit Tax (Provision)                                 |               | -                  | 26,000             |
| Profit/Loss after Tax  |               | 118,238,340        | 98,641,473         |
| Minority Interest  |               | 46,666,959         | 40,241,593         |
| Profit after Tax after Minority Interest before Appropriations |               | 71,571,381         | 58,399,880         |
| <b>APPROPRIATIONS</b>  |               |                    |                    |
| Interim Dividend on Equity Shares                              |               | 1,914,929          | -                  |
| Proposed Dividend on Equity Shares                             |               | 1,000,551          | -                  |
| Tax on Dividend  |               | 495,486            | -                  |
| Profit/Loss after Tax and Appropriations                       |               | 68,160,415         | 58,399,880         |
| Add : Opening Balance of P& L A/c                              |               | 33,188,992         | (25,210,888)       |
| Balance carried to Balance Sheet                               |               | <b>101,349,407</b> | <b>33,188,992</b>  |
| Significant Accounting policies/Notes to Accounts              | 11            |                    |                    |
| Earnings per share   |               |                    |                    |
| Basic and Diluted (On Rs 10 per share F.V)                     |               | <b>3.74</b>        | 3.05               |

As per our report of even date attached  
**For J & K Agarwal & Co**  
*Chartered Accountants*

For and on behalf of the Board

Sd/-  
**(J.K. Agarwal)**  
*Partner*  
M.No:35554

Sd/-  
**(J.S. Surya Narayana)**  
*Director*

Sd/-  
**(Dr. Vivek Hebbar)**  
*Chairman, Board of Directors*

Place : Mumbai  
Date: 04.09.2010

Sd/-  
**(P. Ramnath)**  
*Director*

## SCHEDULES TO THE CONSOLIDATED BALANCE SHEET

|  | Amount (Rs)        |                    |
|--|--------------------|--------------------|
| Particulars                                | As at 31.03.2010   | As at 31.03.2009   |
| <b>Schedule -1</b>                         |                    |                    |
| <b>SHARE CAPITAL</b>                       |                    |                    |
| <b>Authorised</b>                          |                    |                    |
| 25,000,000 Equity Shares of Rs. 10/- each  | <u>250,000,000</u> | <u>250,000,000</u> |
| <b>Issued Share Capital</b>                |                    |                    |
| 19,234,500 Equity Shares of Rs. 10/- each  | <u>192,345,000</u> | <u>192,345,000</u> |
| <b>Subscribed and paid up capital</b>      |                    |                    |
| 19,149,299 Equity Shares of Rs. 10/- each  | <u>191,492,990</u> | <u>191,492,990</u> |
|  | <u>191,492,990</u> | <u>191,492,990</u> |
| <b>Schedule -2</b>                         |                    |                    |
| <b>Reserves and Surplus</b>                |                    |                    |
| Securities Premium Account                 | 15,060,661         | 15,060,661         |
| Profit and Loss Account                    | 101,349,407        | 33,188,992         |
| Capital Reserve                            | 852,010            | 852,010            |
| Revaluation Reserve Account                |                    |                    |
| Opening Balance                            | 60,000,000         |                    |
| Additions during the year                  | -                  | 60,000,000         |
| Less: Transferred to Profit & Loss Account | 17,798,115         |                    |
| Closing Balance                            | 42,201,885         | 60,000,000         |
| Total                                      | <u>159,463,963</u> | <u>109,101,663</u> |
| <b>Schedule -3</b>                         |                    |                    |
| <b>Unsecured Loans</b>                     |                    |                    |
| Others                                     | <u>3,730,444</u>   | <u>1,490,000</u>   |
| <b>Schedule -4</b>                         |                    |                    |
| Deferred Tax Asset                         | 2,500,000          | -                  |
| Less: Deferred Tax Liability for the Year  | (10,156,383)       | 2,500,000          |
| Add: Deferred Tax Asset during the year    | -                  | -                  |
| Deferred Tax Asset / Liability             | <u>(7,656,383)</u> | <u>2,500,000</u>   |

|                      | Amount (Rs)                    |            |            |                              |                     |                 |            |                     |                     |                     |
|----------------------|--------------------------------|------------|------------|------------------------------|---------------------|-----------------|------------|---------------------|---------------------|---------------------|
| Particulars          | GROSS BLOCK                    |            |            |                              | DEPRECIATION        |                 |            |                     | NET BLOCK           |                     |
|                      | Balance<br>as at<br>01.04.2009 | Additions  | Deletions  | Total<br>as at<br>31.03.2010 | Up to<br>01.04.2009 | for the<br>Year | Deletions  | As at<br>31-03-2010 | As at<br>31-03-2010 | As at<br>31.03.2009 |
| Computers            | 63,945,141                     | 17,523,825 | 57,942,713 | 23,526,253                   | 56,383,121          | 2,754,439       | 51,060,001 | 8,077,558           | 15,448,695          | 7,562,020           |
| Electrical Equipment | 2,353,461                      | 301,612    | 1,559,760  | 1,095,313                    | 322,896             | 123,654         | 116,365    | 330,186             | 765,128             | 2,030,565           |
| Air Conditioners     | 3,844,234                      | 2,337,879  | 2,588,554  | 3,593,559                    | 3,334,176           | 140,823         | 2,226,386  | 1,248,613           | 2,344,945           | 510,058             |
| Furniture & Fixtures | 20,493,159                     | 3,521,506  | 16,746,857 | 7,267,808                    | 13,035,383          | 218,652         | 9,916,545  | 3,337,490           | 3,930,319           | 7,457,776           |
| Office Equipment     | 1,016,297                      | 692,599    | 529,928    | 1,178,968                    | 358,994             | 95,573          | 162,150    | 292,417             | 886,551             | 657,303             |
| Software and IPR's   | 54,419,728                     | 33,150,000 | -          | 87,569,728                   | 25,989,014          | 18,216,462      | -          | 44,205,476          | 43,364,252          | 28,430,714          |
| Total                | 146,072,020                    | 57,527,421 | 79,367,812 | 124,231,629                  | 99,423,585          | 21,549,602      | 63,481,447 | 57,491,740          | 66,739,889          | 46,648,435          |

Note : Software and IPR's have been revalued during the year 2008-09.

**SCHEDULES TO THE CONSOLIDATED BALANCE SHEET**

| Particulars   | Amount (Rs)        |                    |
|---|--------------------|--------------------|
|   | As at 31.03.2010   | As at 31.03.2009   |
| <b>Schedule -6</b>  |                    |                    |
| <b>INVESTMENTS</b>  |                    |                    |
| Trade Investments (Mkt Value - Rs. 37,524,063)                      | 68,560,725         | 68,560,725         |
|   | <u>68,560,725</u>  | <u>68,560,725</u>  |
| <b>Schedule -7</b>  |                    |                    |
| <b>CURRENT ASSETS</b>   |                    |                    |
| (i) Receivables   |                    |                    |
| Sundry Debtors  |                    |                    |
| Secured   |                    |                    |
| Debtors exceeding for a period of six months                        |                    |                    |
| Considered Good   |                    |                    |
| Considered Doubtful   |                    |                    |
| Other Debts considered good   |                    |                    |
| Unsecured   |                    |                    |
| Others (Considered Good)  | 235,473,681        | 155,274,463        |
| Others (Considered Doubtful)  | -                  |                    |
|   | <u>235,473,681</u> | <u>155,274,463</u> |
| (ii) Cash & Bank Balances   |                    |                    |
| Cash on hand (As certified by Directors / Management)               | 5,000              | 11,000             |
| Bank Balances   |                    |                    |
| With Scheduled banks  | 1,313,494          | 632,710            |
| With Deposit Accounts   | -                  |                    |
| With Other Accounts   | 2,522,103          | 1,922,103          |
|   | <u>3,840,597</u>   | <u>2,565,812</u>   |
| (iii) Loans and Advances  |                    |                    |
| (Unsecured- Considered good unless otherwise than stated)           |                    |                    |
| Advances Recoverable in Cash or in kind or for Value to be received |                    |                    |
| Considered Good   | 24,357,738         | 24,969,699         |
|   | <u>263,672,016</u> | <u>182,809,974</u> |
| <b>Total Current Assets</b>   | <u>263,672,016</u> | <u>182,809,974</u> |
| <b>Schedule -8</b>  |                    |                    |
| <b>CURRENT LIABILITIES &amp; PROVISIONS</b>                         |                    |                    |
| Liabilities   | 40,874,232         | 9,079,229          |
| Provisions  | -                  | 26,000             |
|   | <u>40,874,232</u>  | <u>9,105,229</u>   |
| <b>Total Current Liabilities</b>                                    | <u>40,874,232</u>  | <u>9,105,229</u>   |

**SCHEDULES TO THE CONSOLIDATED PROFIT & LOSS ACCOUNT**

| Particulars                                | Amount (Rs)        |                    |
|--|--------------------|--------------------|
|  | As at 31.03.2010   | As at 31.03.2009   |
| <b>Schedule -9</b>                         |                    |                    |
| <b>INCOME</b>                              |                    |                    |
| Software Sales                             | 483,110,300        | 418,086,425        |
| Other Income                               | 5,677,016          | 5,361,599          |
| <b>Total</b>                               | <b>488,787,316</b> | <b>423,448,024</b> |
| <b>Schedule -10</b>                        |                    |                    |
| <b>ADMINISTRATIVE &amp; OTHER EXPENSES</b> |                    |                    |
| Communication Expenses                     | 228,494            | 180,000            |
| Postage and Courier Charges                | 770,657            | 104,034            |
| Travelling Expenses                        | 2,521,240          | 1,647,311          |
| Other Expenses                             | 7,038,481          | 19,620,826         |
| Repair & Maintenance                       | 642,807            | 581,515            |
| Rent                                       | -                  | 1,500,000          |
| Bank Charges                               | 46,208             | 22,390             |
| Salaries / Outsourcing & Onsite Expenses   | 324,481,705        | 282,370,920        |
| Audit Fees                                 | 234,108            | 234,108            |
| Business Promotion Expenses                | 2,203,332          | 1,235,426          |
| Depository Charges                         | 375,472            | -                  |
| Web Development Charges / Domain           | 476,220            | -                  |
| Electricity Charges                        | 470,948            | 420,000            |
| Hotel Charges                              | 751,800            | -                  |
| Rates and Taxes                            | 513,269            | 35,032             |
| <b>Total</b>                               | <b>340,754,741</b> | <b>307,951,562</b> |

## Significant Accounting Policies and Notes on Consolidated Accounts

### Schedule -11

#### A. Basis of Consolidation

The Consolidated Financial Statements are prepared in accordance with Accounting Standard 21 on Consolidated Statements issued by the Institute of Chartered Accountants of India.

Financial Statements of the holding company and subsidiary are prepared according to uniform accounting policies, in accordance with generally accepted accounting policies in India.

Subsidiary included in the Consolidation

| Name of the Enterprise     | Country | Nature of operation | Controlling Interest |
|----------------------------|---------|---------------------|----------------------|
| M/s Tractel Solutions Inc. | USA     | Telecom/Software    | 51%                  |

#### B. Significant Accounting Policies

##### 1. Basis of Accounts

- The financial statements have been prepared under the historical cost conversion and in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India and relevant, presentational requirements of the Companies Act, 1956.
- Accounting policies not specifically referred to are consistent and in consonance with Generally Accepted Accounting Principles followed by the Company and are in compliance with the Accounting Standards referred to under Section 211(3C) of the Companies Act, 1956.
- The Preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires management to make estimates and losses on going software projects, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates are made for expected contract cost to be incurred to complete software development and the useful life of fixed assets. Actual could differ from these estimates.

##### 2. Fixed Assets

Fixed Assets are stated at cost after providing the depreciation in the Hardware & Software and other fixed assets.

##### 3. Revenue Recognition

The Company derived its revenues primarily from software services and software products. Revenue from time and material contract is recognized on the basis of software developed and billed in accordance with the terms of the contract, under the percentage of completion method.

##### 4. Taxation

Taxation is accounted on the basis of the Liability Method which is generally followed in India. Provision is made for Income Tax based on computations after considering rebates, reliefs and exemptions under the Income Tax Act, 1961.

The Provident Fund and Superannuation Schemes are defined contribution plans for which contribution accruing each year as per the scheme is expensed.

##### 5. Retirement Benefits

The Company has not provided for gratuity amount. It will be paid and accounted as and when the liability arises.

##### 6. Loss of Assets due to Fire:

During the year, a major fire broke out at our company's operational premises located at Srinagar Colony, Hyderabad due to an electric short circuit. The company had to shift its operations to an alternative site located at Kukkatpally, Hyderabad during the said period the work continued without any break. Some of the fixed assets of the Company got destroyed in the fire accident.

#### C. Notes to Accounts

- Figures have been rounded off to the nearest rupee.
- Schedule 1 to 10 consists of forming part of Balance Sheet and Profit and Loss account.

## Significant Accounting Policies and Notes on Consolidated Accounts

3. All figures are in Rupees. Paise have been rounded off to nearest Rupee.
4. In the opinion of the management all current assets including Loans and Advances would in the normal course of business be realized for the values stated.
5. Quantitative details

The company is engaged in the business of development of Software Products. The production and sale of 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 of Part II of Schedule VI of the Companies Act, 1956.

6. The Company has earned a Foreign Exchange of Rs. 48,81,10,300 (Previous Year: Rs 41,80,86,425) during the year. The Company has incurred an Expenditure of Rs.27,17,66,436 (Previous Year Rs.24,57,62,695)
7. The Company is engaged primarily in the business of software development, but during the current financial year the company did only data entry works and accordingly there are no separate reportable segments as per Accounting Standard - AS 17 - Segment Reporting issued by ICAI.
8. Provision for Deferred Tax Liability made as follows:

|                                    |            |
|------------------------------------|------------|
| Depreciation as per Companies Act  | 2,996,816  |
| Depreciation as per Income Tax Act | 32,877,318 |
| Timing Difference                  | 29,880,502 |
| Provision for Deferred Tax         | 10,156,383 |

9. Audit Fees for the year is Rs 2, 34,108 (Previous year Rs. 2,34,108).

10. Earnings per Share (AS-20)

Basic and Diluted Earnings per share is calculated by dividing the net profit attributable to the ordinary shareholders by the weighted average number of ordinary shares outstanding during the year and shown in the Profit and Loss account.

11. In accordance with the Accounting Standard 18 of Related Party Disclosures, name of the related parties and description of the relationship are given below

| S no | Name of Party         | Description of relationship |
|------|-----------------------|-----------------------------|
| 1    | Tractel Solutions INC | Subsidiary                  |

As per our report of even date attached

**For J & K Agarwal & Co**

*Chartered Accountants*

Sd/-  
**(J.K. Agarwal)**  
*Partner*  
M.No:35554

Place : Mumbai  
Date: 04.09.2010

For and on behalf of the Board

Sd/-  
**(J.S. Surya Narayana)**  
*Director*

Sd/-  
**(Dr. Vivek Hebbar)**  
*Chairman, Board of Directors*

Sd/-  
**(P. Ramnath)**  
*Director*

## CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 31.3.2010

Amount (Rs.)

| Particulars   | As at 31.03.2010    | As at 31.03.2009    |
|---|---------------------|---------------------|
| Profit before taxes   | 71,571,381          | 96,167,473          |
| Add   |                     |                     |
| Depreciation  | 3,751,487           | -                   |
| Deferred Tax  | 10,156,383          | -                   |
| Loss by Fire  | 15,886,365          | -                   |
| Operating profit before working capital changes             | 101,365,616         | 96,167,473          |
| Increase in Current Assets                                  |                     |                     |
| (Increase)/Decrease in Receivables                          | (80,199,218)        | (87,883,463)        |
| (Increase)/Decrease in loans and advances                   | 611,961             | (5,637,382)         |
| Increase/(Decrease) in Current Liabilities                  | 30,272,966          | (5,916,520)         |
| <b>Cash from Operations (A)</b>                             | <b>52,051,325</b>   | <b>(3,269,892)</b>  |
| Cash flows from Investing Activities                        |                     |                     |
| Capitalisation, Purchase of Shares in Tractel Solutions Inc | -                   | (60,000,000)        |
| Trade Investments   | -                   | -                   |
| Purchase of fixed assets                                    | (57,527,421)        | (22,963,929)        |
| <b>Cash flows from Investing Activities (B)</b>             | <b>(57,527,421)</b> | <b>(82,963,929)</b> |
| Cash flow from Financing Activities                         |                     |                     |
| Proceeds from Capitalization (Preferential Allotment)       | 6,425,366           | 61,704,020          |
| Dividend  | (1,914,929)         | -                   |
| Unsecured loans   | 2,240,444           | (1,137,023)         |
| <b>Cash flow from Financing Activities (C)</b>              | <b>6,750,880</b>    | <b>60,566,998</b>   |
| <b>Net increase in cash and cash Equivalent (A+B+C)</b>     | <b>1,274,784</b>    | <b>(25,666,822)</b> |
| Cash and Cash Equivalent as at beginning of the year        | 2,565,812           | 8,903,646           |
| <b>Cash and Cash Equivalent as at end of the year</b>       | <b>3,840,596</b>    | <b>2,565,812</b>    |

As per our report of even date attached

**For J & K Agarwal & Co**

*Chartered Accountants*

Sd/-

**(J.K. Agarwal)**

*Partner*

M.No:35554

Place : Mumbai

Date: 04.09.2010

For and on behalf of the Board

Sd/-

**(J.S. Surya Narayana)**

*Director*

Sd/-

**(Dr. Vivek Hebbar)**

*Chairman, Board of Directors*

Sd/-

**(P. Ramnath)**

*Director*

# FIRSTOBJECT TECHNOLOGIES LIMITED

**Registered Office:** 1st Floor, Swayamkrishi, SMILINE Building, No: 8-3-952/10/2 & 2/1, Srinagar Colony, Hyderabad-500 073

Venue for AGM

The Seminar Hall  
Hotel Savera Residency, Beside Big Bazaar Shopping Mall  
Ameerpet Main Road, Hyderabad-500 016.

## ATTENDANCE SLIP

Members or their proxies are requested to present this for admission, duly signed in accordance with their specimen signatures registered with the Company. The admission will, however, be subject to verification of signatures and such other checks, as may be necessary.

| NAME & ADDRESS OF THE SHAREHOLDER | DP ID/CLIENT ID LEDGER FOLIO | NO. OF SHARES HELD |
|-----------------------------------|------------------------------|--------------------|
|                                   |                              |                    |

I hereby record my presence at the ANNUAL GENERAL MEETING of the Company held on Thursday, 30th September, 2010 at 10.00 A.M.

SIGNATURE OF THE SHAREHOLDER OR PROXY

---

# FIRSTOBJECT TECHNOLOGIES LIMITED

**Registered Office:** 1st Floor, Swayamkrishi, SMILINE Building, No: 8-3-952/10/2 & 2/1, Srinagar Colony, Hyderabad-500 073

DP ID/ CLIENT ID L.F. No.

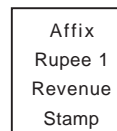
I, We \_\_\_\_\_ of \_\_\_\_\_

being a member / members of Firstobject Technologies Limited hereby appoint \_\_\_\_\_

of \_\_\_\_\_ as my/our proxy to vote for me /us and on my/our behalf at the Annual General Meeting of

the Company to be held at 10.00 A.M. on Thursday, 30th September 2010.

As witness my/our hand(s) this \_\_\_\_\_ day of \_\_\_\_\_ 2010,



Signature of the Shareholder(s)

NOTE : The Proxy Form must be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for holding the aforesaid Meeting.



## **FIRSTOBJECT TECHNOLOGIES LTD**

**Registered Office** : 1<sup>st</sup> Floor, Swayamkrishi, SMILINE Building,  
No : 8-3-952/10/2 & 2/1, Srinagar Colony, Hyderabad – 500 073  
Andhra Pradesh, India

**Tel** : 040 20000235/ 20000233

**Fax No** : 040 – 23733027

**Email** : [info@firstobjectindia.com](mailto:info@firstobjectindia.com)

**Website** : [www.firstobjectindia.com](http://www.firstobjectindia.com)