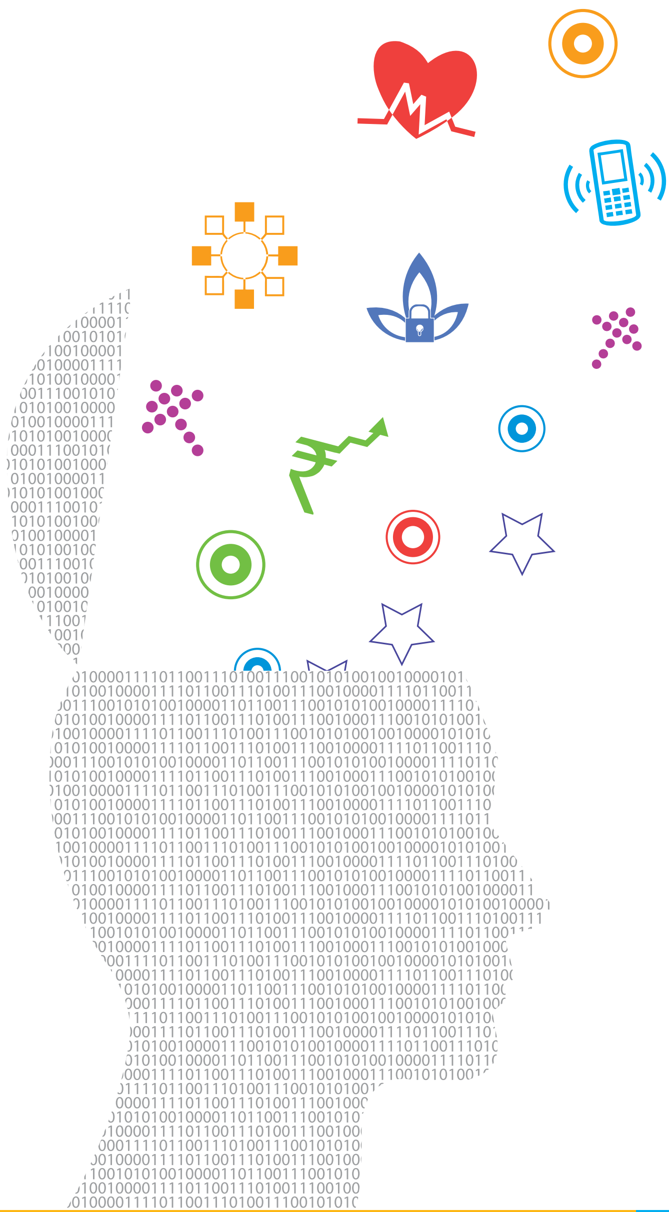
R SYSTEMS INTERNATIONAL LIMITED

Annual Report 2011



Empowering Growth.
Sharpening Focus.

Telecom & Digital Media

BFSI

Healthcare

Manufacturing & Logistics

Contents

Safe Harbor:

Certain Statement in this report concerning our future growth prospects are forwardlooking statements, which involves a number of risks and uncertainties that could cause actual results to differ materially from those in such forward-looking statements. The risks and uncertainties relating to these statements include, but are not limited to, risks and uncertainties regarding the success of our investments, risks and uncertainties regarding fluctuations in earnings, our ability to manage growth, intense competition in IT and consulting services including those factors which may affect our cost advantage, wage increases in India, our ability to attract and retain highly skilled professionals, time and cost overruns on fixed-price, fixed-time frame contracts, client concentration, restrictions on immigration, industry segment concentration, our ability to manage our international marketing and sales operations, reduced demand for technology and consulting services in our key focus areas, disruptions in telecommunication networks or system failures, our ability to successfully complete and integrate potential acquisitions, liability for damages on our service contracts and product warranty, the success of the companies in which the Company has made strategic investments, withdrawal of governmental fiscal incentives, political instability and regional conflicts, legal restrictions on raising capital or acquiring companies outside India, and unauthorized use of our intellectual property and general economic conditions affecting our industry. The Company may, from time to time, make additional written and oral forward-looking statements and does not undertake to update any forward-looking statements that may be made from time to time by or on behalf of the Company.

Corporate Information

The Board of Directors

as on April 03, 2012

1. Mr. Satinder Singh Rekhi
   (Chairman & Managing Director)
2. Lt. Gen. Baldev Singh (Retd.)
   (President & Senior Executive Director)
3. Mr. Raj Swaminathan
   (Director & Chief Operating Officer)
4. Mr. Raj Kumar Gogia
   (Non Executive Independent Director)
5. Mr. Gurbax Singh Bhasin
   (Non Executive Independent Director)
6. Mr. Suresh Paruthi
   (Non Executive Independent Director)

Company Secretary and Compliance Officer

Mr. Vikash Kumar Tiwari

Committees of the Board of Directors

Audit Committee

1. Mr. Raj Kumar Gogia
   (Chairman)
2. Mr. Gurbax Singh Bhasin
   (Member)
3. Mr. Suresh Paruthi
   (Member)

Shareholders / Investors Grievance Committee

1. Mr. Raj Kumar Gogia
   (Chairman)
2. Mr. Suresh Paruthi
   (Member)
3. Mr. Satinder Singh Rekhi
   (Member)
4. Lt. Gen. Baldev Singh (Retd.)
   (Member)

Remuneration Committee

1. Mr. Raj Kumar Gogia
   (Chairman)
2. Mr. Gurbax Singh Bhasin
   (Member)
3. Mr. Suresh Paruthi
   (Member)

Compensation Committee

1. Mr. Raj Kumar Gogia
   (Chairman)
2. Mr. Suresh Paruthi
   (Member)
3. Lt. Gen. Baldev Singh (Retd.)
   (Member)

Committee of Independent Directors for Open Offer

1. Mr. Raj Kumar Gogia
   (Chairman)
2. Mr. Gurbax Singh Bhasin
   (Member)
3. Mr. Suresh Paruthi
   (Member)

Registered Office

B - 104A, Greater Kailash - I,
New Delhi - 110 048, India

Corporate Office

C - 40, Sector - 59,

Noida (U.P.) - 201 307, India

Statutory Auditors

S. R. Batliboi & Co.
Chartered Accountants

Golf View Corporate Tower - B,
Sector - 42, Sector Road,
Gurgaon - 122002, Haryana, India

Registrar & Share Transfer Agent

M/s Link Intime India Private Limited

A - 40, 2nd Floor,

Naraina Industrial Area, Phase - II,

Near Batra Banquet Hall,

New Delhi - 110 028

Bankers to the Company

1. State Bank of India
2. ICICI Bank Limited
3. HDFC Bank Limited
4. Axis Bank Limited
5. The Royal Bank of Scotland
6. Oriental Bank of Commerce
7. Vijaya Bank
8. State Bank of Bikaner & Jaipur
9. Canara Bank
10. California Bank & Trust, U.S.A.
11. State Bank of India, U. K.
12. Fortis Bank N.V., The Netherlands
13. Sumitomo Mitsui Banking Corporation (SMBC), Japan

Listed At

National Stock Exchange of India Limited

BSE Limited

Subsidiaries of R Systems International Limited

1. R Systems (Singapore) Pte Limited, Singapore
2. R Systems, Inc., U.S.A.
3. Indus Software, Inc., U.S.A.
4. ECnet Limited, Singapore
5. R Systems Solutions, Inc., U.S.A.
6. R Systems NV, Belgium
7. R Systems Europe B.V., The Netherlands
8. R Systems S.A.S., France
9. Computaris International Limited, U.K.
   (became wholly owned subsidiary w.e.f. January 26, 2011)

Subsidiaries of ECnet Limited

10. ECnet (M) Sdn. Bhd., Malaysia
11. ECnet Inc., U.S.A.
12. ECnet (Hong Kong) Limited, Hong Kong
13. ECnet Systems (Thailand) Company Limited, Thailand
14. ECnet Kabushiki Kaisha, Japan
15. ECnet (Shanghai) Co. Ltd., People's Republic of China

Subsidiaries of Computaris International Limited

16. ICS Computaris International Srl, Moldova
17. Computaris Malaysia Sdn. Bhd., Malaysia
18. Computaris Polska sp z o.o., Poland
19. Computaris Romania SRL, Romania
20. Computaris USA, Inc. (formerly known as Computaris USA, LLC), U.S.A.
21. Computaris Limited, U.K.

Empowering growth. Sharpening focus.

Growth, for us, is not a goal; it is a process. It is that systemic evolution which enables us to scale new levels at every step of our journey, from year to year.

We began our journey of growth as an outsourced product development company which we define as Integrated Product Life Cycle Management (iPLM) Services. Thereafter, we had extended our offerings into business process outsource services and own product suite in BFSI, Manufacturing & Logistic verticals.

A year ago, we redefined our focus to align ourselves to the transforming needs of our existing and prospective clients in the ever evolving IT industry milieu. We developed our strategic focus further, to make it even more innovative as we steered our growth as a leading player in outsourced product development, business process outsource services and our own product suite. Our iPLM-led strategy across our own product suite and customer owned IP, covers and focuses around our chosen and specialised four verticals - Telecom & Digital Media, BFSI, Healthcare and Manufacturing &

Logistics. This helps us in delivering innovative and customised solutions in accordance with specific client needs under chosen industry verticals.

Having consolidated our realignment across verticals, we moved on, during 2011, to sharpen our focus across these businesses to enter into new collaborations and expand into new geographies. Acquisition of Computaris International Limited expanded our offerings in the telecom vertical and extended our footprints in Eastern Europe.

With this, and other vital initiatives, the year saw us grow into a more holistic organisation that was, on the one hand, enabling and empowering growth across business verticals. On the other, it witnessed our progress towards that ultimate scale of growth which is eventually leading to empowerment of not only our clients and business partners, but also our people and the communities we serve.

It is to that empowering growth, which is geared to positively transform the face of the nation, that we are dedicating this annual report.

Empowering growth through innovation

In this era of cut throat competition, innovation is the need of the hour, and the IT industry has always been and will always be characterised by innovation which is marked by thinking of new ways to revolutionise the world with new products or services. The companies that are able to recognise these trends in the society engage in launch of relevant and breakthrough products ahead of peers, and these are companies that will experience long-term success and create added value for their shareholders.

Innovation at R Systems is epitomised by its iLPM services and own product offerings, where domain experts with their deep domain knowledge and competency, along with insight for the said industry vertical, add significant value to the customers and work as an extended enterprise for them by delivering predictable tangible value. And through its innovative services and solutions, we have not only expanded our business verticals but also geographic footprints.

R Systems strives to empower growth by achieving a shared vision of performance that yields tangible returns in terms of innovation and increased efficiencies for our customers. And today, R Systems is seen as a valuable change partner for enterprises to drive transformation by providing innovative technology solutions that improve business outcomes.

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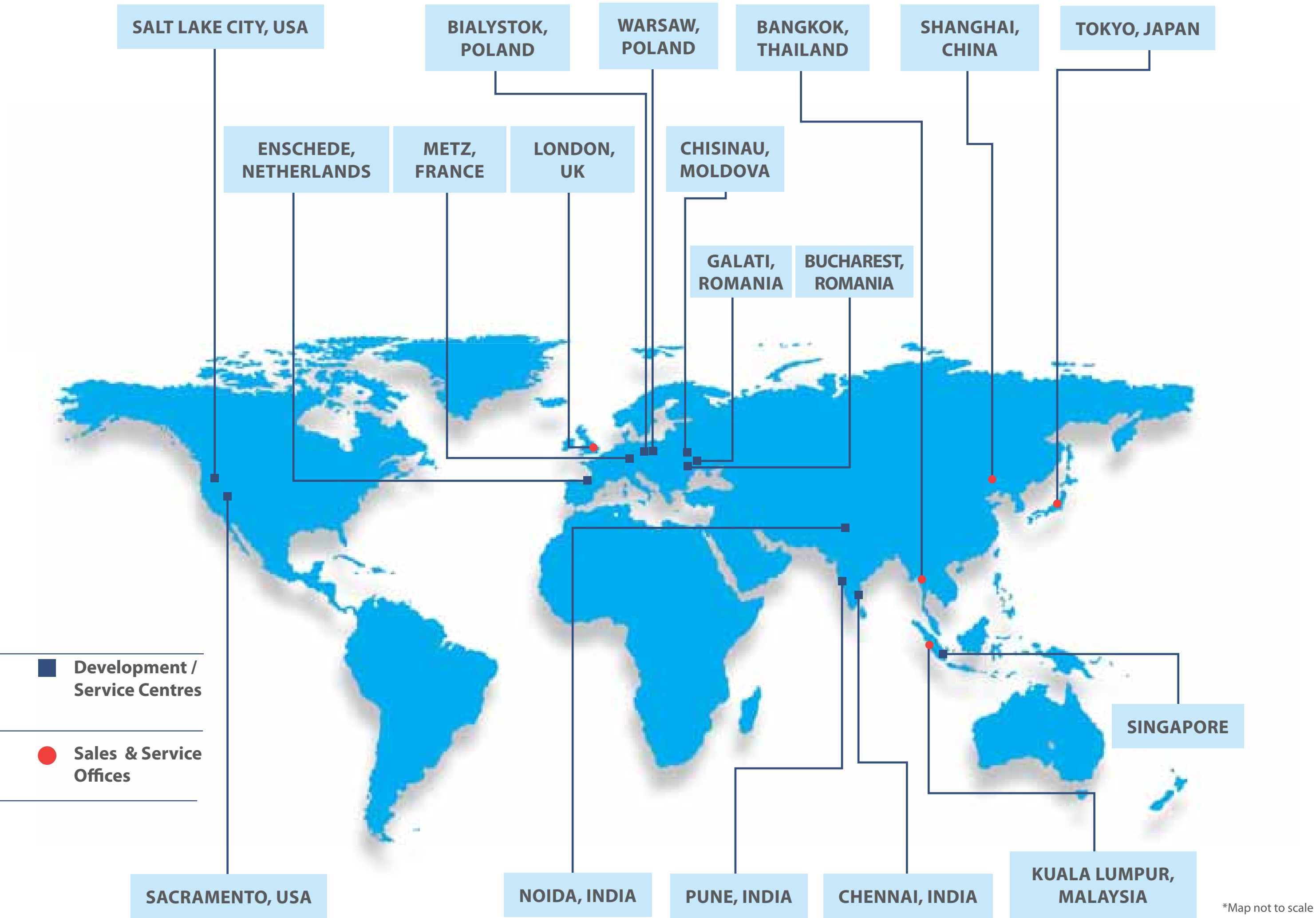
A dynamic entity empowering growth



*Map not to scale

Overview

Founded in 1993, R Systems is a leading provider of Outsourced Product Development (OPD), business process outsource services and its own products in BFSI, Manufacturing & Logistic verticals. R Systems' rapidly growing customer list includes a variety of Fortune 1000, government and mid-sized organisations across a wide range of industry verticals including Banking and Finance, High Technology, Independent Software Vendors, Telecom and Digital Media, Government, Healthcare, Manufacturing and Logistic Industries.

R Systems maintains 13 development and service centres spread across Noida, Chennai and Pune in India; El Dorado Hills, California and Salt Lake City, Utah in USA; Singapore; Enschede in Netherlands; Metz in France; Bucharest and Galati in Romania; Warsaw and Bialystok in Poland and Chisinau in Moldova. Using global delivery model, we serve customers in the US, Europe, South America, the Far East, the Middle East and Africa. Following the acquisition of Computaris, we have expanded our customer reach with offices in UK, Romania, Poland and Moldova.

R Systems stands amid the few pioneering companies across the globe that has built unparalleled capabilities. The Company has earned several notable global certifications and standards like SEI CMMI Level 5, ISO 27001:2005, ISO 9001:2008 & PCMM Level 5. The Company's continuing compliance with these standards demonstrates the strength of its processes and gives it a competitive edge in service and product offerings.

Vision

Building a growth-oriented, process-driven and people-centric organisation to provide innovative IT solutions and end-to-end software product support to the delight of our clients globally.

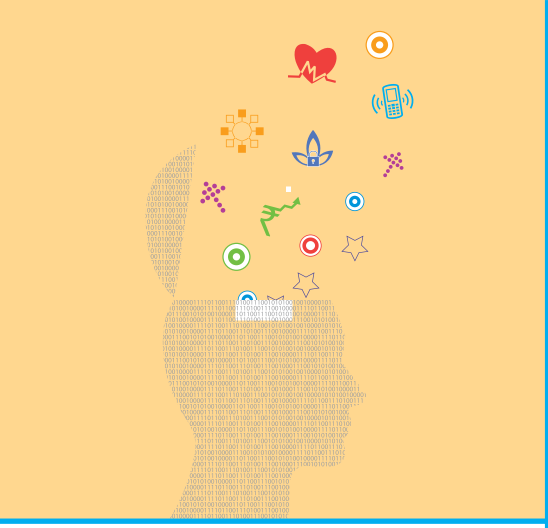
Mission

To meet the global demand for information technology with world class IT solutions while creating value for our customers and wealth for our employees and shareholders.

Values

- Customer and Business
- Focus
- Quality Orientation
- Respect for Individual
- Honesty and Integrity
- Fairness
- Team Effort
- Continuous Improvement and Innovation
- Security Consciousness

Milestones



1993

Incorporation of R Systems

2000

Opened new development centre in Noida

2002

Acquisition of Indus Software Private Limited

2003

Set up of BPO operations in Noida

2009

- PCMM Level 5 Certification by KPMG
- Ranked 5th in "Exciting Emerging Companies to work for Survey 2008" by NASSCOM

1998

Received
ISO 9001:1994 certification

2004

Acquisition of
ECnet Limited, Singapore

2006

- Listing at National Stock Exchange and Bombay Stock Exchange
- SEI - CMMi Level 5 & ISO 27001:2005 Certification
- Set up an additional facility in Noida
- Acquisition of Web Converse, USA

2008

Acquisition of
Sento Europe

2011

Acquisition of
Computaris International Limited, UK

R SYSTEMS

Empowering growth through numbers

(On the basis of Consolidated Financial Statements under Indian GAAP)

FINANCIAL PERFORMANCE

(Rs. in lakhs)

Particulars	2011	2010	2009	2008	2007
Operating Income	40,949.55	29,054.66	32,752.52	35,939.23	24,705.75
Other Income	556.43	569.95	540.90	442.39	429.65
Exceptional Income	-	-	-	-	144.52
Total Income	41,505.98	29,624.61	33,293.42	36,381.62	25,279.92
Operating Profit	1,689.29	984.58	2,650.64	2,688.66	1,818.31
EBT #	2,091.91	1,455.80	1,052.73	3,001.76	2,310.15
EAT #	1,651.25	1,677.64	772.04	2,796.64	1,897.14
Share Capital	1,224.30	1,224.30	1,224.30	1,336.25	1,350.88
Reserve and Surplus	18,634.01	16,801.04	15,515.00	15,829.01	12,905.83
Secured Loans	68.81	83.49	145.20	325.65	63.14
Fixed Assets including intangible assets (net)	6,702.02	4,443.39	5,302.71	7,465.93	6,103.69
Investment	0.25	0.25	0.25	0.25	120.36
Current Assets (net)	13,300.47	13,444.86	11,792.16	10,193.50	8,446.40
Cash and Bank Balances	9,495.54	9,568.91	8,719.75	6,364.38	5,123.14

KEY RATIOS

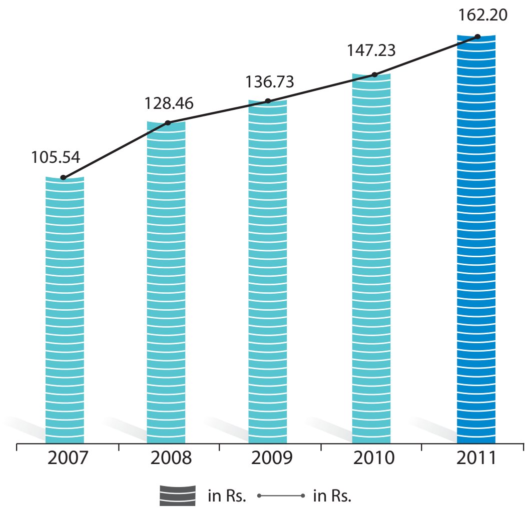
Particulars	2011	2010	2009	2008	2007
Debt -Equity Ratio	0.00	0.01	0.01	0.02	0.01
Days Sales Outstanding	65	61	68	67	74
Current Ratio	2.31	3.61	3.11	2.57	2.93
Cash and Bank Balances / Total Assets (%)	30.85%	41.13%	38.44%	26.33%	26.88%
Cash and Bank balances / Total Income (%)	22.88%	32.30%	26.19%	17.49%	20.27%
Operating Profit / Operating Income (%)	4.13%	3.39%	8.09%	7.48%	7.36%
EBT / Total Income (%) #	5.04%	4.91%	3.16%	8.25%	9.14%
EAT / Total Income (%) #	3.98%	5.66%	2.32%	7.69%	7.50%
Return on Avg. Equity (%) #	8.72%	9.65%	4.55%	17.80%	14.01%
Return on Avg. Capital Employed (%) #	11.03%	8.36%	6.29%	19.14%	16.95%
Earning Per Share (Rs.) #					
- Basic	13.41	13.62	6.09	20.61	13.97
- Diluted	13.26	13.46	6.02	20.36	13.78
Dividend Per Share (Rs.) *	3.60	2.40	2.40	2.40	1.80
Book Value Per Share (Rs.)	162.20	147.23	136.73	128.46	105.54
Cash Per Share (Rs.)	77.56	78.16	71.22	47.63	37.92

#After providing goodwill impairment amounting to Rs. 2,087.14 lakhs during the year ended December 31, 2009. | * Dividend per share for the year 2011 is subject to the approval by the shareholders at ensuing annual general meeting.

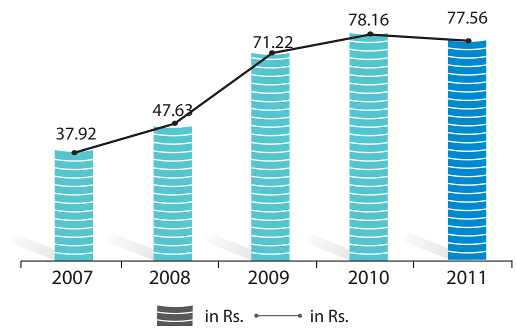
Notes

Operating Profit - Earning before interest income, interest expenses and tax excluding exceptional and prior period items;
EBT - Earnings before tax;
EAT - Earnings after tax;
Debt Equity ratio = Long Term Debt / Equity;
Days Sales Outstanding = Average Trade Receivables / Net Credit Sales*360;
Current Ratio = Current Assets / Current Liabilities;
Return on Avg. Equity (%) = Net Profit after tax / Average Equity;
Return on Avg. Capital Employed (%) = (EBT less interest expenses) / Average Capital Employed;
Book Value Per Share = Net Shareholder Fund / Outstanding No of Shares;
Cash Per Share = Cash and Bank Balance / Outstanding No of Shares.
Previous year's figures have been regrouped or recasted where necessary to confirm to current year classification.

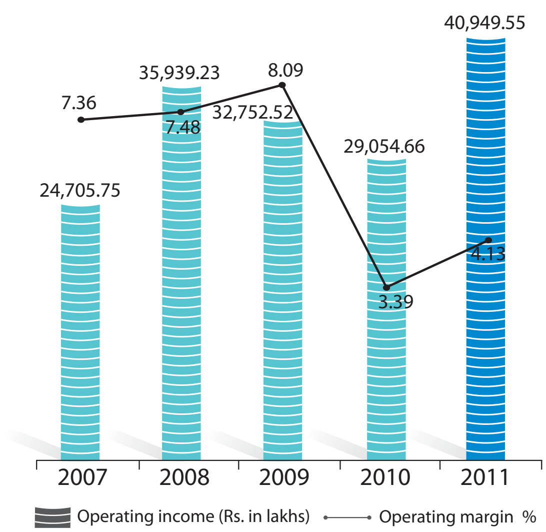
Book Value Per Share



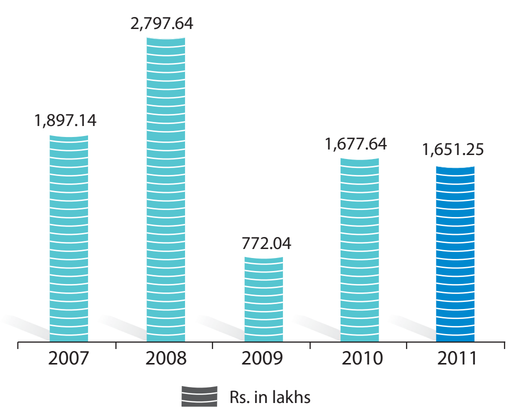
Cash Per Share



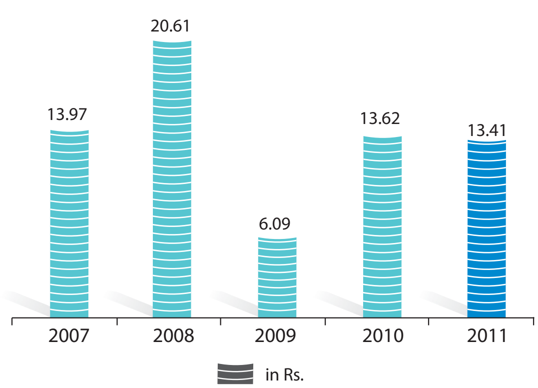
Operating Income & Profit



EAT (Earning After Tax)



EPS (Earning Per Share)



*Graphs not to scale

Chairman's letter

R Systems has consistently maintained a strong Balance Sheet to deal with all economic cycles for the benefit of its stakeholders.

Dear fellow stakeholders,

I am pleased to report that the Financial Year 2011 was a satisfactory year for your company which was driven by the addition of key customer accounts along with our targeted, strategic acquisition of Computaris International Limited. The record revenues are resultant of our specialisation and focus on key verticals such as Telecom and Digital Media, BFSI, Healthcare and Manufacturing & Logistics. This greatly enhanced our ability to deliver innovative, customer focused solutions leading to predictable and tangible value for our customers and your company.

Financial performance in 2011

Our consolidated revenues reached a new record of Rs. 409.5 crores – a growth of 40.9% over last year. Earnings before interest, depreciation, taxes and allowances (EBITDA), a key indication of operating performance, grew to Rs. 32.3 crores – a growth of 46.50% over last year. Net Profit after tax was Rs. 16.5 crores as against Rs. 16.8 crores over last year. Net Profit was impacted by exchange losses mainly on mark to market of forward contract and restatement of foreign exchange denominated liability due to the devaluation of Rupee coupled with increased taxation provision after expiry of tax holidays. We have consistently maintained over the years a strong Balance Sheet to deal with the fluctuations in the economy and we further strengthened our position through judicious treasury and financial management resulting in a Shareholder funds increase to Rs. 198.6 crores or Rs. 162.2 per share and a cash and bank balance of Rs. 94.9 crores or Rs. 77.6 per share. The Company continues to be near debt free.

Our impressive operating performance this year and strong financial position is the result of our sound strategy of focusing on certain key verticals, enhancing core competencies and domain knowledge in these chosen areas, effectively using our global delivery model, working as an extended enterprise for our customers, providing an exciting environment for our employees and taking carefully measured risks for growth with prudent and thoughtful financial policies. While focusing on these key verticals, our revenue growth was also driven by our aggressive geographical expansion in Europe which resulted in a healthy increase in our global customer portfolio.

Considering the overall financial performance, I am happy to announce that the Board recommends a dividend of Rs. 3.60 per share subject to shareholder's approval at the ensuing annual general meeting.

Our business

Our core service offerings include Product Engineering, sold under our brand of iPLM services; IT enabled Business Process Outsourcing (BPO) services and consulting services for Enterprise Applications such as Business Intelligence and Analytics, ERP and Mobility. Our innovative iPLM services help our ISV and SaaS customers to bring software products to market faster and at lower costs. Our key BPO services include Customer Care, Technical and NOC Support and Revenue Cycle Management services. These are delivered in multiple languages using our global delivery model. Our acquisition of Computaris which specialises in real-time rating and convergent billing solutions helps us increase our penetration in the Telecom sector.

R Systems products group consists of two units. Indus® which address the retail lending, telecommunication and insurance industry and ECnet® which addresses supply chain, warehousing and inventory management.

Last year we had set out to align our offerings to the needs of our clients through focus on key verticals - Telecommunication and Digital Media, BFSI, Hi-Tech Manufacturing and Logistics, and Health Care. During the year 2011, Telecommunication and Digital Media contributed 36.5% and BFSI contributed 15.5% of the total consolidated revenues demonstrating that this approach has been very effective.

Key differentiators

Our key differentiator is our ability to build great teams that love working for us, our customer centric, expertise driven, high quality and innovative solutions and consistent financial performance.

Outlook

Overall, we have a positive outlook for the Company. While we are satisfied with our performance in the Financial Year 2011, we realise the need to improve our margins. We have 135 plus active customers including 18 million dollar plus accounts. We have a strong sales funnel across all key business verticals and geographies. The depreciation of the Rupee has helped improve our gross margins. We expect our margins to further improve if the Rupee stays at current levels.

We will continue to work on our strategy of focusing on key business verticals, such as, telecom and digital media, BFSI, healthcare, manufacturing and logistics while enhancing our industry knowledge with innovative ideas and solutions. We are focusing on improving our utilisation rates however ramp up on new projects may impact utilisation in the near term.

On a concluding note

As we enter this new era of growth through empowerment and with innovative ideas and solutions, I am extremely thankful to all of our stakeholders who have contributed to our success. In addition, I am grateful to all of our supporters including our customers, shareholders, bankers, the stock exchanges, Securities and Exchange Board of India, the Software Technology Parks of India, various government agencies and other organizations. To my colleagues worldwide at R Systems, I am very proud of you and thankful. Our good performance in 2011 is the outcome of your passion, commitment, innovative ideas and hard work. Let us aim even higher in 2012.

Sincerely,

Satinder Singh Rekhi
Chairman and Managing Director

Overall, we have a positive outlook for the Company. While we are satisfied with our performance in the Financial Year 2011, we realise the need to improve our margins. We have 135 plus active customers including 18 million dollar plus accounts.

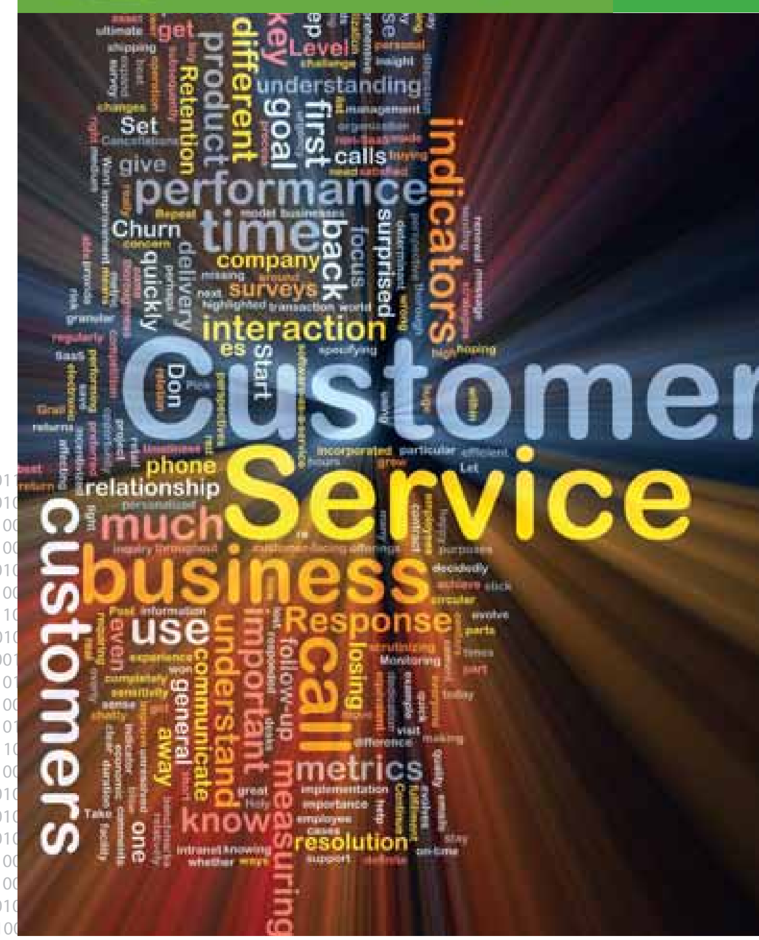
Sharpening focus on operations

The multitude of accomplishments achieved by R Systems in 2011 is a reflection of our verticalised focus on operations. The year under review saw R Systems successfully achieve its targets and, looking forward to 2012, the strong sales funnel across all the business verticals will lead to further augmenting R Systems' growth story.

A GLANCE AT SOME KEY WINS DURING 2011:

Telecom & Digital Media

- R Systems' recent acquisition Computaris has been chosen by a major Eastern European mobile operator to deliver an end-to-end Policy Management solution for their NGN architecture.
- Our onsite technical support and customer care centre in USA has been selected by a leading provider of mobility solution to deliver technical support services to its premium customers over phone and email.
- One of Philippines' leading wireless services provider has selected R Systems Indus product suite to addresses its need for strong credit management in customer acquisition, credit exposure and collection management.
- One of Kuwait's mobile telecommunications service providers has selected R Systems Indus product to manage its customer acquisition, exposure management and bill collection processes.



BFSI

- One of the India largest industrial house financial services group selected the complete product suite of Indus product line for its NBFC business to cater to retail lending and corporate loans to SME sector. The group has significant presence in insurance, mutual funds, private equity, security based lending, wealth management, broking and distribution of financial products.
- A Global Finance Company headquartered in Europe has selected R Systems "Indus Collections" product to support its business units. It offers comprehensive range of asset finance solutions including leases, rental and loan to the manufacturers and distributors of professional equipment.

Healthcare

- R Systems through its wholly owned subsidiary in USA has partnered with an IT consulting and training Company to win a contract from the State of California to perform Maintenance and Operations (M&O) for its existing system.
- R Systems has been selected by an innovative healthcare products and services company in USA to provide web development, report development and portal testing services to interact with its third party integrated, SaaS-based billing and business management software.

Manufacturing & Logistics

- A leading shipping and logistic company in Vietnam has selected R Systems to implement a technology road map for them. The engagement starts with implementing a WMS solution which will then be followed by implementation of an integrated logistics management solution developed at ECnet.
- Our subsidiary in Singapore has won an ERP implementation with a Company based in Malaysia that manufactures and supplies the headliners and steering column for the Automobile sector.

Sharpening focus on services / solutions

Leveraging best practices developed over the years, R Systems has sharpened its focus on its services and solutions bouquet. Today, R Systems offers an array of innovative services and solutions that deliver measurable business value to clients. This has not only helped R Systems differentiate its identity from other IT & ITES vendors, but also facilitates the process of building the right services angle to emerge as the 'partner of choice' for global leading players.

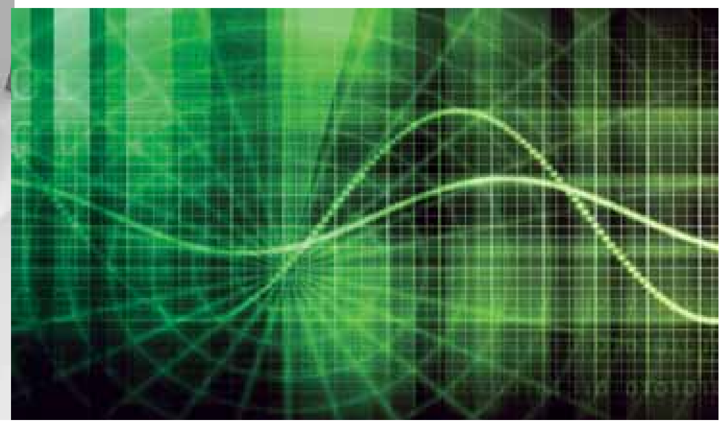
iPLM Services

R Systems defines its OPD business as iPLM services, where we understand the need of software product development companies by offering innovative solutions which reduce costs and bring products to market quicker. These companies, which work on aggressive time-to-market deadlines, have partnered with R Systems over the last several years. R Systems' pSuite framework is designed to provide the right impetus to the efforts of these organisations as they face ever reducing cycle times. The pSuite framework adopts best practices, tools and methodologies to ensure flawless product delivery.

Under iPLM services, R Systems delivers solutions and services in the area of Information Technology (IT) and Information Technology enabled Services (ITeS). The IT services cover outsourced product development, quality assurance, independent testing, systems integration, application development, data warehousing, business intelligence, enterprise portals, supply chain optimisation, support and maintenance services. ITeS covers customer care and technical support for IT and Hi-Tech electronics manufacturers, managed services, NOC support, high-end quality process management, revenue and claims management, using our global delivery model with multi-language support capabilities.

Products Group

R Systems' products group consists of two units - Indus® which addresses the retail lending, telecommunication and insurance industry, and ECnet® which addresses supply chain, warehousing and inventory management.



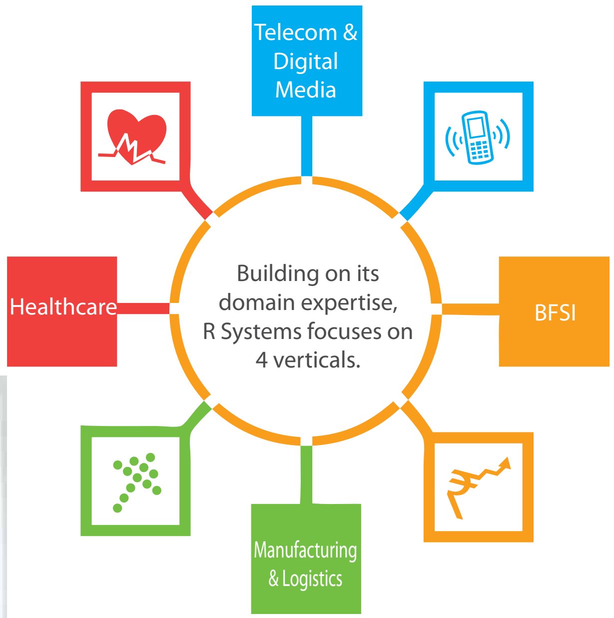
Indus solutions include an integrated enterprise multi-portfolio lending suite for banking and financial services, credit management and revenue collection for telecom companies, iPerSyst for insurance companies.

ECnet provides solutions for holistic management of the complex interaction between an organisation and its trading partners. The integrated solution aims to reduce overall supply chain costs through improved collaboration and optimisation.

Empowering growth through sharper focus on verticals

By relentlessly focusing on the customer needs in chosen areas of competency, R Systems has created a unique model of operating as an extended enterprise for its customers. R Systems began its journey as an outsourced product development company. Thereafter, it extended its offerings into business process outsource services and own product suite in BFSI, Manufacturing & Logistic verticals.

While outsourced product development still forms the core of our business, over the years R Systems has also identified new offerings to provide customised, innovative and end-to-end services and solutions, catering to specific needs of the existing and prospective customers.



R Systems has created a unique model of operating as an extended enterprise for its customers.

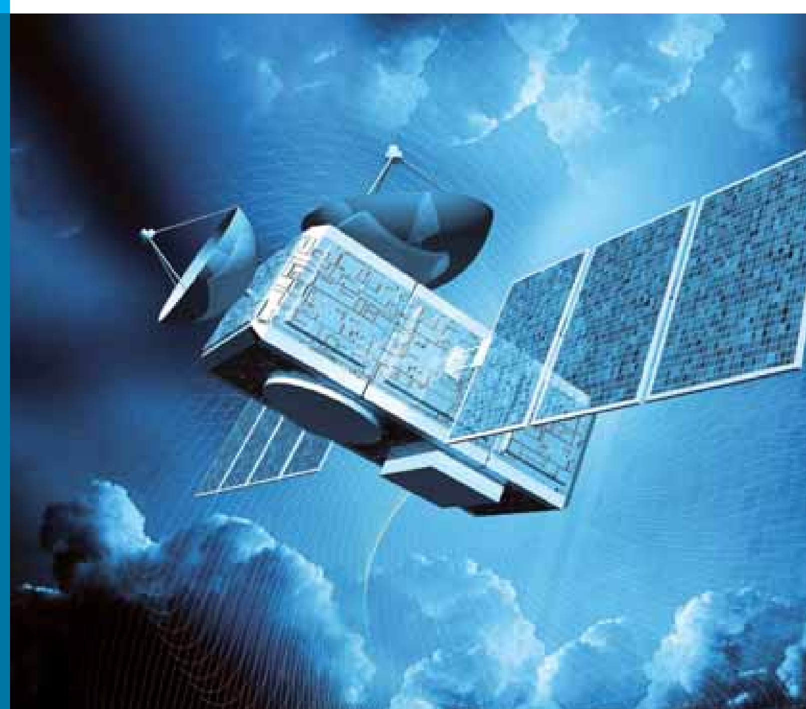
Telecom & Digital Media Vertical

Telecom Industry has infused a new perspective in our life today. It has revolutionised everything and is undergoing redefinition by embracing new technologies as well as business models.

As per the NASSCOM Strategic Review 2012, FY 2011 was the year of mobile adoption, where tablets and smart phones sales growth, by volume and by percentage, outpaced the shipment of desktop and laptop market. This mobile revolution witnessed spending by organisations in developing both consumer apps and enterprise apps. From IT industry perspective, the market for enterprise mobility solutions alone is expected to grow to USD 17 billion by 2015, presenting a huge opportunity to increase revenue from this segment at a pace of triple-digit growth.

This vertical is R Systems' largest business vertical and has contributed 36.5% of revenues in 2011, with service offerings in digital, IPTV, Customer Experience Management, products from the Indus brand and services from recent acquisition Computaris, in the area of customisation and implementation of real time charging solutions, outsourced application development of BSS product, besides testing services and solution.

As per the NASSCOM Strategic Review 2012, the market for enterprise mobility solutions alone is expected to grow to USD 17 billion by 2015.



R Systems offers the following

Telecom service / solution offerings:

Telecom Offering Subareas

BSS	OSS
VAS	Mobile Applications

Telecom Customer Profiles

- Original Equipment Manufacturer (OEM) / Independent Software Vendors (ISV)
- Communication Service Providers (CSP)

Pre-integrated Solutions Offerings

- Real time Convergent Charging, Billing and Rating solutions
- Mobile Broadband Management Solution for advanced policy control services
- Full infrastructure MVNO Solution for various business models
- VAS Solutions for both enterprise users (e.g. Virtual PB) and consumers (e.g. Call completion services)
- Facebook real time integration platform – enabling Facebook integration with BSS/OSS system for dynamic viral marketing
- Credit Management and Revenue Collections Solution

Service Offerings

- BSS Services – In area of Billing, Mediation, rating and charging, CRM and Policy Control areas
- VAS Services – In area of IPTV, DCB, Messaging, Service Delivery Platform and Service management areas
- Mobile Application Services – using experience in Symbian, Android, Windows, BREW and iOS platforms

Indus Product Offerings

Indus Credit Management and Revenue Collection (CMRC) helps telecom companies pro-actively manage their credit portfolio of post-paid subscribers. This highly scalable solution provides the power to apply various interventions based on customer risk and increase recoveries while protecting sensitive client relationships.

Over the last few years, digital media is emerging as a vital component. The digital media revolution is continuing, gathering speed as it goes. The transition from analog to digital was a revolution in itself, but today, the entire value chain is in the process of transformation from content provider to the user with the Internet as the underlying driver of change.

Demanding consumers and increasing competition has resulted in a major transformation in Media and Entertainment (M&E) industry. R Systems has been providing M&E services since a decade. We have gained in-depth domain knowledge and expertise in this vertical through long-term relationships with customers and strategic partnerships with some leading M&E companies.

BFSI Vertical

With extensive experience and knowledge of the banking, financial and insurance services domain, R Systems offers comprehensive business-driven technology solutions and services that help organisations attain enhanced operational efficiencies with minimised risks.

This vertical is spearheaded by its product "Indus Software", which provides integrated enterprise multi-portfolio lending suite for banking & financial companies and iPerSyst for insurance companies. This mission-critical application is a feature-rich multi-user software solution. With customers spread across the world, key users of these solutions are large financial services organisations as well as large banking institutions in over 25 countries.

With customers spread across the world, key users of these solutions are large financial services organisations as well as large banking institutions in over 25 countries.

INDUS OFFERINGS ENCOMPASS:

Indus Loan Origination

The Indus Loan Origination module is an integrated multi portfolio solution that adapts to the client's business model. The module provides the user with the ability to capture comprehensive customer data. It also identifies potential duplication and provides workflow management with features to manage and assign cases.

Indus Loan Servicing

The stages in lending do not end with processing of applications and disbursement of the loan amount. The next stage - managing repayment - requires as much focus and attention. Indus Loan Servicing module tracks and manages the repayment processes. It includes monitoring of receivables, acceptance of repayment details, reports and customer queries.

Indus Loan Collections

Retail lending solutions are incomplete without a debt management system. Tracking non-performing loans and recovering them is an important area of focus in the retail lending, leasing and credit card business. Indus Loan Collections helps manage recovery from delinquent accounts. This feature-rich multi-user software product provides speed and flexibility in tracking and recovering of overdue payments.

Indus iPerSyst

The periodic premiums that insurance companies collect from their clients are one of their most important revenue streams. One cannot over-emphasise the importance of collecting these premiums at the right time. Indus iPerSyst helps insurance companies in streamlining their business process for policy renewals in both life and general insurance domains. It is a sustainable platform for growth, with automated tracking and monitoring of policy renewals. It builds business intelligence that helps in making strategic decisions. It is a web-based solution that is adaptable to diverse business scenarios.

UNDER iPLM SERVICES:

R Systems offers outsourced product development, independent testing, productised application development, support and maintenance services, with a model that optimises the benefits of offshore and onsite services.

Our best of industry resources are certified from ABA (American Bankers Association), IBA (Indian Bankers Association), PMI (Project Management Institute), CSM (Certified Scrum-Master), Microsoft, Oracle, SUN and Quality Analyst (CSQA).

Healthcare Vertical

R Systems' strategic focus on this industry provides it the domain expertise and best practices that help clients through a wide variety of services. R Systems offers a wide variety of solutions to different players in the healthcare industry including companies that develop, manufacture and market health-related products or healthcare services such as hospitals, midsized provider organisations, Health Maintenance Organisations (HMOs), plan providers, payers, medical billing companies, medical equipment and medical device manufacturers.

R SYSTEMS' MAIN AREAS OF EXPERTISE INCLUDE:

IT services in the area of Informatics

(database administration, conversion, integration services and reporting).

R Systems has extensive knowledge of design, development and maintenance of Practice Management Systems, especially centric to Community Health Centres. Practice Management System is utilised by medical practitioners, including specialty practices, multi-specialty groups and Community Health Centres who face specific management, billing and UDS reporting challenges. Architecture developed by R Systems allows easy interface with a wide range of third party services such as clearing houses, laboratories, data management, hospital systems and any other EHR or EMR product. R Systems has expertise in providing data conversion services to migrate practices from old legacy systems to new practice management system. R Systems provides the best of resources, which encompasses healthcare domain experts with extensive experience, team of business analysts, IT Service staff having healthcare solutions working experience, team of DBAs for data conversion and 24 X 7 production support.

Revenue Cycle Management (RCM)

These services are provided to physician groups and hospitals by acting as their back-end processing unit interfacing with patients and insurance carriers to ensure high collections and consistent cash flows. The RCM services provided include scheduling, demographics entry, charge capture, ICD & CPT coding, claims creation & submission, denials management, payment processing, AR follow ups, patients collections and reporting.

The team at R Systems comprises science graduates and graduates in alternate medicine with US healthcare industry experience, including AAPC certified professional coders. Our information security framework enables it to adhere to all HIPAA related requirements around data security and patient health information. The team of experienced auditors monitors and ensures adherence to all compliance parameters, regulatory as well as business specific. R Systems' dedicated team model ensures specialty specific deployment for each client engagement, thereby ensuring that all clients benefit from our operational efficiencies. The benefits to customers include higher collections post adjustment, significant reduction of administrative costs, complete adherence to all compliance requirements and reduction in claim submission Turn Around Time (TAT).

R Systems has expertise in providing data conversion services to migrate practices from old legacy systems to new practice management system.

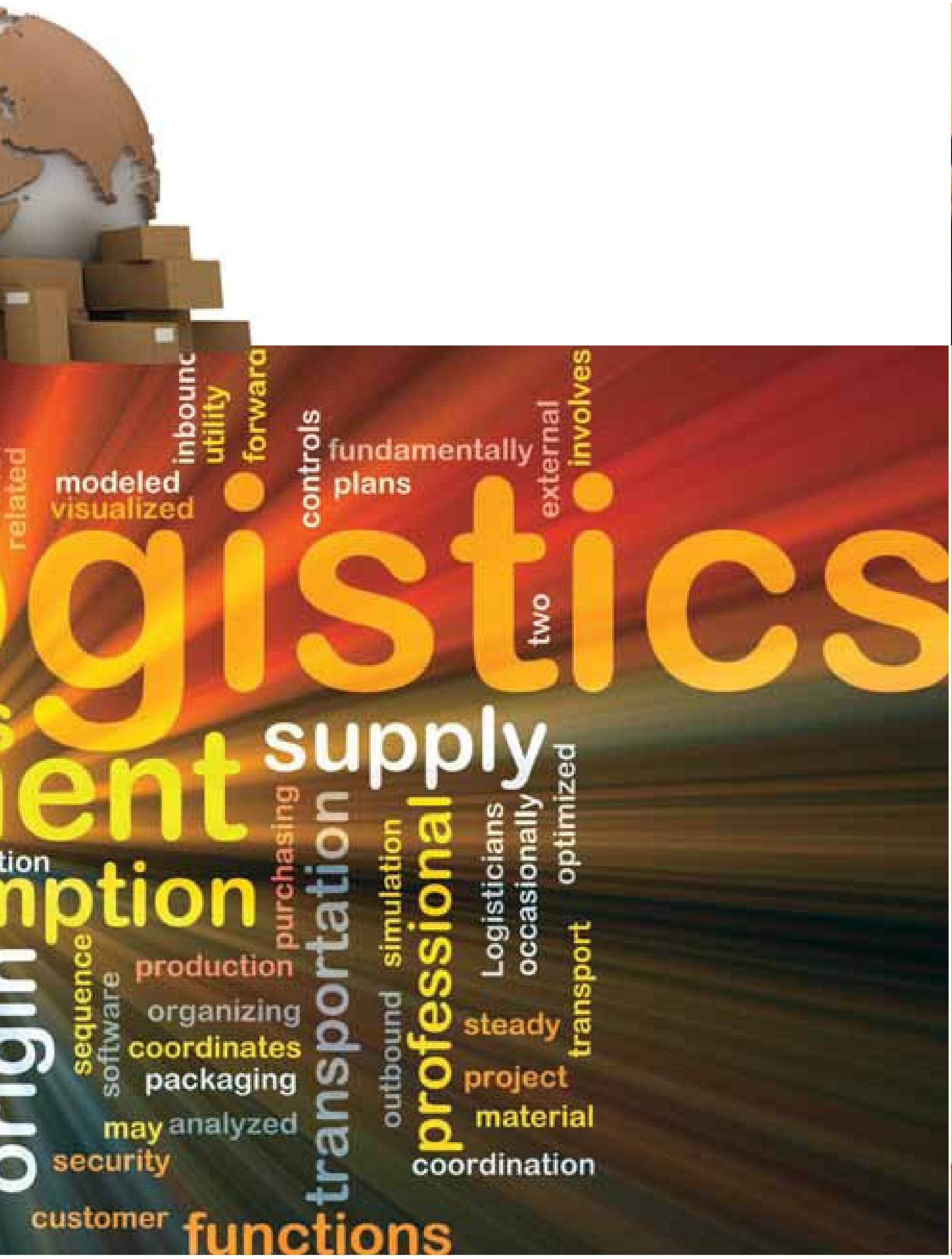
Manufacturing & Logistics Vertical

Trading partner collaboration is a traditional goal to improve business volumes and market penetration. Today's global markets and consumers dictate the need to work with customers and suppliers. This new paradigm requires new approaches to collaboration amongst stakeholders across the value chain. With over a decade of experience in the supply chain business, R Systems helps large businesses optimise their supply chains and ECnet forms the core of the our manufacturing and logistics vertical.

Focused on providing total solutions to the manufacturing and logistics industry, concentrating primarily on the Supply Chain Management, a range of products and services is offered by R Systems under the ECnet brand.

Focused on providing total solutions to the manufacturing and logistics industry, concentrating primarily on the Supply Chain Management, a range of products and services is offered by R Systems under the ECnet brand. The G5 solution, developed by ECnet, is an advanced and comprehensive collaborative supply chain management solution for modern enterprises. Incorporating the latest supply chain collaboration and optimisation strategies, it facilitates better collaboration and business process optimisation in inventory, logistics and sourcing management. Built with the latest internet and security technologies, it is a highly scalable and cost-effective supply chain management solution for big and small businesses. Key components of this excellent supply chain collaboration solution include supply chain intelligence, logistics optimisation, inventory optimisation, sourcing optimisation and supply chain collaboration.

ECnet also operates as a channel partners for reselling and implementing several products relating to warehousing, inventory management and supply chain of one of the largest business software companies to serve customers in a key customer segment: Small-to medium-sized businesses. These products present an opportunity to cross and up sell these solutions since these are adjunct to ECnet's own product offerings.



Empowering growth through collaborations

Over the years, sharing business expertise has emerged as a critical factor fuelling organisational success as it allows companies to offer new services and expand into new markets.

R Systems has acquired Computaris, which has expanded our offerings in telecom vertical and footprints in Eastern Europe. Computaris is having operations in U.K., Romania, Poland, Moldova, Malaysia & U.S.A., and provides solutions and services to telecom industry and specialises in real-time rating and billing solutions.

R Systems' Collaborative Partnership Agreement with INCA, a leading information security company in Korea specialising in providing online financial security services for safe and trustworthy online banking transactions was also a strategic move in this direction. The collaboration works well for both the entities. For R Systems, it will ensure, along with new products and services for its customers, the benefit of INCA's expertise in the information security domain. For INCA, after a decade of successes in Korea, Japan and other Asian countries, it shall facilitate foray into the North American market. Ably supporting this is the R Systems' team, which has established a strong presence in the US market and possesses an excellent pool of resources armed with the required technical skills, capabilities and knowledge.

In order to expand the Company's geographical reach and customer / markets access for Indus product suite beyond its traditional sales force capabilities, R Systems has increasingly begun forging strong business and joint go-to market partnerships. These partnerships are a win-win-win for all three entities involved – the end customer, the larger SI or consulting partner involved in major transformational engagements and R Systems, as a key provider of specialised niche solutions or services.

R Systems has acquired Computaris, which has expanded our offerings in telecom vertical and footprints in Eastern Europe.

Referring to product collaborations, ECnet also operates as a channel partners for reselling and implementing several products relating to warehousing, inventory management and supply chain of one of the largest business software company to serve customers in a key customer segment: Small-to medium-sized businesses. These products present an opportunity to cross and up sell these solutions since these are adjunct to ECnet's own product offerings.

Empowering growth through human resources

For R Systems, people, like its technology, are a source of competitive advantage. To make the most of this advantage, R Systems emphasises a commitment to good people practices.

This focus provides employees a culture that encourages ethical behaviour, respect for fellow employee, and performance with responsibility, honesty and integrity. The ethos promotes professionalism in the interactions of employees with colleagues, customers and other stakeholders.

In the year under review, the R Systems has conducted a Knowledge Exchange Program held at Stellar Park Greater, Noida, This was attended by managers representing different domains / areas from across the Company. This programme included an interactive session on "Heightening a Multi Service, Geographically Spread, Cross Cultural Organisation, Enhancing Account/ Programme Management Effectiveness", which generated a lot of interest in all participants. The session saw unanimity on the need for R Systems to focus on specific domains and build required capabilities for business in these areas. The event concluded with agreement on the need focus on different verticals and create a niche for R Systems in these verticals.

R Systems believes that people really matter as organisational results stem from high performance. People only perform well when they operate in a culture which nurtures and supports them and helps them to work towards the achievement of their ambitions. R Systems high performance culture provides the framework and support in which people can show their continued commitment.

The session saw unanimity on the need for R Systems to focus on specific domains and build required capabilities for business in these areas.

Empowering growth through
Corporate Social Responsibility (CSR)

R Systems is continually striving to become a more responsible corporate citizen of the country. As a step in this direction, R Systems' CSR initiatives are driven through Saksham, an employee outfit aimed at providing community service with voluntary contributions from all employees.

An update on some of the initiatives in the year:

- Moving on to supporting to new NGO, post the self sufficiency attained by the older NGOs like Eklavya Bal Shikshan and Arogya Nyasa (they were ably supported since the past 8-10 years).
- Continued paying the home rent for the family of late Prakash Gole, who was a housekeeping staff member.
- Monthly funding to Annapurna Pariwar at Pune to support their Child Development Programme. Also sponsoring the crèche that is run at Kachra Depo in Paud Road, Pune. The crèche takes care of the children of poor families / slum dwellers who are borrowers of loan from Annapurna.
- Interacting with representatives of Friends of Children to support needy students for their higher education, i.e. from the first to the third year for engineering and other computer application courses.
- Organising campus interviews for students who pass out through Friends of Children with the aim to employ them in the organisation.

Further CSR at R Systems, portrays a deep symbiotic relationship that we enjoy with the causes that it supports. As a responsible corporate citizen, R Systems tries to contribute for social and environmental causes on a regular basis. The commitment to good governance, ethical conduct and social responsibility is core way of doing business at R Systems, and is strongly aligned with its drive to create and increase value for all stakeholders.

SYSTEMS

R Systems International Limited

Directors' Report

Dear Shareholders,

Your directors take great pleasure in presenting the Eighteenth Annual Report on the business and operations of R Systems International Limited ("R Systems" or the "Company") together with the audited statements of accounts for the year ended December 31, 2011.

1. FINANCIAL RESULTS

(a) Standalone financial results of R Systems

Particulars	Financial Year ended (Rs. in lakhs)	
	31.12.2011	31.12.2010
Total income	**19,768.03**	18,538.13
Profit before depreciation, exceptional items and tax	**1,671.59**	2,311.47
Less : Depreciation	**881.24**	862.65
Less : Exceptional item (Provision for diminution in value of long term investments)	-	18.50
Profit before tax	**790.35**	1,430.31
Less : Current tax (net of MAT credit)	**477.24**	185.90
Less : Deferred tax charge / (credit)	**(333.41)**	(430.96)
Profit after tax (available for appropriation)	**646.51**	1,675.37
Proposed final dividend	**443.41**	295.60
Corporate dividend tax on final dividend	**70.79**	49.10
Transfer to General Reserve	**64.65**	167.54
Balance carried forward to Balance Sheet	**67.66**	1,163.13

(b) Consolidated financial results of R Systems and its subsidiaries

Particulars	Financial Year ended (Rs. in lakhs)	
	31.12.2011	31.12.2010
Total income	**41,505.98**	29,624.62
Profit before depreciation, exceptional items and tax	**3,403.76**	2,786.66
Less : Depreciation	**1,311.85**	1,330.86
Profit before tax	**2,091.91**	1,455.80
Less : Current tax (net of MAT credit)	**857.44**	209.12
Less : Deferred tax charge / (credit)	**(416.78)**	(430.96)
Profit after tax (available for appropriation)	**1,651.25**	1,677.64
Proposed final dividend	**443.41**	295.60
Corporate dividend tax on final dividend	**70.79**	49.10
Transfer to General Reserve	**64.65**	167.54
Balance carried forward to Balance Sheet	**1,072.40**	1,165.40

Previous Year figures have been regrouped/recasted, wherever necessary.

2. RESULTS OF OPERATIONS

Standalone Accounts

- Total income during the year 2011 increased to Rs. 19,768.03 lakhs as against Rs. 18,538.13 lakhs during the year 2010, a growth of 6.63%.
- Profit after tax was Rs. 646.51 lakhs during the year 2011 as compared to Rs. 1,675.37 lakhs during 2010, a decline of 61.41%.
- Basic earnings per share was Rs. 5.25 for the year 2011 as compared to Rs. 13.60 for the year 2010, a decline of 61.41%.

Consolidated Accounts

- Consolidated total income during the year 2011 increased to Rs. 41,505.98 lakhs as against Rs. 29,624.62 lakhs during the year 2010, a growth of 40.11%.
- Profit after taxes was Rs. 1,651.25 lakhs during the year 2011 as compared to Rs. 1,677.64 lakhs during 2010, a decline of 1.57%.
- Basic earnings per share was Rs. 13.41 for the year 2011 as compared to Rs.13.62 for the year 2010, a decline of 1.57%.

3. APPROPRIATIONS AND RESERVES

Dividend

Taking into consideration the operating profits for the year 2011 and a positive outlook for the future, the Board of Directors (the "Board") is pleased to recommend a final dividend of Rs. 3.60 per equity share, being 36% on the par value of Rs. 10 per share (previous year Rs. 2.40 per share, being 24% on the par value of Rs. 10 per share), to be appropriated from the profits of the Company for the financial year 2011 subject to the approval of the shareholders at the ensuing Annual General Meeting. The dividend, if approved, will be paid to all the equity shareholders whose names appear in the Register of Members of the Company as of the opening business hours on April 24, 2012 after giving effect to all valid share transfers in physical form which would be received by the Company's registrar and share transfer agent M/s Link Intime India Private Limited up to the end of business hours on, April 23, 2012 and to those whose names appear as beneficial owners in the records of National Securities Depository Limited ("NSDL") and Central Depository Services (India) Limited ("CDSL") as of the said date.

The register of members and share transfer books shall remain closed from April 24, 2012 to May 04, 2012, both days inclusive.

Transfer to Reserves

It is proposed to transfer a sum of Rs. 6,465,135/- (Rupees sixty four lakhs sixty five thousand one hundred thirty five only) to the General Reserve being 10% of the current year's profit in accordance with the Companies (Transfer of Profits to Reserves) Rules, 1975.

4. BUSINESS

R Systems is a leading provider of outsourced product development services, business process outsource services and also offers own product suite in BFSI, Manufacturing & Logistic verticals. R Systems diversified offering includes:

iPLM Services Group

Under iPLM Services, R Systems delivers solutions and services in the area of Information Technology and Information Technology enabled services. The IT services cover application development, systems integration and support and maintenance of applications. Under the ITES we cover managed services, BPO services covering both technical support for IT and Hi-Tech electronic gadgets, high-end Quality Process Management and Revenue and Claims Management using our global delivery model in 18 languages.

Products Group

R Systems products group consists of Indus solutions and ECnet Supply Chain products.

Indus solutions offerings include an integrated enterprise muti-portfolio lending suite for banking and financial services, credit management and revenue collection for telecom companies, iPerSyst for insurance companies which helps in timely policy renewal and customer retention along with other IT services to banking and financial service clients.

ECnet Supply Chain products provide solutions for holistic management of the complex interaction between an organisation and its trading partners. The integrated solution aims to reduce all supply chain costs through improved collaboration and optimisation.

R Systems is focused on key business verticals - Telecommunication and Digital Media, BFSI, Hi-Tech Manufacturing and Logistics, Government and Health Care and invested in building capabilities and domain knowledge around these focused verticals. This has helped in providing innovative and cost efficient solutions or services under chosen verticals.

Customers and Delivery Centres

R Systems rapidly growing customer list includes a variety of Fortune 1000, government and mid-sized organizations across a wide range of industry verticals including Banking and Finance, High Technology, Independent Software Vendors, Telecom and Digital Media, Government, HealthCare, Manufacturing and Logistic Industries. R Systems maintains thirteen development and service centres and using our global delivery model, we serve customers in the US, Europe, South America, the Far East, the Middle East and Africa.

There were no changes in the nature of the Company's business and generally in the classes of business in which the Company has an interest and in the business carried on by the subsidiaries during the year under review. For details of Company's subsidiaries please refer note number 14 relating to subsidiaries.

5. QUALITY

R Systems has continuously invested in processes, people, training, information systems, quality standards, frameworks, tools and methodologies to mitigate the risks associated with execution of projects. Adoption of quality models and practices such as the Software Engineering Institute's - Capability Maturity Model Integrated (SEI-CMMi) and Six Sigma practices for processes have ensured that risks are identified and mitigated at various levels in the planning and execution process. R Systems journey for various quality certifications / standards for the development and service centres in India is provided below:

2011 : SEI CMMi Level 5 (Ver 1.2)
2010 : ISO 9001 : 2008
2009 : PCMM LEVEL 5
2008 : PCMM LEVEL 3
2006 : SEI - CMMi LEVEL 5 & ISO 27001 : 2005
2004 : SIX SIGMA DEPLOYED
2003 : SEI - CMM LEVEL 5
2002 : SEI - CMM LEVEL 4
2002 : ISO 9001 : 2000
1998 : ISO 9001 : 1994

In the year 2011, Noida IT center of the Company is appraised at SEI-CMMi level 5 (Ver 1.2).

As of the date of this report, Noida IT centre is SEI-CMMi level 5, PCMM Level 5, ISO 9001 : 2008 and ISO 27001 : 2005 certified; Noida BPO centre is PCMM Level 5, ISO 9001 : 2008 and ISO 27001 : 2005 certified. Pune and Chennai development centres are SEI-CMM Level 5, ISO 9001 : 2008 and ISO 27001 : 2005 certified. The continuing compliance with these standards demonstrates the rigor of R Systems processes and differentiates us to keep our competitive edge in service and product offerings.

To maintain and strengthen competitive strengths, R Systems continues to make investments in its unique and proprietary PSuite with best practices, tools and methodologies for flawless execution and consistent delivery of high quality software. The pSuite framework offers services along the entire software lifecycle that includes technology consulting, architecture, design and development, professional services, testing, maintenance, customer care and technical support. R Systems expects that its technology focus, investment in processes, talent and methodologies will enable it to distinguish itself from competition as it seeks to provide services to technology / product companies.

6. ACQUISITION

During the year under review, the Company has completed the acquisition of 100% shares of Computaris International Limited (Computaris), U.K. on January 26, 2011 for a maximum consideration of GBP 9 million (Rs. 653,625,000). Out of which GBP 4.25 million (Rs. 308,656,250) is initial payout and balance is based on earn outs of Computaris as well as fulfillment of certain conditions by the former shareholders of Computaris over the next two years.

Computaris is having operations in U.K., Romania, Poland, Moldova, Malaysia and U.S.A and provides solutions and services to telecom industry and specialises in real-time rating and billing solutions.

Computaris is a System Integrator providing software products & solutions as well as being a services company. They are focused on the provision of convergent and real-time rating, charging and billing solutions as well as messaging solutions to network operators, especially mobile, worldwide. The ability to combine high level IT and real-time telephony skills enables Computaris to provide a range of solutions and products that ensure that they are the provider of choice for many large corporations.

Computaris specializes in system integration, BSS technical consulting and software development for software vendors and communication service providers (CSP) in Europe, Middle East, Africa and SE Asia.

On completion of the said acquisition, Computaris along with its six subsidiaries became the wholly owned subsidiaries of R Systems International Limited. Further this acquisition has also expanded R Systems offerings in telecom vertical and footprint in Eastern European countries by adding 5 development centres.

7. DIRECTORS

During the year under review, the following changes took place in the office of directors of the Company.

Mr. Gurbax Singh Bhasin and Mr. Suresh Paruthi were reappointed as directors and Mr. Satinder Singh Rekhi was reappointed as Chairman & Managing Director of the Company at the previous Annual General Meeting held on May 25, 2011.

Further, Lt. Gen Baldev Singh (Retd.) has been reappointed as President and Senior Executive Director of the Company for a period of three years i.e. w.e.f. April 01, 2012 to April 01, 2015 subject to the approval of the Central Government and the shareholders at the ensuing Annual General Meeting of the Company.

At the ensuing Annual General Meeting, Mr. Raj Swaminathan and Lt. Gen. Baldev Singh (Retd.), directors of the Company are liable to retire by rotation in accordance with the provisions of Section 255 and 256 of the Companies Act, 1956 read with the Articles of Association of the Company and being eligible, offer themselves for reappointment as directors of the Company.

None of the directors of the Company are disqualified as per the provisions of Section 274(1)(g) of the Companies Act, 1956. The directors of R Systems have made necessary disclosures, as required under various provisions of the Act and Clause 49 of the Listing Agreement.

8. EMPLOYEES STOCK OPTION PLANS / SCHEMES

The industry in which R Systems operates is people intensive and R Systems believes that human resources play a pivotal role in the sustainability and growth of the Company. R Systems has always believed in rewarding its employees with competitive compensation packages for their dedication, hard work, loyalty and contribution towards better performance of the Company. To enable more and more employees to be a part of the financial success of the Company, retain them for future growth and attract new employees to pursue growth, R Systems has set up employees stock option plans / schemes from time to time for its employees and for the employees of its subsidiaries. As on the date of this report, the prevailing stock option plans of R Systems are as follows:

(a) R Systems International Ltd. - Year 2004 Employee Stock Option Plan : For the employees of R Systems and its subsidiaries other than ECnet Limited.

(b) R Systems International Ltd. - Year 2004 Employee Stock Option Plan – Ecnet : For the employees of ECnet Limited, a subsidiary of R Systems.

(c) Indus Software Employees Stock Option Plan - Year 2001 : Initially formulated for the employees of Indus Software Private Limited which got amalgamated with R Systems and the plan continues as per the scheme of amalgamation approved by the Hon'ble High Courts of Delhi and Mumbai. As on the date of this report, no stock options are in force under this plan.

(d) R Systems International Limited Employee Stock Option Scheme 2007 : For the employees of R Systems and its subsidiaries.

As required under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme), Guidelines, 1999 as amended, details relating to options approved, granted, vested, exercised, lapsed, in force etc. under the prevailing employees stock option plans / schemes during the year ended December 31, 2011 are as follows:

S. No.	Particulars	R Systems International Ltd. - Year 2004 Employee Stock Option Plan (a)	R Systems International Ltd. - Year 2004 Employee Stock Option Plan - ECnet (b)	Indus Software Employees Stock Option Plan - Year 2001 (c)	R Systems International Limited Employee Stock Option Scheme 2007 (d)
a.	Total number of shares covered under the plan	199,500	200,000	73,898	650,000
b.	Pricing Formula	Prevailing Price once the Company's shares are listed and at the Fair Market Value as per the terms of R Systems International Ltd. - Year 2004 Employees Stock Option Plan on the date such option is granted when the Company's shares are not listed.	Prevailing Price once the Company's shares are listed and at the Fair Market Value as per the terms of R Systems International Ltd. - Year 2004 Employees Stock Option Plan - ECnet on the date such option is granted when the Company's shares are not listed.	As approved under the "Scheme of Amalgamation" of Indus Software Private Limited with the Company by the Hon'ble High Courts of Delhi and Mumbai.	"Exercise Price" means the market price which is payable for exercising the options and "Market Price" means the latest available closing price, prior to the date of the meeting of the Board of Directors / Compensation Committee, in which options are granted, on the stock exchange on which the shares of the Company are listed. If the shares are listed on more than one stock exchange, then the stock exchange where there is highest trading volume on the said date shall be considered.
c.	Options granted during the year	Nil	Nil	Nil	Nil
d.	Options vested during the year	Nil	Nil	Nil	119,625
e.	Options exercised during the year	Nil	Nil	Nil	Nil
f.	The total number of shares arising as a result of exercise of options during the year	Nil	Nil	Nil	Nil
g.	Options lapsed during the year	11,455	Nil	Nil	28,000
h.	Variation of terms of options during the year	Nil	Nil	Nil	Nil
i.	Money realised by exercise of options during the year (Rs.)	Nil	Nil	Nil	Nil
j.	Total number of options in force at the end of the year	61,925	6,800	Nil	475,000
k.	Employee wise details of options granted to (during the year)				
(i)	Senior managerial personnel	Nil	Nil	Nil	Nil

(ii)	Any other employee who receives a grant in any one year of options amounting to 5% or more of options granted during that year	Nil	Nil	Nil	Nil
(iii)	Identified employees who were granted options, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	Nil	Nil	Nil	Nil
l.	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of options	N.A.	N.A.	N.A.	5.19

Please note that the details given above for plan (a), (b) and (c) are after making the required adjustments in relation to consolidation of each of the 5 equity shares of Rs. 2 each into 1 equity share of Rs. 10 each as approved by the shareholders in the year 2006.

During the year ended December 31, 2011, R Systems had not granted any options under any of the aforementioned plans.

All options granted under Indus Software Employees Stock Option Plan - Year 2001 have already been vested and exercised or lapsed and no options were in force as on December 31, 2011.

For options granted during the earlier years under plan (a), (b) and (c), R Systems used the fair value of the stock options for calculating the employees compensation cost.

For the purpose of valuation of the options granted during earlier years, the management obtained fair value of the options at the date of grant under respective schemes from a firm of Chartered Accountants, to determine accounting impact, if any, of options granted over the periods. In the considered opinion of the valuer, the fair value of option determined using 'Black Scholes Valuation Model' under each of above schemes is "Nil" and thus no accounting thereof is required.

The assumptions used for the purpose of determination of fair value are stated below:

Assumptions	Unit	Scheme (a) *	Scheme (b) **	Scheme (c)***	Comments by the valuer
Strike price	Rs.	42	26	154	
Current share price	Rs.	16	16	140	Taken on the basis of NAV and PECV method of valuation.
Expected option life	No. of Years	5	5	2.5	Being half of the maximum option life.
Volatility	%	1	1	0.5	In case of unlisted shares, the volatility may be taken as zero. Verma committee also recommends this.
Risk free return	%	7	7	11.3	Zero coupon rate estimated from trading government securities for a maturity corresponding to expected life of option - taken from sites of NSE and / or BSE.
Expected dividend Yield	%	-	-	15	Company has no set policy so dividend taken as zero. In case of Indus plan, as the dividend had been paid by the erstwhile company, it has been assumed at 15%.

* R Systems International Ltd. - Year 2004 Employee Stock Option Plan under which the price was based on Rs. 2 per share.

** R Systems International Ltd. - Year 2004 Employee Stock Option Plan - ECnet under which the price was based on Rs. 2 per share.

*** Indus Software Employees Stock Option Plan - Year 2001 under which originally the price was based on Rs. 10 per share for 21,967 shares. As a result of amalgamation of Indus Software Private Limited into R Systems, R Systems had issued 206,822 equity shares of Rs. 2 each pursuant to the swap ratio approved by Hon'ble High Courts of Delhi and Mumbai.

The above information is based on Rs. 2 per share prior to consolidation of 5 equity shares of Rs. 2 each into one equity share of Rs. 10 and subsequent allotment of bonus shares in the ratio of 1 : 1.

Further, for the purpose of valuation of the options granted during the year 2005 under R Systems International Ltd. - Year 2004 Employee Stock Option Plan, the management obtained fair value of the options at the date of grant from a firm of Chartered Accountants, to determine accounting impact, if any, of options granted. In the considered opinion of the valuer, the fair value of these options determined using 'Black Scholes Valuation Model' is "Nil" and thus no accounting thereof is required.

The assumptions used by the valuer for the purpose of determination of fair value are stated below:

Assumptions	Unit	Scheme	Comments by the valuer
Strike price	Rs.	42	
Current share price	Rs.	13.58	Taken on the basis of NAV and PECV method of valuation.
Expected option life	No. of Years	5	Being half of the maximum option life.
Volatility	%	1	In case of unlisted shares, the volatility may be taken as zero. Verma committee also recommends this.
Risk free return	%	7.42	Zero coupon rate estimated from trading government securities for a maturity corresponding to expected life of option - taken from sites of NSE.
Expected dividend Yield	%	-	Company has no set policy so dividend taken as zero.

The above information is based on Rs. 2 per share prior to consolidation of 5 equity shares of Rs. 2 each into one equity share of Rs. 10 and subsequent allotment of bonus shares in the ratio of 1 : 1.

For the purpose of valuation of the options granted during the year ended December 31, 2007 under R Systems International Limited Employee Stock Option Scheme 2007, the compensation cost relating to Employee Stock Options, calculated as per the intrinsic value method is nil.

The management obtained fair value of the options at the date of grant from a firm of Chartered Accountants. In the considered opinion of the valuer, the fair value of these options determined using 'Black Scholes Valuation Model' is "Rs. 50.73" per option.

The assumptions used by the valuer for the purpose of determination of fair value are stated below:

Assumptions	Unit	Scheme	Comments by the valuer
Strike price	Rs.	120.70	
Current share price	Rs.	118.50	Price on the date of grant by Board of Directors i.e. closing price on July 11, 2007.
Expected option life	No. of Years	4	Being the vesting period.
Volatility	%	44	On the basis of industry average.
Risk free return	%	7	Zero coupon rate estimated from trading government securities for a maturity corresponding to expected life of option - taken from sites of NSE.
Expected dividend Yield	%	0.86	Company has declared Dividends of 12% in the past. Assuming that it will continue declaring similar dividends in future.

The stock based compensation cost calculated as per the intrinsic value method for the financial year 2010 and 2011 was nil. If the stock based compensation cost was calculated as per fair value method prescribed by SEBI, the total cost to be recognised in the financial statements for the year 2011 would be Rs. (-)585,874/- (Previous year Rs. 1,527,947/-). The effect of adopting the fair value method on the net income and earnings per share is presented below:

Pro Forma adjusted Net Income and Earnings Per Share

(Amount in Rs.)

Particulars	Year ended December 31, 2011	Year ended December 31, 2010
Net Income as reported	**64,651,348**	167,536,880
Add : Intrinsic Value Compensation Cost	**-**	-
Less : Fair Value Compensation Cost	**(585,874)**	1,527,947
Adjusted Pro-forma Net Income	**65,237,222**	166,008,933
Earnings Per Share		
Basic		
- As reported	**5.25**	13.60
- Proforma	**5.30**	13.48
Diluted		
- As reported	**5.19**	13.44
- Proforma	**5.24**	13.32

Weighted average exercise price of options granted during the year

S. No.	Particulars	Scheme (a)	Scheme (b)	Scheme (c)	Scheme (d)
1.	Exercise price equals market price	N.A.	N.A.	N.A.	N.A.
2.	Exercise price is greater than market price	N.A.	N.A.	N.A.	N.A.
3.	Exercise price is less than market price	N.A.	N.A.	N.A.	N.A.

Weighted average fair value of the options granted during the year

S. No.	Particulars	Scheme (a)	Scheme (b)	Scheme (c)	Scheme (d)
1.	Exercise price equals market price	N.A.	N.A.	N.A.	N.A.
2.	Exercise price is greater than market price	N.A.	N.A.	N.A.	N.A.
3.	Exercise price is less than market price	N.A.	N.A.	N.A.	N.A.

Scheme (a): R Systems International Ltd. - Year 2004 Employee Stock Option Plan.

Scheme (b): R Systems International Ltd. - Year 2004 Employee Stock Option Plan - ECnet.

Scheme (c): Indus Software Employees Stock Option Plan-Year 2001.

Scheme (d): R Systems International Limited Employee Stock Option Scheme 2007.

As no options are granted during the year under Scheme (a), Scheme (b), Scheme (c) and Scheme (d), hence the required information is not applicable.

9. LIQUIDITY AND BORROWINGS - CONSOLIDATED FINANCIAL STATEMENT

Cash and bank balance, including bank deposits as of December 31, 2011 was Rs. 9,495.54 lakhs against Rs. 9,568.91 lakhs as of December 31, 2010. Decline in the cash balance was mainly on account of acquisition of Computaris International Limited as offset by cash generated from operations during the year. The cash and bank balance per share as of December 31, 2011 was Rs. 77.56 against Rs. 78.16 as of December 31, 2010.

The consolidated cash and cash equivalent as at December 31, 2011 were Rs. 5,738.69 lakhs as against Rs. 3,969.36 lakhs as on December 31, 2010.

Net cash generated from operating activities was Rs. 3,507.35 lakhs for the year ended December 31, 2011 compared to Rs. 1,681.89 lakhs for the year ended December 31, 2010. The increase in cash generated from operating activities was mainly due to operating profits during the year 2011 along with changes in working capital.

Cash flow generated from operating activities is the significant source of funding for investing and financing activities.

During the year, R Systems invested Rs. 2,437.83 lakhs (net of cash acquired) for the acquisition of Computaris, Rs. 785.68 lakhs in the purchase of fixed assets. The interest received during the year 2011 was Rs. 552.05 lakhs against Rs. 429.06 lakhs during the year 2010.

Cash used in financing activities during the year 2011 was Rs. 103.28 lakhs mainly due to payment of Rs. 294.44 lakhs and Rs. 47.95 lakhs for the dividend and dividend distribution tax respectively for the year 2010 as offset by release of margin money deposits against short term borrowings of Rs. 264.00 lakhs.

R Systems' policy is to maintain sufficient liquidity to fund the anticipated capital expenditures, operational expenses and investments for strategic initiatives.

R Systems has a credit facility from the Axis Bank amounting to Rs. 1,850 lakhs (including non-fund based credit limit of Rs. 1,050 lakhs). As of December 31, 2011, the total credit balance was nil under the said line of credit. The total liability of R Systems for motor vehicles purchased against the loan was Rs. 59.12 lakhs and in relation to finance leases for assets was Rs. 9.69 lakhs as of December 31, 2011. R Systems primary bankers in India are Axis Bank, State Bank of India, ICICI Bank Limited and HDFC Bank Limited. In U.S.A., U.K., Singapore, Netherland and Japan, the primary bankers are California Bank & Trust, Natwest Bank, Citibank N.A., Fortis Bank N.V. and Sumitomo Mitsui Banking Corporation respectively.

10. CHANGES IN THE CAPITAL STRUCTURE

During the year under review, there were no changes in the capital structure of the Company. As of December 31, 2011, the authorised share capital of the Company was Rs. 200,000,000 divided into 20,000,000 equity shares of Rs. 10 each and the issued, subscribed and paid up share capital was Rs. 123,168,860/- divided into 12,316,886 equity shares of Rs. 10 each.

However subsequent to the year end, the Company has allotted 97,220 equity shares of Rs. 10/- each on March 02, 2012 at a price of Rs. 120.70 per equity share pursuant to exercise of options by employees of the Company in terms of R Systems International Limited Employee Stock Option Scheme 2007. With the said allotment, the paid-up capital of the Company stands increased to Rs. 124,141,060/- divided into 12,414,106 fully paid up equity shares of Rs. 10/- each.

11. CORPORATE RESTRUCTURING

Pursuant to the scheme of corporate restructuring of its two subsidiaries based in Singapore for their revival and growth namely, ECnet Limited and R Systems (Singapore) Pte Limited as was approved by the Board of your company, during the year under review loan given by the Company to ECnet Limited has been converted into equity investment. Further implementation of the said corporate restructuring is under process.

Following the corporate restructuring strategy for growth, during the year under review the Board has also approved liquidation of R Systems NV, Belgium (wholly owned subsidiary) and closure of Branch Office of the Company in London, United Kingdom, subject to required statutory and corporate approvals in India and the respective countries.

12. MATERIAL CHANGES AFFECTING THE FINANCIAL POSITION OF THE COMPANY

Further to the year-end 2011, the Company has allotted 97,220 equity shares of Rs. 10/- each at a price of Rs. 120.70 per share pursuant to the exercise of stock option by employees under "R Systems International Limited Employee Stock option Scheme 2007". With this allotment, the paid-up equity capital of the Company has increased to Rs. 124,141,060/- divided into 12,414,106 equity shares of Rs. 10/- each.

Except as detailed above, there were no other significant events subsequent to the balance sheet date till the date of this report which would materially affect the financial position of the Company.

13. PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars as prescribed under Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 for the year ended December 31, 2011 are as follows:

A. Conservation of Energy

During the year ended December 31, 2011 R Systems continued its' action plans to curtail the energy bills by adopting various energy conservation options / technologies as identified by Federation of Indian Chambers of Commerce & Industry ("FICCI") through a detailed Energy Audit carried out by FICCI for R Systems Noida operations in the year 2007. Significant measures were taken to reduce energy consumption by using energy efficient equipment and devices. R Systems constantly evaluates new technologies and makes appropriate investments to be energy efficient. Currently, the Company uses CFL fittings and electronic ballasts to reduce power consumption of fluorescent tubes. The air is conditioned with energy efficient compressors for central air conditioning and with split air conditioning for localized areas. R Systems is always in search of innovative and efficient energy conservation technologies and applies them prudently. However, R Systems being in the software industry, its operations are not energy intensive and energy costs constitute a very small portion of the total cost, therefore, the financial impact of these measures is not material.

Form A is not applicable to the software industry.

B. Technology Absorption

The particulars with respect to technology absorption are given below:

(a) Research and Development (R & D)

1. Specific areas in which R & D carried out by the Company

R Systems continues to invest in developing new versions of its proprietary products to operate in different environments and in developing new tools in CRM, RMA and other processes to serve the customers. In addition, R Systems carries out research, makes investment in developing new prototypes in varied areas like digital media, mobility, WiMax etc. to demonstrate to its clients.

2. Benefits derived as a result of the above R & D

Research and development has helped R Systems in fulfilling clients' needs, winning new engagements from existing clients, winning new customers, growing revenues and enhancing the quality of services. We have been benefitted in product improvement, cost reduction, better product development, import substitution etc. which has resulted in high product quality and increased business potential.

3. Future plan of action

The Company continues to focus its efforts on innovations in software development processes, methodologies and tools.

4. Expenditure on R & D

The Company's R & D activities are part of its normal software development process. There is no separate R & D department and hence there is no specific capital or recurring R & D expenditure. It is not practical to identify R & D expenditure out of the total expenditure incurred by the Company.

(b) Technology absorption, adaptation and innovation

1. Efforts made towards technology absorption, adaptation and innovation

The Company has established practice streams in specific technologies to analyze their implications and the benefits they can provide to the Company's customers. These steps enable the Company to find and execute the most appropriate solutions for its clients.

2. Benefits derived as a result of the above efforts

The benefits derived from the above mentioned efforts are fulfilling customer needs, efficiency in operations, improvement in quality and growth in revenues.

3. Technology imported during the last 5 years

Not applicable, as no technology has been imported by the Company.

C. Foreign Exchange Earnings and Outgo (Accrual Basis)

A significant percentage of R Systems revenues are generated from exports. The development and service centres in Noida, Pune and Chennai are registered with the Software Technology Park of India in their respective areas as 100% Export Oriented Undertakings. All efforts of the Company are geared to increase the business of software exports in different products and markets. We have made investments in sales and marketing activities in various growing markets.

The total foreign exchange used and earned by R Systems during the year as compared with the previous year is as follows:

Particulars		Financial Year ended (Rs. in lakhs)	
		31.12.2011	31.12.2010
(a)	Earnings (Accrual Basis)	**17,626.93**	16,400.32
(b)	Expenditure (Accrual Basis)	**3,637.97**	3,468.33
(c)	CIF value of imports	**158.19**	117.95

14. SUBSIDIARIES

During the year under review, the Company has successfully completed the acquisition of Computaris International Limited along with its following six subsidiaries on January 26, 2011.

1. ICS Computaris International Srl, Moldova
2. Computaris Malaysia Sdn. Bhd., Malaysia
3. Computaris Polska sp z o.o., Poland
4. Computaris Romania SRL, Romania
5. Computaris USA, Inc. (formerly known as Computaris USA, LLC), U.S.A.
6. Computaris Limited, U.K.

As on December 31, 2011, R Systems has twenty one subsidiaries. The names and country of incorporation of those subsidiaries are as follows:

S. No.	Name of the Subsidiaries	Country of Incorporation
1.	R Systems (Singapore) Pte Limited	Singapore
2.	R Systems, Inc.	U.S.A.
3.	Indus Software, Inc.	U.S.A.
4.	ECnet Limited	Singapore
5.	R Systems Solutions, Inc.	U.S.A.
6.	R Systems NV	Belgium
7.	R Systems Europe B.V.	The Netherlands
8.	R Systems S.A.S.	France
9.	ECnet (M) Sdn. Bhd. #	Malaysia
10.	ECnet, Inc. #	U.S.A.
11.	ECnet (Hong Kong) Limited #	Hong Kong
12.	ECnet Systems (Thailand) Company Limited #	Thailand
13.	ECnet Kabushiki Kaisha #	Japan
14.	ECnet (Shanghai) Co. Ltd. #	People's Republic of China
15.	Computaris International Limited	U.K.
16.	ICS Computaris International Srl @	Moldova
17.	Computaris Malaysia Sdn.Bhd. @	Malaysia
18.	Computaris Polska sp z o.o. @	Poland
19.	Computaris Romania SRL @	Romania
20.	Computaris USA, Inc. (formerly known as Computaris USA, LLC) @	U.S.A.
21.	Computaris Limited @	U.K.

wholly owned subsidiaries of ECnet Limited, Singapore being 99.55% (previous year 98.59%) subsidiary of R Systems.

@ wholly owned subsidiaries of Computaris International Limited being 100% subsidiary of R Systems.

All the aforementioned twenty one subsidiaries are incorporated and based outside India. In addition to providing services to various international clients these subsidiaries also help to generate revenues for R Systems. The Board of Directors of the Company regularly reviews the affairs of these subsidiaries.

As per Section 212 of the Companies Act, 1956, we are required to attach the Directors' Report, Balance Sheet and Profit and Loss Account (referred to as Financial Statements) of our subsidiaries. The Ministry of Corporate Affairs, Government of India vide its General Circular No. 2/2011 dated 8th February, 2011 has provided an exemption to companies from complying with Section 212, provided such companies publish the audited consolidated financial statement in the Annual Report. Accordingly, the Annual Report 2011 does not contain the Financial Statements of our twenty one subsidiaries. As directed under the said Circular, information in aggregate in respect of each subsidiaries including subsidiaries of subsidiaries i.e. (a) capital (b) reserves (c) total assets (d) total liabilities (e) details of investments (except in case of investment in subsidiaries) (f) turnover (g) profit before taxation (h) provisions for taxation (i) profit after taxation and (j) proposed dividend for each subsidiary has been disclosed in brief abstract forming part of the consolidated balance sheet.

Further, the audited annual accounts and related detailed information of our subsidiaries, where applicable, will be made available to shareholders seeking such information at any point of time. The annual accounts of the subsidiary companies will also be available for inspection by any shareholder at Registered Office of R Systems i.e. B-104 A, Greater Kailash-I, New Delhi – 110 048 and Corporate Office of R Systems i.e. C-40, Sector 59, Noida – 201 307 and Registered Offices of the subsidiary companies concerned during business hours. The same will also be hosted on R Systems' website, www.rsystems.com.

15. PARTICULARS OF EMPLOYEES

As required under the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended by notification dated March 31, 2011, the names and other particulars of employees are set out in **Annexure A** to this report.

16. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217(2AA) of the Companies Act, 1956 with respect to directors' responsibility statement, your directors hereby confirm that:

(i) In the preparation of the annual accounts for the financial year ended December 31, 2011, the applicable accounting standards had been followed along with proper explanation relating to material departures, wherever applicable;

(ii) The directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review;

(iii) The directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

(iv) The directors had prepared the annual accounts for the financial year ended December 31, 2011 on a going concern basis.

17. AUDITORS

M/s S. R. Batliboi & Co., Chartered Accountants, the statutory auditors of the Company will retire at the ensuing annual general meeting and are eligible for reappointment. The Company has received letter from Auditors to the effect that their appointment, if made, shall be in accordance with Section 224(1B) of the Companies Act, 1956 and that they are not disqualified for such re-appointment within the meaning of Section 226 of the said Act.

Further, the auditors' report being self-explanatory, does not call for any further comments by the Board of Directors.

18. AUDIT COMMITTEE

The Company has a qualified and independent Audit Committee. During the year under review there was no change in composition of the Audit Committee and it comprised of three directors, all members including Chairman of the Audit Committee being non-executive independent directors.

The constitution of the Committee is in compliance with the provisions of the Companies Act, 1956 and the Listing Agreement entered into with the stock exchanges.

The terms of reference and role of the Committee are as per the guidelines set out in the Listing Agreement with the stock exchanges read with Section 292A of the Companies Act, 1956 and includes such other functions as may be assigned to it by the Board from time to time. The Committee has adequate powers to play an effective role as required under the provisions of the statute and Listing Agreement.

19. DETAILS OF UTILISATION OF IPO PROCEEDS

Pursuant to the Initial Public Offer, the Company collected Rs. 7,062.50 lakhs (net of selling shareholders' proceeds). For details of utilisation of IPO proceeds, please refer note no. 18 under Schedule 17 in the standalone financial results and note no. 15 under Schedule 18 in the consolidated financial result for the financial year ended December 31, 2011.

Please note that during the year under review, the Company has utilised the remaining IPO proceeds amounting to Rs. 1,004.40 lakhs available under the head General corporate purposes, towards the initial payout for the acquisition of Computaris International Limited and as on December 31, 2011 the Company has no balance of unutilized IPO proceeds.

20. CORPORATE GOVERNANCE

As required under Clause 49 of the Listing Agreement entered into with the stock exchanges, the detailed report on corporate governance is given as **Annexure B** to this report and the certificate obtained from a practicing company secretary regarding compliance of the conditions of corporate governance as stipulated in the said clause is annexed as **Annexure C** to this report.

Further, the disclosure as required pursuant to Section II Clause C of Part II of Schedule XIII to the Companies Act, 1956 and in terms of Clause 49 of the Listing Agreement entered into with the stock exchanges for all the directors is given in the detailed report on corporate governance which forms part of this report and annexed as **Annexure B** to this report.

21. DEPOSITS

The Company has neither invited nor accepted any deposits from the public within the meaning of Section 58A of the Companies Act, 1956 and as such, no amount of principal or interest was outstanding on the date of the balance sheet.

22. CUSTOMER RELATIONS

R Systems recognises that the customers have a choice of service providers and the directors would like to place on record their gratitude on behalf of the Company for the business provided by them. The Company's quality policy mandates that the Voice of the Customer is obtained on a regular basis. We constantly review the feedback and incorporate its impact into our delivery systems and communications.

23. EMPLOYEE RELATIONS

R Systems is inspired by its customers and its employees transform that inspiration and customers' needs into value for all stakeholders. We thank all R Systems employees worldwide for their hard work, commitment, dedication and discipline that enables the Company to accomplish its customer commitments and commitments to all its stakeholders. R Systems conducts regular employee satisfaction surveys, and open house meetings to get employees feedback. R Systems is constantly validating key employee data with industry and peer group business. These practices have helped the Company achieve many of its business goals and have been recognised in many industry surveys over the last few years. The open door policy of our senior management team ensures that the feedback loop is completed promptly.

We thank our shareholders for their continuous support and confidence in R Systems. We are aware of our responsibilities to our shareholders to provide full visibility of operations, corporate governance and creating superior shareholder value and we promise to fulfill the same.

24. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

In terms of Clause 49 of the Listing Agreement entered into with the stock exchanges, management discussion and analysis report is given as **Annexure D** to this report.

25. ACKNOWLEDGMENTS

Your directors once again take this opportunity to thank the employees, investors, clients, vendors, banks, business associates, regulatory authorities including stock exchanges, Software Technology Park of India, the Central Government, State Government of Delhi, Uttar Pradesh, Maharashtra, Tamil Nadu for the business support, valuable assistance and co-operation continuously extended to R Systems. Your directors gratefully acknowledge the trust and confidence and look forward for their continued support in the future.

On behalf of the Board
For R Systems International Limited

Place : CA, U.S.A.
Date : April 03, 2012

Sd/-
Satinder Singh Rekhi
(Chairman and Managing Director)

Annexure 'A' to the Directors' Report

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of employees) Rules, 1975 and forming part of the Directors' Report for the year ended December 31, 2011

Employed for full financial year

S.No	Name	Designation / nature of duties	Qualification	Age (Years)	Date of Joining	Experience (Years)	Gross Remuneration (Rs.)	Previous employment & designation
1	Ashok Bhatia	Vice President - Client Operations	B.Sc, PGDMM and Certified Project Manager (SAPM) from Stanford University, USA	45	January 1, 2006*	20	11,477,877	ACT Inc., Pittsburgh, PA Vice President - Marketing
2	Debraj Ganguly @	Director - Sales	MBA – IIM Calcutta, B Tech – IIT Kharagpur	39	February 3, 2005	16	7,306,032	i Healthcare Services India Ltd. Vice President – Business Development
3	Harsh Verma	Vice President (Global Innovative Research) & Head, Mobility Solutions	BE (Hons) in Electrical & Electronics Engineering, MS PhD in Computer Science from BITS, Pilani, Executive Mgmt Prog from IIM, Ahmedabad, Post-Doctoral Res Prog, UC Berkeley.	52	February 19, 2007	27	6,823,363	Glocol, Inc., California, USA Vice President, R&D
4	Mandeep Singh Sodhi	Vice President - Sales	Bachelors degree in Electronics Engineering from Marathwada University and MBA from University of California, Davis	44	January 1, 2008*	19	16,073,251	Sark Synertek; Noida Senior Marketing Engineer
5	Ravi Madugala @	Director - Information Systems	M.Sc. in Computer Science, University of Dayton, Ohio	46	July 1, 2007*	18	6,007,894	University of Dayton Student Assistant
6	Satinder Singh Rekhi #	Chairman & Managing Director	Bachelor of Technology from IIT, Kharagpur; MBA California State University, Sacramento; Senior Management programs from University of Berkeley and Harvard Business School	61	January 1, 2006*	29	18,113,373	Digital Information Systems Corporation Senior Management Personnel

* Prior to joining R Systems International Limited "the Company" these employees were working with R Systems, Inc the US subsidiary of the Company. The date of joining in the subsidiary, of these employees is given hereunder:

Name	Date of Joining
Ashok Bhatia	December 11, 2000
Mandeep Singh Sodhi	April 1, 1993
Ravi Madugala	February 16, 1996
Satinder Singh Rekhi	April 1, 1993

\# Gross remuneration includes an amount of Rs. 2,96,658 which was approved by the Central Govermment for the year 2006.

@ Not a member of the Board of Directors of the Company.

Notes:

1 The gross remuneration includes basic salary, allowances and taxable value of perquisites.

2 Mr. Mandeep Singh Sodhi is related to Lt. Gen Baldev Singh (Retd.) and Mr. Satinder Singh Rekhi, the directors of the Company. None of the other employee is related to any director of the Company.

3 None of the employee owns more than 2% of the outstanding shares of the Company as on December 31, 2011.

4 Nature of employment is contractual in all the above cases.

On behalf of the Board
For R Systems International Limited

Sd/-
Satinder Singh Rekhi
(Chairman and Managing Director)

Place : CA, U.S.A.
Date : April 03, 2012

Corporate Governance

REPORT ON CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

R Systems International Limited ("R Systems" or the "Company") is committed to conduct its business in compliance with the applicable laws, rules and regulations and with the highest standards of business ethics. We, at R Systems, believe that good Corporate Governance is a key contributor to sustainable corporate growth and creating superior value for our stakeholders. It is primarily concerned with transparency, accountability, fairness, professionalism, social responsiveness, complete disclosure of material facts and independence of Board. R Systems endeavours its best to constantly comply with these aspects in letter and spirit, in addition to the statutory compliances as required under Clause 49 of the Listing Agreements with the Stock Exchanges.

2. BOARD OF DIRECTORS

(i) R Systems has an optimum combination of executive and non-executive directors on its Board. During the year under review, the Board comprised of six directors, i.e. the executive chairman, two executive directors and three non-executive independent directors. The independent directors have been at least 50% of the total strength of the Board at all times during the year under review.

None of the directors of the Company is a director or a committee member or a chairperson of any committee in any other company in India. Necessary disclosures regarding committee positions in other companies as of December 31, 2011 have been made by the directors.

Except the Chairman & Managing Director, all other directors are liable to retire by rotation as per Articles of Association of the Company read with the provisions of the Companies Act, 1956.

The names and categories of the directors on the Board and their attendance at the Board meetings held during the year under review are as follows:

Name of Director	Category of Director	Designation	No. of Board Meetings attended out of 6 meetings held during the year	Attendance at the last AGM	No. of directorship in bodies corporate #
Mr. Satinder Singh Rekhi	Promoter & Executive Director	Chairman & Managing Director	5*	No	10
Lt. Gen. Baldev Singh (Retd.)	Executive Director	President & Senior Executive Director	6	Yes	Nil
Mr. Raj Swaminathan	Executive Director	Director & Chief Operating Officer	5 + 1*	Yes	Nil
Mr. Raj Kumar Gogia	Non- Executive Independent Director	Director	6	Yes	Nil
Mr. Gurbax Singh Bhasin	Non-Executive Independent Director	Director	2*	No	11
Mr. Suresh Paruthi	Non-Executive Independent Director	Director	6	Yes	2

Includes the offices of CEO, President, Managing Member and Partner

* Attendance by teleconference

During the year ended December 31, 2011, Mr. Satinder Singh Rekhi was also appointed as Director on the board of Computaris International Limited, wholly owned subsidiary of R Systems w.e.f. January 26, 2011.

The expression 'independent director' has the meaning as defined under Clause 49 of the Listing Agreement.

Out of the six Directors, two Directors namely, Mr. Satinder Singh Rekhi, Chairman and Managing Director and Lt. Gen. Baldev Singh (Retd.), President and Senior Executive Director are relatives of each other in the manner indicated in Schedule IA of the Companies Act, 1956, as latter is former's sister's husband.

(ii) Board Functioning & Procedures

The Board meets at least once a quarter to review the quarterly performance and financial results. Board meetings are generally held at the Corporate Office of the Company in Noida and are governed by a structured agenda. The agenda, along with the explanatory notes are sent to all the directors well in advance of the date of Board meeting to enable the Board to take informed decisions. The Board is also free to recommend the inclusion of any matter for discussion in consultation with the Chairman. The Chief Financial Officer is normally invited to the Board meetings to provide financial insights, status of internal controls in the working of the Company and for discussing corporate strategies. All relevant information required to be placed before the Board, as required under Clause 49 of the Listing Agreement, are considered and taken on record / approved by the Board.

The minutes of the Board meetings are circulated to all directors and confirmed at the subsequent Board meeting. The minutes of the various committees of the Board are also circulated to the members of the Board and thereafter tabled at the subsequent Board meeting for the Board's view thereon. During the financial year 2011, the Board met six times i.e. on February 20, 2011, April 15, 2011, April 30, 2011, May 25, 2011, July 29, 2011 and October 29, 2011.

The gap between any of the aforesaid two Board meetings did not exceed four months.

The Board periodically reviews compliance reports in respect of laws and regulations applicable to the Company.

Code of Conduct

The Board has laid down a Code of Conduct for all Board members and senior management personnel of the Company, which is available on R Systems' website at http://www.rsystems.com/investors/corporategovernance.aspx

The Company has obtained confirmations for the compliance with the said code from all its Board members and senior management personnel for the year ended December 31, 2011. A declaration to this effect given by the Chairman & Managing Director of the Company, Mr. Satinder Singh Rekhi, is reproduced below:

CODE OF CONDUCT DECLARATION

I, Satinder Singh Rekhi, Chairman and Managing Director of R Systems International Limited, to the best of my knowledge and belief, hereby declare that all the Board members and senior management personnel have affirmed compliance with the Company's Code of Conduct for the year ended December 31, 2011.

Sd/-

Place : NOIDA — **Satinder Singh Rekhi**

Date : February 09, 2012 — (Chairman and Managing Director)

Appointment / Reappointment of Directors

Details with respect to the directors whose appointment or reappointment is proposed at the ensuing Annual General Meeting are as follows:

A. Mr. Raj Swaminathan (Director and Chief Operating Officer)

Mr. Raj Swaminathan aged about 52 years has over 27 years experience in IT & Financial Services Industry. He has done his MBA from Xavier Labour Relations Institute, Jamshedpur after his Bachelor of Engineering from Bangalore University. Prior to joining R Systems, Raj has had a distinguished 11 years career at GE where he was Vice President and CIO at GE-Countrywide, India and part of the senior Global Consumer Finance corporate IT team. Earlier in his career, Raj also headed the IT function at Standard Chartered Bank for the consumer, corporate banking and treasury businesses.

As on the date of this report

- Mr. Raj Swaminathan is not a director on the board of any other company.
- 60,000 stock options have been granted to him under R Systems International Limited Employees Stock Option Scheme 2007 on July 11, 2007. These options are exercisable at a price at par with other employees covered under the plan. The granted options has vested over a period of 4 years in equal installments and vested options can be exercised over a period of 10 years from the date of grant. Subsequent to the financial year ended December 31, 2011, Mr. Raj Swaminathan exercised 50% of the total options granted and vested (i.e. 30,000 stock options) and accordingly 30,000 equity shares of Rs. 10/- each of the Company was allotted to him on March 02, 2012 at an exercise price of Rs. 120.70 per share. Balance 50% of the options granted and vested (i.e. 30,000 stock options) is in force.

- He holds 30,000 equity shares of the Company as on the date of this report.
- Mr. Raj Swaminathan is not related to any other directors of the Company.

B. Lt. Gen. Baldev Singh (Retd.) (President and Senior Executive Director)

Lt. Gen. Baldev Singh (Retd.) aged about 71 years has more than 45 years of experience, including handling top managerial, diplomatic and human resource development related assignments. Mr. Singh has a Masters in Military Sciences from the prestigious Madras University in India and attended two short courses at University of California at Berkeley, in Strategic Account Management and Marketing. He joined the Board of R Systems on September 01, 1997.

As on the date of this report

- Lt. Gen. Baldev Singh (Retd.) does not hold any office of director / member in other company's board / committee.
- Lt. Gen. Baldev Singh (Retd.) was awarded with 27,700 stock options of Rs. 2 per share on September 01, 2004 under R Systems International Ltd. - Year 2004 Employee Stock Option Plan, exercisable at a price at par with other employees covered under the plan. The granted options has vested over a period of 4 years in equal installments and vested options can be exercised over a period of 10 years from the date of grant. On January 30, 2006 R Systems had consolidated each of its 5 equity shares of Rs. 2 each into 1 equity share of Rs. 10 each. Consequently the balance options also stand revised from Rs. 2 each to Rs. 10 each. As on December 31, 2011, entire options granted (i.e. 5,540 stock options) were already vested. 50% of the total options granted (i.e. 2,770 stock options) was already exercised and balance 50% of the total options granted (i.e. 2,770 stock options) of Rs. 10 each is in force.
- As on the date of this report, he holds 65,000 equity shares of Rs. 10 each being 0.52% of the total paid up share capital in R Systems.
- Lt. Gen. Baldev Singh (Retd.) is related to Mr. Satinder Singh Rekhi, Chairman and Managing Director of the Company.

R Systems has formulated the following committees of its directors:

- Audit Committee
- Remuneration Committee
- Compensation Committee
- Shareholders / Investors Grievance Committee

During the year under review, one of the shareholders of the Company namely, Mr. Bhavook Tripathi made a public announcement on December 15, 2011 for open offer to the shareholders for acquisition of 26% share capital of the Company in accordance with the provisions of Securities & Exchange Board of India (Substantial Acquisition of Shares & Takeovers) Regulations, 2011.

Accordingly, pursuant to the provisions of Securities & Exchange Board of India (Substantial Acquisition of Shares & Takeovers) Regulations, 2011, the Board of Directors of the Company by passing necessary resolutions on January 10, 2012 constituted a Committee of Independent Director for Open Offer, comprising of independent directors namely, Mr. Raj Kumar Gogia (Chairman), Mr. Suresh Paruthi and Mr. Gurbax Singh Bhasin, to provide reasoned recommendation on the open offer given by Mr. Bhavook Tripathi to acquire 26% shares of R Systems International Limited pursuant to Public Announcement dated December 15, 2011 and Detailed Public Statement dated December 22, 2011. The Committee met two times during the current financial year i.e. on January 16, 2012 and March 02, 2012.

3. AUDIT COMMITTEE

R Systems has a qualified and independent Audit Committee. During the year under review there was no change in composition of the Audit Committee and it comprised of three directors, all members including Chairman of the Audit Committee being non-executive independent directors.

The Audit Committee met five times during the year i.e. on February 20, 2011, April 15, 2011, April 30, 2011, July 29, 2011 and October 29, 2011.

Composition of the Audit Committee, its meetings and attendance during the year ended December 31, 2011

Composition of the Audit Committee	Category of Director	Chairman / Member	No. of meetings attended out of 5 meetings held during the year
Mr. Raj Kumar Gogia	Non-Executive Independent Director	Chairman	5
Mr. Gurbax Singh Bhasin	Non-Executive Independent Director	Member	2*
Mr. Suresh Paruthi	Non-Executive Independent Director	Member	5

* Attendance by teleconference

The Audit Committee invites such executives as it considers appropriate to be present at its meetings. The Chief Financial Officer, representatives of the Statutory Auditors and Internal Auditors are invited to these meetings. The Company Secretary of the Company acts as the Secretary of the Audit Committee.

Powers of the Audit Committee

The Audit Committee has adequate powers to play an effective role as required under the provisions of the Companies Act, 1956 and Listing Agreement and to review the mandatory applicable information. The Audit Committee shall have powers which shall include the following:

1. To investigate any activity within its terms of reference.
2. To seek information from any employee.
3. To obtain outside legal or other professional advice.
4. To secure attendance of outsiders with relevant expertise, if it considers necessary.

Terms of reference of the Audit Committee

The terms of reference and role of the Audit Committee are as per the provisions set out in the Listing Agreement entered into with the stock exchanges read with Section 292A of the Companies Act, 1956 and includes such other functions as may be assigned to it by the Board from time to time.

1. Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
2. Recommending to the Board, the appointment, reappointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:

(a) Matters required to be included in the Directors' Responsibility Statement to be included in the Board's Report in terms of Clause (2AA) of Section 217 of the Companies Act, 1956;

(b) Changes, if any, in accounting policies and practices and reasons for the same;

(c) Major accounting entries involving estimates based on the exercise of judgment by the management;

(d) Significant adjustments made in the financial statements arising out of audit findings;

(e) Compliance with listing and other legal requirements relating to financial statements;

(f) Disclosure of any related party transactions;

(g) Qualifications in the draft audit report.

5. Reviewing, with the management, the quarterly financial statements before submission to the Board for approval.
6. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
7. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
8. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
9. Discussion with internal auditors on any significant findings and follow-up thereon.
10. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
11. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
12. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
13. To review the functioning of the Whistle Blower mechanism.
14. Approval of appointment of CFO (i.e. the whole time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate.
15. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

4. REMUNERATION COMMITTEE

Brief description and terms of reference

The Remuneration Committee consists of only non-executive independent directors. During the year under review, there has been no change in the composition of the Remuneration Committee and all the three members of the Committee including its Chairman are non-executive independent directors.

The Committee among other things evaluates and finalises compensation and benefits of the Company's executive directors. The Committee recommends / approves the remuneration package of the executive directors to the Board, after taking into consideration the financial position of the Company, the executive director's performance, qualifications and experience, comparable industry compensation packages, trend in the industry, past remuneration drawn and the proposed compensation package of the appointee, with a view to provide a package which is appropriate for the responsibilities involved.

During the year under review, no meeting of the Remuneration Committee was required to be held. However, the Committee met in the current financial year i.e. on February 09, 2012.

Composition of the Remuneration Committee, its meetings and attendance during the year ended December 31, 2011

Composition of the Remuneration Committee	Category of Director	Chairman / Member
Mr. Raj Kumar Gogia	Non-Executive Independent Director	Chairman
Mr. Gurbax Singh Bhasin	Non-Executive Independent Director	Member
Mr. Suresh Paruthi	Non-Executive Independent Director	Member

As mentioned hereinbefore, no meeting of Remuneration Committee was held during the year under review.

Remuneration policy

Remuneration policy of R Systems is based on the following objectives:

- To determine and recommend to the Board the remuneration package of the Managing Director and Whole Time Directors;
- To approve, in the event of loss or inadequate profits in any year, the minimum remuneration payable to the Managing Director and Whole Time Directors, considering the limits and subject to the parameters as prescribed under the provisions of the Companies Act, 1956;
- To create a performance-oriented culture in R Systems, which is beneficial to its employees and the business as well;
- To ensure that reward, benefit and increment system is performance-based and motivational to employees;
- To encourage and support learning and development by identifying the scope and need of the same;
- Such other functions as required or recommended by the Board or under the provisions of the Listing Agreement.

Brief terms of employment and details of remuneration paid to the executive directors during the year ended December 31, 2011

(Amount in Rs.)

1.	Name of the Director	Mr. Satinder Singh Rekhi
(a)	Salary, benefits and allowances (fixed)	15,116,716
(b)	Incentive (fixed)*	2,700,000
(c)	Retention bonus (fixed)#	296,658
(d)	Stock options granted	Nil
(e)	Pension	As per the applicable policy for employees
(f)	Service contract	5 years
(g)	Notice period	36 months
(h)	Severance fees	Compensation in lieu of notice
(i)	Shareholding in R Systems as on December 31, 2011	90,600 equity shares of Rs. 10 each in his own name & 1,921,718 equity shares of Rs. 10/- each as trustee of Satinder & Harpreet Rekhi Family Trust

*Incentive payable is based on the fixed percentage of Profit After Tax (PAT).

Approved by the Central Government for the year 2006

(Amount in Rs.)

2.	Name of the Director	Lt. Gen. Baldev Singh (Retd.)
(a)	Salary, benefits and allowances (fixed)	3,130,952
(b)	Incentive (fixed)*	1,351,750
(c)	Provident fund	160,800
(d)	Stock options granted	As detailed below#
(e)	Pension	As per the applicable policy for employees
(f)	Service contract	3 years
(g)	Notice period	6 months
(h)	Severance fees	Compensation in lieu of notice
(i)	Shareholding in R Systems as on December 31, 2011	65,000 equity shares of Rs. 10 each

*Incentive payable is based on the fixed percentage of revenue of Noida Unit.

#Lt. Gen. Baldev Singh (Retd.) was awarded with 27,700 stock options of Rs. 2 per share on September 01, 2004 under R Systems International Ltd. - Year 2004 Employee Stock Option Plan, exercisable at a price at par with other employees covered under the plan. The granted options shall vest over a period of 4 years in equal installments and vested options can be exercised over a period of 10 years from the date of grant. On January 30, 2006, R Systems had consolidated each of its 5 equity shares of Rs. 2 each into 1 equity share of Rs. 10 each. Consequently, the balance options also stand revised from Rs. 2 each to Rs. 10 each. As on December 31, 2011, entire options granted (i.e. 5,540 stock options) were already vested. 50% of the total options granted (i.e. 2,770 stock options) were already exercised and balance 50% of the total options granted (i.e. 2,770 stock options) of Rs. 10 each are in force.

(Amount in Rs.)

3.	Name of the Director	Mr. Raj Swaminathan
(a)	Salary, benefits and allowances (fixed)	3,963,886
(b)	Incentive (fixed)	733,333
(c)	Provident fund	9,360
(d)	Stock options granted	As detailed below*
(e)	Pension	As per the applicable policy for employees
(f)	Service contract	3 years
(g)	Notice period	2 months
(h)	Severance fees	Compensation in lieu of notice
(i)	Shareholding in R Systems as on December 31, 2011	Nil

* 60,000 stock options have been granted to Mr. Raj Swaminathan under R Systems International Limited Employees Stock Option Scheme 2007 on July 11, 2007. These options are exercisable at a price at par with other employees covered under the plan. The granted options shall vest over a period of 4 years in equal installments and vested options can be exercised over a period of 10 years from the date of grant. As on December 31, 2011, entire options granted (i.e. 60,000 stock options) were already vested. Subsequent to the financial year ended on December 31, 2011, Mr. Raj Swaminathan exercised 50% of the total options granted and vested (i.e. 30,000 stock options) and accordingly 30,000 equity shares of Rs. 10/- each of the Company was allotted to him on March 02, 2012 at an exercise price of Rs. 120.70 per share. Balance 50% of the options granted and vested (i.e. 30,000 stock options) are in force.

The aforementioned directors' remuneration has been submitted for approval / approved, by the Remuneration Committee, the Board, the shareholders in the General Meeting and by the Central Government, wherever applicable, as required under the provisions of the Companies Act, 1956.

Details of remuneration paid to the non-executive directors during the year ended December 31, 2011

Non-executive directors are not entitled to any remuneration except the sitting fees for attending the directors' meetings. The sitting fees paid to the non-executive directors during the year ended December 31, 2011 is as follows:

S. No.	Name of the Director	Sitting fees paid (Rs.)
1.	Mr. Raj Kumar Gogia	150,000
2.	Mr. Suresh Paruthi	150,000
3.	Mr. Gurbax Singh Bhasin	Nil
	Total	**300,000**

As on December 31, 2011, none of the existing non-executive independent directors of the Company holds any shares, options or any other convertible instruments in R Systems.

5. COMPENSATION COMMITTEE

During the year under review, there has been no change in the composition of Compensation Committee and it comprised of three directors including two non-executive independent directors and one executive director.

The Compensation Committee is responsible for the formulation, implementation and administration of all the stock option plans, which, inter alia, includes determination of eligibility criteria, maximum number of options or shares to be offered to each employee, the aggregate number of options or shares to be offered during the period covered under each scheme, identification of classes of employees entitled to participate in the scheme, framing a detailed pricing formula, mode or process of exercise of the option, conditions under which the options may lapse etc. for the employees, directors and senior management personnel of R Systems and its subsidiaries.

The Compensation Committee met once during the year i.e. on October 29, 2011.

Composition of the Compensation Committee, its meetings and attendance during the year ended December 31, 2011

Composition of the Compensation Committee	Category of Director	Chairman / Member	No. of meetings attended out of 1 meeting held during the year
Mr. Raj Kumar Gogia	Non-Executive Independent Director	Chairman	1
Mr. Suresh Paruthi	Non-Executive Independent Director	Member	1
Lt. Gen. Baldev Singh (Retd.)	Executive Director	Member	1

6. SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE

The Shareholders / Investors Grievance Committee of R Systems is comprised of four directors, with non-executive independent director as its Chairman. The Shareholders / Investors Grievance Committee investigates and provides resolution of shareholders' grievances relating to transfer, transmission, dematerialisation and rematerialisation of shares, issue of duplicate share certificates, non-receipt of annual report, declared dividend and other matters relating to the shareholders / investors.

The Shareholders / Investors Grievance Committee met eleven times during the year i.e. on January 21, 2011, February 20, 2011, April 30, 2011, June 17, 2011, July 29, 2011, September 16, 2011, September 23, 2011, September 27, 2011, October 29, 2011, November 30, 2011 and December 02, 2011.

Composition of the Shareholders / Investors Grievance Committee, its meetings and attendance during the year ended December 31, 2011

Composition of the Shareholders / Investors Grievance Committee	Category of Director	Chairman / Member	No. of meetings attended out of 11 meetings held during the year
Mr. Raj Kumar Gogia	Non-Executive Independent Director	Chairman	11
Mr. Suresh Paruthi	Non-Executive Independent Director	Member	11
Mr. Satinder Singh Rekhi	Executive Director	Member	11*
Lt. Gen. Baldev Singh (Retd.)	Executive Director	Member	11

* Attendance by teleconference

Name and designation of the Compliance Officer

Mr. Vikash Kumar Tiwari
Company Secretary & Compliance Officer
C - 40, Sector - 59, Noida (U.P.) 201 307
Tel No.: 0120 - 430 3500
Email: investors@rsystems.com

Shareholders grievances / complaints received and resolved during the year

(i)	Number of shareholders' complaints received during the year ended December 31, 2011	13
(ii)	Number of complaints not resolved to the satisfaction of shareholders	Nil
(iii)	Number of pending complaints	Nil

Share Transfers in Physical Mode

In order to expedite the process of share transfers, the members of the Shareholders / Investors Grievance Committee conduct their meetings more frequently, to the extent of weekly meetings of the Committee.

7. SUBSIDIARY COMPANIES

During the year under review, the Company has successfully completed the acquisition of Computaris International Limited along with its six subsidiaries. After the said acquisition, R Systems has in aggregate twenty one subsidiaries all of which are incorporated and based outside India. R Systems does not have any material non-listed Indian subsidiary company. The Audit Committee reviewed the financial statement, in particular, the investments made by the unlisted subsidiary bodies corporate. The management periodically brings to the attention of the board of directors of R Systems, a statement of all significant transaction and arrangements entered into by the unlisted subsidiary bodies corporate.

8. GENERAL BODY MEETINGS

I. Details for the last three Annual General Meetings ("AGM")

AGM Date and Time	Venue	Special Resolutions passed
15th AGM April 27, 2009 9:00 A.M.	MPCU Shah Auditorium, Shree Delhi Gujarati Samaj Marg, 2, Raj Niwas Marg, Civil Lines, Delhi - 110 054	• Reappointment of and payment of remuneration to Mr. O'Neil Nalavadi as Director Finance and Chief Financial Officer of the Company • Reappointment of and payment of remuneration to Lt. Gen. Baldev Singh (Retd.) as President and Senior Executive Director of the Company • Amendment of R Systems International Ltd. - Year 2004 Employee Stock Option Plan • Amendment of R Systems International Ltd. - Year 2004 Employee Stock Option Plan - ECnet • Amendment of the Articles of Association of R Systems International Limited • Reappointment of and payment of remuneration to Ms. Amrita Kaur, daughter-in-law of Mr. Satinder Singh Rekhi, Chairman and Managing Director of the Company as Assistant Business Manager in R Systems International Limited
16th AGM May 20, 2010 10:00 A.M.	Air Force Auditorium, Subroto Park, New Delhi - 110 010	• Reappointment of and payment of remuneration to Mr. Raj Swaminathan as Director and Chief Operating Officer of the Company • Extension of time for utilisation of Initial Public Offer proceeds
17th AGM May 25, 2011 09:30 A.M.	Air Force Auditorium, Subroto Park, New Delhi - 110 010	• Reappointment of and payment of remuneration to Mr. Satinder Singh Rekhi as Chairman and Managing Director of the Company • Alteration of the Articles of Association of the Company

II. No Extra Ordinary General Meeting of the Company was held during the last three years.

III. The special resolutions moved at the last AGM were passed on a show of hands by the shareholders present at the meeting.

IV. No special resolution was passed through Postal Ballot during last year.

V. The Company has followed the procedure as prescribed under Section 192A of the Companies Act, 1956 read with the Companies (Passing of the resolutions by Postal Ballot) Rules, 2001 and the Companies (Passing of the Resolution by Postal Ballot) Rules, 2011 for conducting the postal ballot, wherever applicable.

VI. No special resolution is proposed to be conducted through Postal Ballot.

9. DISCLOSURES

Related Party Transactions

Related Party Transactions are defined as transactions of the Company of material nature, with Company's subsidiaries, promoters, directors or the management or their relatives or companies controlled by them etc., which may have potential conflict with the interest of the Company at large.

Details on materially significant Related Party Transactions are shown in note number 4 under Schedule 17 in the standalone and in note number 4 under Schedule 18 in the consolidated financial results for the financial year ended December 31, 2011.

Statutory Compliance, Penalties and Strictures

There were no penalties imposed on R Systems for any non-compliance by Stock Exchanges, SEBI or any other statutory authority on matters related to capital markets during the last three years.

Whistle Blower Policy

R Systems has in place a mechanism for employees to report concerns about unethical behaviour, actual or suspected fraud, violation of Code of Conduct of the Company etc. The mechanism also provides for adequate safeguards against victimisation of employees who avail the mechanism and also provides for direct access to the Whistle Blower to the Chairman of the Audit Committee. We affirm that during the financial year ended December 31, 2011, no employee has been denied access to the Audit Committee.

Risk Management Policy

The Company has formulated a risk management policy to identify the present and potential risks involved in the business. The same is periodically reviewed and considered by the Audit

Committee and the Board. The Risk Management Report forms part of this Annual Report and is provided elsewhere.

Compliance with mandatory requirements and adoption of non-mandatory requirements of Clause 49 of the Listing Agreement

The Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreement. As required under Clause 49, a certificate signed by CEO and CFO of the Company has been placed before the Board and the same has been provided elsewhere in this report.

Further a certificate obtained from the Practicing Company Secretary, certifying compliance with the conditions of Corporate Governance under Clause 49 has been annexed with the Directors' Report.

Clause 49 also requires disclosures of adoption by the Company of non-mandatory requirements specified in the said Clause, the implementation of which is discretionary on the part of the Company. The details of compliance with non-mandatory requirements are as follows:

Remuneration Committee

The Company has a Remuneration Committee consisting of only non-executive independent directors. The Chairman of the Remuneration Committee had attended the Annual General Meeting held on May 25, 2011 to answer the shareholders' queries. A detailed note on the Remuneration Committee is provided elsewhere in this report.

Audit Qualifications

During the period under review, there is no audit qualification in the financial statements. The Company continues to adopt best practices to ensure unqualified financial statements.

Whistle Blower Policy

The Company has formulated a Whistle Blower Policy for establishing a mechanism for employees to report concerns about unethical behaviour, actual or suspected fraud, violation of Code of Conduct of the Company etc. and the same has been put on Company's website. A detailed note on the Whistle Blower Policy is provided elsewhere in this report.

10. MEANS OF COMMUNICATION

Quarterly results

(a) The quarterly and full year audited / unaudited financial results have been published in Business Standard (English and Hindi) except for quarter and half year ended June 30, 2011 which was published in The Financial Express (English) and Jansatta (Hindi), as statutorily required, during the year ended December 31, 2011.

(b) The financial results and other corporate information are available on R Systems' website www.rsystems.com. The website also displays official news releases.

(c) The presentations made to the institutional investors or to the industry analysts are also available on the Company's website www.rsystems.com

(d) Financial results updates are also sent to all the shareholders whose email address is registered / made available to us.

11. GENERAL SHAREHOLDER INFORMATION

(i) Annual General Meeting

Date and Time : May 04, 2012, at 9.00 A.M.

Venue : Air Force Auditorium,
Subroto Park, New Delhi - 110 010

(ii) Financial year

R Systems follows January 01 to December 31 as its financial year. The results for every quarter are declared in the month following each quarter, except for the last quarter in which case the results are declared along with the annual financial results within sixty days from the end of the financial year.

(iii) Date of Book Closure

April 24, 2012 to May 04, 2012 (both days inclusive)

(iv) Dividend Payment Date

The dividend, if declared, will be paid within 30 days from the date of Annual General Meeting.

(v) Listing on Stock Exchanges

The equity shares of R Systems are listed and traded on the following Stock Exchanges:

Name of Stock Exchanges	Stock / Scrip Code
National Stock Exchange of India Limited ("NSE") Exchange Plaza, Bandra Kurla Complex, Bandra - (E), Mumbai - 400 051	RSYSTEMS
BSE Limited ("BSE") Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001	532735

The annual listing fee for the year 2011-12 has been paid within the scheduled time to NSE and BSE. The annual listing fee for the year 2012-13 has fallen due on March 31, 2012 and will be paid within the scheduled time as prescribed under the provisions of Listing Agreement.

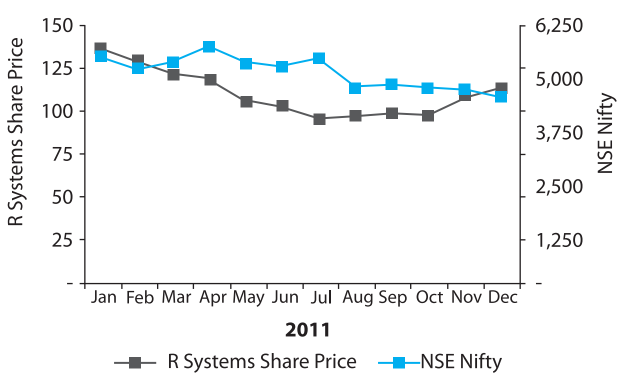
(vi) Market Price Data: High, Low during each month in last financial year

The monthly high and low quotations of R Systems' equity shares traded on NSE and BSE during each month in the previous financial year ended December 31, 2011, in comparison with NSE Nifty and BSE Sensex, are as follows:

Month 2011	NSE				BSE			
	Share Price		Nifty		Share Price		Sensex	
	High (Rs.)	Low (Rs.)	High	Low	High (Rs.)	Low (Rs.)	High	Low
January	146.15	136.75	6,157.60	5,505.90	146.40	136.25	20,561.05	18,327.76
February	141.00	129.90	5,546.45	5,225.80	141.00	129.55	18,506.82	17,463.04
March	131.90	122.00	5,833.75	5,364.75	131.10	122.20	19,445.22	17,839.05
April	125.45	118.65	5,911.50	5,729.10	125.00	119.00	19,701.73	19,091.17
May	118.00	106.10	5,701.30	5,348.95	117.45	105.25	18,998.02	17,847.24
June	117.65	103.60	5,647.40	5,257.90	117.90	100.65	18,845.87	17,506.63
July	108.90	95.25	5,728.95	5,482.00	109.15	94.70	19,078.30	18,197.20
August	114.35	97.80	5,516.80	4,747.80	114.10	96.10	18,314.33	15,848.83
September	107.30	99.00	5,153.25	4,835.40	107.35	99.90	17,165.54	16,051.10
October	118.40	98.15	5,360.70	4,751.30	119.50	98.55	17,804.80	15,792.41
November	129.25	109.50	5,289.35	4,706.45	127.95	109.45	17,569.53	15,695.43
December	153.85	113.85	5,062.60	4,544.20	153.90	112.25	16,877.06	15,175.08

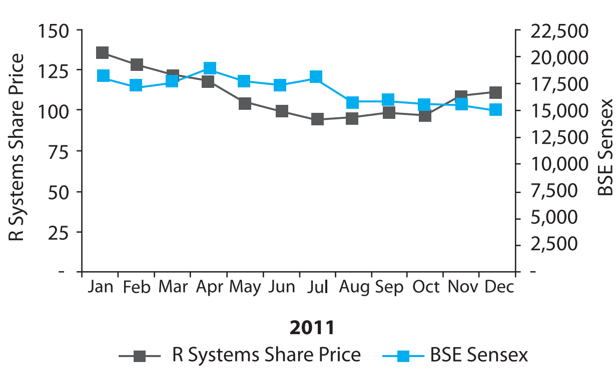
The aforesaid table is based on the closing price of the shares of R Systems and closing of NSE Nifty and BSE Sensex at NSE and BSE website.

R Systems Share Price versus NSE Nifty



The aforesaid chart is based on the monthly low of closing price of the shares of R Systems and monthly low of closing NSE Nifty.

R Systems Share Price versus BSE Sensex



The aforesaid chart is based on the monthly low of closing price of the shares of R Systems and monthly low of closing BSE Sensex.

(vii) Registrar and Share Transfer Agent

M/s Link Intime India Private Limited
A - 40, 2nd Floor,
Naraina Industrial Area, Phase - II,
Near Batra Banquet Hall,
New Delhi - 110 028

(viii) Share Transfer System

Applications for transfer of shares held in physical form are received at the office of the registrar and share transfer agent of the Company, M/s Link Intime India Private Limited. They attend to share transfer formalities at least once a week and forward the same to the Company for the Shareholders / Investors Grievance Committee's approval. In order to expedite the process of share transfers in physical mode, the members of the Shareholders / Investors Grievance Committee conduct their meetings more frequently, to the extent of weekly meetings of the Committee.

Shares held in dematerialized form are electronically traded in the depository and the registrar and share transfer agent of R Systems periodically receives from the depository the details of beneficiary holdings so as to update the records for sending all corporate communications and other matters.

Physical shares received for dematerialization are processed and completed within a period of 21 days from the date of receipt, provided they are duly completed. Bad deliveries are immediately returned to the depository participants under advice to the shareholders.

(ix) Transfer of unclaimed dividend to Investor Education and Protection Fund

Pursuant to the provisions of Section 205A (5) of the Companies Act, 1956, dividend which remains unpaid or unclaimed for a period of seven years from the date of its transfer to unpaid dividend account, is required to be transferred by the Company to the Investor Education and Protection Fund ('IEPF'), established by the Central Government under the provisions of Section 205C of the Companies Act, 1956. Shareholders are advised to claim the unclaimed dividend lying in the unpaid dividend account of the Company before the due date. Given below are the dates of declaration of dividend and corresponding dates when unclaimed dividend is due for transfer to IEPF:

Date of declaration / payment of dividend	Dividend for the year	Due date for transfer to IEPF
May 01, 2007	2006	May 31, 2014
May 02, 2008	2007	June 01, 2015
April 27, 2009	2008	May 27, 2016
May 20, 2010	2009	June 19, 2017
May 25, 2011	2010	June 24, 2018

(x) Distribution of Shareholding as on December 31, 2011

Shareholding of nominal value of (Rs.)	Shareholders		Share Capital	
	Number	% to total	Amount in Rs.	% to total
1 - 2,500	14,411	93.55	8,548,110	6.94
2,501 - 5,000	542	3.52	2,110,180	1.71
5,001 - 10,000	224	1.45	1,758,550	1.43
10,001 - 20,000	112	0.73	1,760,610	1.43
20,001 - 30,000	25	0.16	601,470	0.49
30,001 - 40,000	17	0.11	633,500	0.51
40,001 - 50,000	12	0.08	574,870	0.47
50,001 - 1,00,000	24	0.16	1,795,710	1.46
Above 1,00,000	38	0.25	105,385,860	85.56
TOTAL	**15,405**	**100.00**	**123,168,860**	**100.00**

(xi) Category wise Shareholding as on December 31, 2011

Category	Category of Shareholder	No. of shares	Percentage
(A)	**Promoters & Promoter Group**		
1	Indian	2,065,661	16.77
2	Foreign	3,795,424	30.81
	Sub Total (A)	**5,861,085**	**47.59**
(B)	**Public Shareholding**		
1	**Institutions**		
(a)	Mutual Funds / UTI	0.00	0.00
(b)	Financial Institutions / Banks	0.00	0.00
(c)	Foreign Institutional Investors	0.00	0.00
	Sub Total (B)(1)	**0.00**	**0.00**
2	**Non-institutions**		
(a)	Bodies Corporate	206,201	1.67
(b)	Individual shareholders holding nominal share capital up to Rs. 1 lakh	1,622,781	13.18
(c)	Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	4,531,240	36.79
(d)	Any Other **(Clearing Member)**	20,681	0.17
(e)	Any Other **(Trust)**	74,898	0.61
	Sub Total (B)(2)	**6,455,801**	**52.41**
	Total Public Shareholding (B)(1) + (B)(2)	**6,455,801**	**52.41**
	Grand Total	**12,316,886**	**100.00**

(xii) Dematerialisation of shares and liquidity

Procedure for dematerialisation of shares:

Shareholders seeking dematerialisation of their shares need to approach their Depository Participants (DP) with whom they maintain a demat account. The DP will generate an electronic request and will send the physical share certificate and demat request form to the Registrar and Share Transfer Agent (the "Registrar") of the Company. Upon receipt of the request and share certificate, the Registrar will verify the same and approval of the Company is being sought. Thereafter, the Registrar will confirm the demat request. On confirmation, the demat account of the respective shareholder will be credited with equivalent number of shares. In case of rejection of the request, the same shall be communicated to the shareholder through their respective DPs.

About 98.17% of the issued and paid up share capital of the Company has been dematerialised up to December 31, 2011. The International Securities Identification Number (ISIN) of the Company is INE411H01024.

The equity shares of the Company are traded on NSE and BSE.

(xiii) Outstanding GDRs / ADRs / Warrants or any Convertible instruments, conversion date and likely impact on equity

R Systems has not issued any GDRs / ADRs. There were no outstanding convertible warrants as on December 31, 2011, except stock options granted under the prevailing employee stock option plans / schemes, as detailed elsewhere in the Directors' Report.

(xiv) Development Centres

1. Noida Office
C - 40 & C - 1, Sector - 59,
Noida (U.P.) - 201 307

2. Pune Offices

(a) S. No. 303/2/2, Bavdhan (BK)
Mumbai Bangalore Highway (Bypass)
Pune - 411 021, Maharashtra

(b) Survey No. 127/1B/1, Plot A - 1,
5th Floor, Gopal House,
Above Hotel Kimaya, Kothrud,
Pune - 411 029, Maharashtra

3. Chennai Office
Rayala Techno Park,
3rd Floor, 144/7 Rajiv Gandhi Salai,
Kottivakkam, Chennai - 600 041

Development / Technical Support centres at the offices of R Systems' subsidiaries

4. R Systems, Inc.
5000, Windplay Drive, Suite 5,
El Dorado Hills, CA 95762, U.S.A.

5. R Systems Solutions, Inc.
Metro Annex Building 9, Suite B, 1193 West 2400 South,
West Valley City, UT 84119, U.S.A.

6. ECnet Limited
15, Changi Business Park, Central 1, #02-01,
Singapore - 486 057

7. R Systems Europe B.V.
Brammelerstraat 8,
7511 JG Enschede, The Netherlands

8. R Systems S.A.S.
9, rue Thomas Edison,
57070 Metz, France

9. Computaris Romania SRL

(a) Bucharest office
Str. Gheorghe Manu, Nr. 5, Parter,
Camera 2, Sector 1, Bucuresti,
Cod. 010442, Romania

(b) Galati office
19A Portului Str.,
4th Floor, Room 403,
800025, Galati, Romania

10. Computaris Polska sp z o.o.

(a) Warsaw office
Okopowa 47,
01-059 Warszawa, Poland

(b) Białystok office
Ul. Swiętojanska 2
15-082 Białystok, Poland

11. ICS Computaris International Srl
Vlaicu Pircalab Street, No 63, Et. 8,
Oficiu A,B,C, MD – 2012,
Chisinau, Republica Moldova

Other Offices of R Systems and its subsidiaries

12. U.S.A. Branch Office
5000, Windplay Drive, Suite 5,
El Dorado Hills, CA 95762, U.S.A.

13. EU Branch Office
Brammelerstraat 8,
7511 JG Enschede, The Netherlands

14. Japan Branch Office
3 F, EverGreen Matsumoto Bldg.,
5-15 Nihonbashi-Hakozakicho,
Chuo-KU, Tokyo 103-0015

15. U. K. Branch Office
75, Westow Hill,
London, SE 19 1 TX, U.K.

16. R Systems NV
Diestseweg 32 C, B - 2440, Geel,
Belgium

17. Indus Software, Inc.
5000, Windplay Drive, Suite 5,
El Dorado Hills, CA 95762, U.S.A.

18. R Systems (Singapore) Pte Limited
15, Changi Business Park, Central 1, #02-01,
Singapore - 486 057

19. ECnet (M) Sdn. Bhd.
Level 12, Suite 12.05 Menara Summit,
Persiaran Kewajipan, USJ1,
47600 UEP Subang Jaya,
Selangor Darul Ehsan, Malaysia

20. ECnet, Inc.
Corporation Trust Centre 1209 Orange Street,
Wilmington, New Castle, DE 19801, U.S.A.

21. ECnet (Hong Kong) Limited
Room 1903, 19/F, World-Wide House,
19 Des Voeux Road Central, Hong Kong

22. ECnet Systems (Thailand) Company Limited
2/3 Moo 14, Bangna Tower - A, 2nd Floor,
Room No. 205 Bangna - Trad Rd. K.M. 6.5,
Bangkaew, Bangplee, Samutprakarn,
Thailand - 10540

23. ECnet Kabushiki Kaisha
1-6-17 Godo Build. 6 F,
Kaji-cho, Chiyoda-ku,
Tokyo, Japan 101-0044

24. ECnet (Shanghai) Co. Ltd.
Rm H, 20th Floor, Foresight Mansion, No. 768,
Xie Tu Rd, Shanghai - 200 023,
People's Republic of China

25. Computaris International Limited
11 Queens Road
Brentwood
Essex, CM14 4HE, United Kingdom

26. Computaris Limited
11 Queens Road
Brentwood
Essex, CM14 4HE, United Kingdom

27. Computaris Malaysia Sdn. Bhd.
No. 52, 1st Floor, Jalan SS21/58
Damansara Utama,
47400 Petaling Jaya,
Selangor, Malaysia.

28. Computaris USA, Inc.
5000, Windplay Drive, Suite 5,
El Dorado Hills, CA 95762, U.S.A.

(xv) Address for correspondence

For any assistance regarding dematerialisation of shares, share transfers, transmissions, change of address, non-receipt of dividend or any other query relating to shares:

Registrar and Share Transfer Agent

M/s Link Intime India Private Limited
A - 40, 2nd Floor,
Naraina Industrial Area, Phase - II,
Near Batra Banquet Hall,
New Delhi - 110 028
Phone : 011 - 414 10592, 93, 94 Fax : 011 - 414 10591
Email: delhi@linkintime.co.in

For general correspondence:
R Systems International Limited
Corporate Office
C - 40, Sector - 59,
Noida (U.P.) - 201 307
Phone : 0120 - 430 3500, Fax : 0120 - 258 7123
Email : investors@rsystems.com

CERTIFICATION BY THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER OF R SYSTEMS INTERNATIONAL LIMITED

We, Satinder Singh Rekhi, Chairman and Managing Director and Nand Sardana, Chief Financial Officer, hereby certify that:

(a) We have reviewed the financial statements and the cash flow statement of the Company for the year ended December 31, 2011 and that to the best of our knowledge and belief:

(i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

(ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

(b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.

(c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

(d) We have indicated wherever applicable, to the auditors and to the Audit Committee

(i) significant changes in internal control over financial reporting during the year;

(ii) significant changes in accounting policies during the year, if any, and that the same have been disclosed in the notes to the financial statements; and

(iii) instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Sd/-	**Sd/-**
Satinder Singh Rekhi	**Nand Sardana**
(Chairman and Managing Director)	(Chief Financial Officer)
Place : NOIDA	Place : NOIDA
Date : February 09, 2012	Date : February 09, 2012

Annexure 'C' to the Director's Report

CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE

To,
The Members,
R Systems International Limited,
B - 104A, Greater Kailash - I,
New Delhi - 110 048

We have examined all relevant records of R Systems International Limited (the "Company") for the purpose of certifying compliance of the conditions of Corporate Governance under Clause 49 of the Listing Agreement with National Stock Exchange of India Limited and BSE Limited (the "Stock Exchanges") for the financial year ended December 31, 2011. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of certification.

The compliance of the conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to the procedures and implementation thereof. This certificate is neither an assurance as to the future viability of the Company, nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in abovementioned Listing Agreement with the Stock Exchanges and that no investor complaints / grievances remain unattended for a period exceeding 21 days against the Company.

For **SKP & Co.,**
Company Secretaries

Sd/-
(CS Sundeep Kumar Parashar)
Prop.
Membership No. FCS 6136
Certificate of Practice No. 6575

Place : DELHI
Date : 24.03.2012

Annexure 'D' to the Director's Report

Management's Discussion and Analysis

OVERVIEW

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956, guidelines issued by the Securities and Exchange Board of India (SEBI) and Generally Accepted Accounting Principles (GAAP) in India as notified under Accounting Standards by Companies (Accounting Standards) Rules, 2006, (as amended). The management accepts responsibility for the integrity and objectivity of these financial statements, as well as for various estimates and judgments used therein. The estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis, so that the financial statements reflect in a true and fair manner the form and substance of transactions, and reasonably present the state of affairs, profits and cash flows for the year.

A. INDUSTRY STRUCTURE AND DEVELOPMENTS

Indian IT-BPO performance as per NASSCOM Strategic Review 2012 FY 2012 is a landmark year, while the Indian IT-BPO industry weathered uncertainties in the global business environment; this is also the year when the industry is set to reach a significant milestone of aggregate revenue for FY2012 expected to cross USD 100 billion. Aggregate IT software and services revenue (excluding hardware) is estimated at USD 88 billion.

Export revenue (excluding hardware) during FY2012 is likely to reach USD 69 billion, accounted for by about a 2.2 million workforce. This represents a growth of 16.3 percent; these exports also account for over 68.5 percent share in aggregate IT-BPO revenue.

Within exports, IT services segment is the fastest growing at 19 percent over FY2011with export revenue of USD 40 billion, accounting for 58 percent of total exports. This sector has seen the emergence of full service players offering traditional services like application development and maintenance to testing, infrastructure, consulting and system integration, as also niche providers offering end-to-end services in particular verticals or customer segments. This sector is now focusing on moving further up the value chain by positively impacting business outcomes and customer revenues.

The BPO segment is expected to grow by 12 percent to reach USD 16 billion in FY2012. In the last few years, the BPO segment has been focusing on re-engineering itself in order to deliver transformational impact to customers. A 'Verticalised' approach has been a key marketing strategy – developing in-depth capabilities across the entire value chain in specific verticals. BPO firms are also increasing their onshore and near shore footprint to enable customer entry into local markets; firms have also been actively implementing non-linear growth initiatives that ensure higher realizations for service providers, while controlling costs, facilitating faster time-to-market and improving satisfaction at the clients' end.

US continue to drive IT-BPO exports growth. Export revenue from the US is likely to grow by over 17 percent in FY2012, driven by higher demand for IT services and support. Europe has gone through a tough period in the last couple of years, however, growth is returning gradually and this region is expected to show good performance in FY2013. APAC region exhibited fastest growth at nearly 18 percent as customers in that region showcase increased adoption to IT as they aim to compete on a more even scale in the global market.

Vertical markets: The BFSI vertical is set to increase its share in IT-BPO exports to 41.2 percent; However, share of telecom is to decline from 20 percent in FY2011 to 19 percent, largely due to slowdown in telecom investments in the US and UK. Emerging verticals – retail, healthcare, media and utilities – continue to record fast growth.

The FY 2011 was the year of mobile adoption, where tablets and smart phones sales growth, by volume and by percentage, outpaced the shipment of desktop and laptop market. This mobile revolution witnessed, spending by organisations in developing both consumer apps and enterprise apps. From IT industry perspective – the market for enterprise mobility solutions alone is expected to grow to USD 17 billion by 2015, presenting a huge opportunity to increase revenue from this segment at a pace of triple-digit growth.

The future of technology services industry is beyond services – it will be a combination of services, solutions and platforms. Indian IT organisations are investing in building platforms to drive future growth opportunities. These domain solutions and technology platforms will offer improved revenue leverage versus talent employed in the industry and will also significantly increase the intellectual property base of the Indian IT industry.

Even in the face of stiff competition from other locations, India retains its position as the world's leading global sourcing destination for IT-BPO services. India's value proposition rests on strength such as continued focus on optimal cost efficiency, unparalleled human capital, unique customer centric approach and supportive ecosystems.

B. COMPANY OVERVIEW

R Systems International Limited (the 'Company') and its subsidiaries (collectively referred to as 'R Systems') is a leading global provider of IT solutions and Business Process Outsourcing ("BPO") services. The parent Company, R Systems International Limited is registered under the Companies Act, 1956 with its Registered Office at New Delhi and has following subsidiaries:

Name of Subsidiary	Year of Incorporation	Location	Subsidiary Since	Holding
R Systems (Singapore) Pte Limited	1997	Singapore	September 19, 2000	100%
R Systems, Inc.	1993	USA	January 2, 2001	100%
Indus Software, Inc.	1996	USA	April 1, 2002	100%
ECnet Limited	1996	Singapore	January 8, 2004	99.55%
R Systems Solutions, Inc.	2000	USA	August 24, 2006	100%
R Systems N.V.	2007	Belgium	August 28, 2007	100%
R Systems Europe B.V.	1999	The Netherlands	January 23, 2008	100%
R Systems S.A.S.	2000	France	January 23, 2008	100%
Computaris International Limited	2006	UK	January 26, 2011	100%

ECnet Limited, Singapore has following wholly owned subsidiaries:

Name	Holding	Country of incorporation
ECnet (M) Sdn. Bhd.	100 %	Malaysia
ECnet Systems (Thailand) Company Ltd.	100 %	Thailand
ECnet (Shanghai) Co. Ltd.	100 %	China
ECnet (Hong Kong) Ltd.	100 %	Hong Kong
ECnet, Inc.	100 %	USA
ECnet Kabushiki Kaisha	100 %	Japan

Computaris International Limited, UK has following wholly owned subsidiaries:

Name	Holding	Country of incorporation
ICS Computaris International Srl	100 %	Moldova
Computaris Malaysia Sdn. Bhd.	100 %	Malaysia
Computaris Polska sp z.o.o.	100 %	Poland
Computaris Romania SRL	100 %	Romania
Computaris USA, Inc. formerly known as Computaris USA, LLC	100 %	USA
Computaris Limited	100 %	UK

During the year ended December 31, 2011, the Company has completed the acquisition of 100% shares of Computaris International Limited (Computaris), U.K. on January 26, 2011. Computaris is having operations in U.K., Romania, Poland, Moldova, Malaysia & USA and provides solutions and services to telecom industry and specialises in real-time rating and billing solutions.

On completion of the said acquisition, Computaris along with its six subsidiaries became the wholly owned subsidiaries of R Systems International Limited. Further this acquisition has also expanded R Systems offerings in telecom vertical and footprint in Eastern European countries by adding five development centres.

As at December 31, 2011, R Systems has thirteen global development and service centres in India, USA, Europe and Singapore. R Systems diversified offering includes:

iPLM Service Group

R Systems defines its OPD business as Integrated Product Life Cycle Management (iPLM) Services where R Systems help ISV and other companies to accelerate the speed to market for their products and services with a high degree of time and cost predictability by using our proprietary pSuite framework and global delivery model.

Under iPLM Services, R Systems delivers solutions and services in the area of Information Technology and Information Technology enabled services. The IT services cover application development, systems integration and support and maintenance of applications. Under the ITES we cover managed services, BPO services covering both technical support for IT and Hi-Tech electronic manufactures, high-end Quality Process Management and Revenue and Claims Management using our global delivery model in 18 languages.

R Systems competitive advantage in iPLM Services is further enhanced by its industry specific domain expertise, global delivery capabilities, multi-language support capabilities, industry best quality and security certification and agile development methodologies supported by R Systems' proprietary pSuite Framework.

Products Group

R Systems products group consists of two units. Indus® which address the retail lending, telecommunication and insurance industry and ECnet® which addresses supply chain, warehousing and inventory management.

Indus® offerings include an integrated enterprise muti-portfolio lending suite for banking and financial services, credit management and revenue collection for telecom companies, iPerSyst for insurance companies which helps in timely policy renewal and customer retention along with other IT services to banking and financial service clients. Indus Product Business offerings are:

- Indus Solutions for Banks and Non-Banking Finance companies
- Indus Credit Management and Revenue Collection for Telecom Sector
- Indus iPerSyst for Insurance Companies

Indus has over 40 clients worldwide for its Indus Products / Services. These clients are large banking, financial services, telecom and insurance companies.

ECnet® Supply Chain products provide solutions for holistic management of the complex interaction between an organisation and its trading partners. The integrated solution aims to reduce all supply chain costs through improved collaboration and optimisation. The solutions are robust and scalable and give measurable ROI to clients within one year. R Systems has over 25 global manufacturing and logistics companies as referable clients.

Further, ECnet also operates as a channel partners for reselling and implementing several products relating to warehousing, inventory management and supply chain of one of the largest business software company to serve customers in a key customer segment: Small- to medium-sized businesses. These products present an opportunity to cross and up sell these solutions since these are adjunct to ECnet's own product offerings.

R Systems focused on key verticals such as Telecommunication & Digital Media, BFSI, Hi-Tech Manufacturing & Logistics, Government and Health Care. During the year ended December 31, 2011, Telecommunication and Digital Media contributed 36.5% and BFSI contributed 15.5% of the total consolidated revenues.

R Systems rapidly growing customer list includes a variety of Fortune 1000, government and mid-sized organisations across a wide range of industry verticals. During the year 2011, R Systems added seven one million $ plus account which number eighteen as at December 31, 2011.

C. OPPORTUNITIES AND THREATS

As per NASSCOM Strategic Review 2012, IT outsourcing market is set to grow at a CAGR of about 8 percent over 2011 to 2013, while BPO off shoring is expected to grow at a little over 7 percent during the same period. While cost and talent still remain essential considerations for global sourcing, industry expertise and innovation is expected to drive future sourcing requirement.

As per IDC Study, Worldwide R&D / product engineering services spending for 2015 will increase to $58.0 billion at a five-year CAGR of 9.6%. For 2012, IDC forecasts customers spending at $42.9 billion. USA R&D / product engineering services spending is expected to increase to $34.7 billion by 2015 at a five-year CAGR of 9.5%. It further estimates the offshore spending for Worldwide R&D / product engineering services is expected to increase to $14.5 billion by 2015, at a five-year CAGR of 11.6%.

R Systems is well positioned to leverage the following factors which are key to its differentiated strategy for growth in the marketplace:

- R Systems has identified focused key verticals i.e. Telecommunication & Digital Media, BFSI, Hi-Tech Manufacturing & Logistics, Government and Health Care and invested in building or consolidating capabilities and domain knowledge around these focused verticals;
- Customer centric approach to deliver continuous value by focus on innovation, cost efficiency and ability to manage high end complex engagements;
- Long term relationship with world class clients including global 1000 companies;
- Global delivering capabilities through thirteen development and service centres in India, USA, Europe and Singapore;
- Multi-language support capabilities;
- Adherence to the highest quality certification for our development processes, delivery models and security infrastructure;
- Industry best human resource practices such as PCMM level 5 to attract, develop, deploy and retain talent;
- Strong financial position as at December 31, 2011 as reflected from the net worth and cash reserves provide adequate leverage to invest in building domain knowledge and sale activities for future growth.

Despite the strengths of R Systems, the market is competitive and R Systems has to reckon with threats from competitors including their disruptive tactics, intense demand for global talent, attrition of employees, adverse changes in foreign currency rates and changes in Government policies related to restrictions to outsource services to other countries. R Systems is cognizant of risks and uncertainties which are managed proactively through risk mitigation processes and strategies.

D. SEGMENT-WISE AND PRODUCT-WISE PERFORMANCE

Detailed information about segment wise and product-wise performance has been given in the Consolidated Financial Statements and Standalone Financial Statement.

E. PERFORMANCE AND OUTLOOK

R Systems' reported record consolidated revenue of Rs. 40,949.55 lakhs during the year 2011 as against revenue of Rs. 29,054.66 lakhs for the year 2010 representing a year on year (YOY) increase of 40.94 %.

Net consolidated profits during the year 2011 were Rs. 1,651.25 lakhs as against net profit of Rs. 1,677.64 lakhs in the year 2010.

The basic earnings per share (based on consolidated financial statement) during the year 2011 was Rs. 13.41 per share as against Rs. 13.62 per share in 2010.

Cash and bank balance, including bank deposits as of December 31, 2011 was Rs. 9,495.54 lakhs against Rs. 9,568.91 lakhs as of December 31, 2010. Decline in the cash balance was mainly on account of initial payout for the acquisition of Computaris as offset by cash generated from operations.

The consolidated shareholder fund as at December 31, 2011 have increased to Rs. 19,858.31 lakhs from Rs. 18,025.34 lakhs mainly due to current year profit along with the increase in the foreign currency translation reserve.

Our focus around key verticals has paid off encouragingly in terms of revenue growth and overall customer satisfaction during the year ended 2011. We are committed to investing in the business building technology and domain capabilities and tools and methodologies to partner in innovation and growth of our customers information technology and business initiatives.

F. RISK AND CONCERNS

At R Systems risk management is a dynamic process with an attempt to constantly identify all the emerging risks and propose solutions to manage these. This is further explained in detail in Risk Management Report.

G. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

R Systems has adequate internal control systems and procedures commensurate with its size and nature of business. All areas of the Company's operations are covered by such internal control systems including revenue from rendering services, sale of products, purchase of fixed assets and other equipments, treasury management, statutory compliances, expenditures such as payroll, travel, utility and insurance etc. An Independent firm of Chartered Accountants has been appointed as the Internal Auditors of the Company for all the business units in India and the Audit Committee has considered their reports and accepted their recommendations; wherever feasible the same have been implemented.

Further, R Systems has taken the initiative to have critical non financial areas such as security infrastructure, quality models, development processes and delivery models reviewed and certified by independent organisations. R Systems has continued its investment in organisation behavior and management processes to ensure that these certified industry standards are continually adhered to. As on the date of this report, Noida IT centre is SEI-CMMi level 5, PCMM Level 5, ISO 9001:2008 and ISO 27001:2005 certified; Noida BPO centre is PCMM Level 5 ISO 9001:2008 and ISO 27001:2005 certified. Pune and Chennai development centres are SEI-CMM Level 5, ISO 9001:2008 and ISO 27001:2005 certified. The continuing compliance with these standards demonstrates the rigor of R Systems processes and differentiates us to keep our competitive edge in service and product offering.

H. MATERIAL DEVELOPMENT IN HUMAN RESOURCES/ INDUSTRIAL RELATIONS FRONT, INCLUDING NUMBER OF PEOPLE EMPLOYED

Our employees are most precious assets and we value their commitment in building R Systems. In the IT and ITES industry attracting, developing, deploying and retaining talent is critical and R Systems has defined and implemented a People Management Initiative which is in line with industry best practices and People CMM. It effectively manages the Employee Life Cycle so that the individuals are committed, have pride and show pro-activeness on the job. Our global development and service centre in Noida has been assessed as PCMM Level 5 certification.

R Systems concluded the year 2011 with 2,444 associates including 369 sales and support staff.

I. DISCUSSION ON FINANCIAL POSITION AND FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

Analysis and Discussions of Financial Position as at December 31, 2011

1. Share Capital

(Rs. in lakhs)

Particulars	As on December 31,	
	2011	2010
Authorised share capital	**2,000.00**	2,000.00
Issued, subscribed and paid up capital	**1,231.69**	1,231.69
Less: advance to Indus software employee welfare trust	**7.39**	7.39
Total Share Capital	**1,224.30**	1,224.30

The Company has only one class of shares i.e. equity shares of par value of Rs. 10 each. R Systems authorised share capital is Rs. 2,000 lakhs, divided into 200 lakhs equity shares of Rs. 10 each and remained unchanged from the previous year 2010.

The issued, subscribed and paid up capital was Rs. 1,224.30 lakhs as at December 31, 2011 and remained unchanged from the previous year 2010. This is after adjusting Rs. 7.39 lakhs advance to Indus Software Employee Welfare Trust in compliance with guidance note issued by the Institute of Chartered Accountant of India.

During the year 2011, there was no new grant / exercise under any of the existing R Systems' Employee Stock Option Plan / Scheme (ESOP). Detailed information about the movements in ESOP plan has been given in Consolidated Financial Statement. Refer Consolidated Financial Statement – Note 10 under Schedule 18: Notes to accounts.

2. Reserve and Surplus

(Rs. in lakhs)

Particulars	Consolidated		Standalone	
	2011	2010	**2011**	2010
Capital redemption reserve	**126.58**	126.58	**126.58**	126.58
Securities premium account	**9,120.63**	9,120.63	**9,120.63**	9,120.63
Capital reserve	**0.32**	0.32	**-**	-
General reserve	**614.01**	549.35	**614.01**	549.35
Profit and loss account	**7,991.06**	6,918.65	**8,050.09**	7,982.44
Foreign currency translation reserve	**781.41**	85.51	**-**	-
Total Reserve and Surplus	**18,634.01**	16,801.04	**17,911.31**	17,779.00

The increase in the General Reserve is a result of statutory transfer from Profit and Loss Account on recommendation of dividend of Rs. 3.60 per share by the Board of Directors. Whereas increase in Profit and Loss Account was due to profit earned during the year net of appropriations.

The Foreign Currency Translation Reserve is increased during the year 2011 by Rs. 695.90 lakhs mainly as a result of the sharp depreciation of Rupee against USD, Euro, GBP and other foreign currencies on consolidation of overseas subsidiaries.

3. Secured Loans

(Rs. in lakhs)

Particulars	Consolidated		Standalone	
	2011	2010	**2011**	2010
Against motor vehicles	**59.12**	50.22	**59.12**	50.22
Against finance lease for fixed assets	**9.69**	33.27	**-**	-
Total Secured Loans	**68.81**	83.49	**59.12**	50.22

During the year 2011, the decrease in finance lease for fixed assets was on account of repayment and increase in motor vehicles loan was due to loan raised during the year as offset by repayment.

4. Deferred Payments Liability

The deferred payment liability of Rs. 709.95 lakhs represents amount payable to the ex-shareholders of Computaris on or before second anniversary of the acquisition.

Detailed information about acquisition of Computaris has been provided in Consolidated Financial Statement. Refer Consolidated Financial Statement – Note 9 (c) under Schedule 18: Notes to accounts.

5. Fixed Assets

Fixed assets includes tangible assets such as land, building, computer hardware, furniture & fixture, vehicle, office and electrical equipment etc and intangible includes computer software, product development cost (internally generated software) and goodwill on acquisition.

(Rs. in lakhs)

Particulars	Consolidated		Standalone	
	2011	2010	**2011**	2010
Gross block – tangible assets	**9,903.49**	8,593.15	**5,851.69**	5,662.85
Accumulated depreciation	**6,369.81**	4,943.33	**2,824.04**	2,404.08
Net block - tangible assets	**3,533.68**	3,649.82	**3,027.65**	3,258.77
Add capital work in progress	**-**	2.00	**-**	2.00
Net fixed assets - tangible assets	**3,533.68**	3,651.82	**3,027.65**	3,260.77
Net intangible assets	**3,168.34**	791.57	**248.51**	633.72

Details of Addition during the year:

(Rs. in lakhs)

Particulars	Consolidated		Standalone	
	2011	2010	**2011**	2010
Total addition to gross block-tangible assets	**457.37**	235.47	**244.32**	163.49
Total addition to gross block-intangible assets	**135.74**	488.00	**47.89**	327.69

The additions in gross block - tangible assets were mainly on account of purchases of computer hardware including networking equipments.

The estimated amount of contracts remaining to be executed on capital account and not provided for as on December 31, 2011 was Rs. 27.53 lakhs as against Rs. 38.08 lakhs as on December 31, 2010.

On acquisition of Computaris, the net block of tangible assets was increased by Rs. 194.84 lakhs mainly on account of assets like computer hardware and office equipments. Whereas intangible assets were increased by Rs. 38.21 lakhs on accounts of software and Rs. 2,701.01 lakhs on accounts of goodwill on acquisition. Detailed information about acquisition of Computaris has been provided in Consolidated Financial Statement. Refer Consolidated Financial Statement – Note 9 (c) under Schedule 18: Notes to accounts.

6. Investments

(Rs. in lakhs)

Particulars	Consolidated		Standalone	
	2011	2010	**2011**	2010
Investment in subsidiary	**-**	-	**8,137.42**	3,291.58
Other investment	**0.25**	0.25	**0.25**	0.25
Total Investment	**0.25**	0.25	**8,137.67**	3,291.83

As at January 26, 2011, R Systems International Limited has completed the acquisition of Computaris and investment value of Rs. 4,845.84 lakhs has been recorded in books as at December 31, 2011. Detailed information has been given in Standalone Financial Statement. Refer Standalone Financial Statement – Note 11 (c) Schedule 17: Notes to accounts.

During the year ended December 31, 2010 the Board of Directors had approved a Scheme for corporate restructuring which involves conversion of loan by the Company to ECnet Limited into equity investment and thereafter amalgamation of ECnet Limited and R Systems (Singapore) Pte. Limited.

Pursuant to the restructuring plan the loan to ECnet Limited amounting to Rs. 152,000,000 (SGD 3,800,000) has been converted into equity investment at the fair value of Rs Nil.

7. Deferred Tax Assets (net)

Deferred tax reflects the timing differences between financials and tax books arising mainly from provision for gratuity, leave encashment, doubtful debts and advances (deferred tax assets) and differences in books base and tax base of fixed assets (deferred tax liability).

(Rs. in lakhs)

Particulars	Consolidated		Standalone	
	2011	2010	**2011**	2010
Deferred tax assets	**1,002.01**	677.87	**916.80**	677.87
Deferred tax liability	**367.68**	457.54	**363.07**	457.54
Deferred Tax Assets (net)	**634.33**	220.33	**553.73**	220.33

During the year 2011, Increase in the deferred tax assets was mainly on account of deferred tax assets created on additional provision for doubtful debts and advances.

8. Sundry Debtors

(Rs. in lakhs)

Particulars	Consolidated		Standalone	
	2011	2010	**2011**	2010
Sundry debtors gross	**12,545.60**	6,809.02	**6,365.45**	4,996.28
Less : provision for doubtful debts	**2,014.06**	1,252.12	**1,140.23**	840.21
Sundry Debtors Net	**10,531.54**	5,556.90	**5,225.22**	4,156.07
Days sales outstanding (DSO)	**65**	61	**78**	74

9. Cash and Bank Balance

(Rs. in lakhs)

Particulars	Consolidated		Standalone	
	2011	2010	**2011**	2010
Cash in hand	**5.86**	4.00	**1.32**	1.44
Cheques on hand	**1.32**	0.51	**1.32**	0.51
Balances With Scheduled Banks				
On Current accounts	**146.38**	338.78	**146.38**	338.78
On Cash credit / overdraft accounts	**270.54**	73.21	**270.54**	73.21
On EEFC accounts	**419.20**	803.44	**419.20**	803.44
On Deposit accounts	**5,041.23**	6,705.41	**5,041.23**	6,705.41
On Unclaimed dividend accounts	**5.98**	4.81	**5.98**	4.81
Balances With Other Banks				
On Current accounts	**3,329.53**	1,530.44	**350.11**	264.84
On Cash Credit / Overdraft accounts	**34.37**	63.50	**-**	-

SYSTEMS

Particulars	Consolidated		Standalone	
	2011	2010	**2011**	2010
On Deposit accounts	**241.13**	44.81	**-**	-
Total Cash and Bank Balance	**9,495.54**	9,568.91	**6,236.08**	8,192.44
Cash and Bank balance / Total assets (in %)	**30.85**	41.13	**24.50**	36.34
Cash and Bank balance / Revenue (in %)	**23.19**	32.93	**32.53**	45.87
Cash and Bank balance per share	**77.56**	78.16	**50.94**	66.92

Decrease in Cash and Bank Balance was mainly on account of initial payout towards Computaris as offset by cash generated from operations.

The treasury policy of R Systems is to invest surplus funds with highly rated banking institutions at minimal risk based on future requirement of funds.

10. Other Current Assets

(Rs. in lakhs)

Particulars	Consolidated		Standalone	
	2011	2010	**2011**	2010
Interest accrued				
- On deposits	**111.33**	254.20	**111.32**	254.18
- On staff advance	**1.00**	1.28	**1.00**	1.28
Unbilled revenue	**1,603.04**	1,571.13	**671.31**	1,089.33
Total Other Current Assets	**1,715.37**	1,826.61	**783.63**	1,344.79

Interest accrued represents interest income recognised but not due on a time proportion basis taking into account the amount outstanding and the interest rate applicable.

Unbilled revenue constitutes amounts not billed to customers at year end which are expected to be billed in due course in accordance with the contracts with the customers.

11. Loans and Advances

Loans and advances are short term loans advanced during the course of business recoverable in cash or kind or value to be received.

(Rs. in lakhs)

Particulars	Consolidated		Standalone	
	2011	2010	**2011**	2010
Advances recoverable in cash or in kind or for value to be received (net of provision)	**853.04**	551.88	**337.02**	340.82
Mark-to-market on forward contracts	**-**	63.73	**-**	63.73
Loans and advance recoverable from subsidiaries (net of provision)	**-**	-	**118.78**	62.47
MAT credit receivables	**446.61**	696.19	**446.61**	696.19
Balances with customs, excise etc.	**7.84**	10.16	**7.84**	10.16
Deposits – others	**249.39**	319.91	**182.57**	262.65
Advance fringe benefit tax (net of provision)	**1.68**	1.68	**1.68**	1.68
Advance income taxes (net of provision)	**141.43**	4.77	**141.43**	7.91
Total Loans and Advances	**1,699.99**	1,648.32	**1,235.93**	1,445.61

12. Current Liabilities

Current liabilities are liabilities likely to become due for payment within a period of twelve months from the balance sheet date.

(Rs. in lakhs)

Particulars	Consolidated		Standalone	
	2011	2010	**2011**	2010
Sundry creditors	**3,867.40**	2,740.06	**1,110.07**	1,311.19
Mark-to-market on forward contracts	**559.43**	-	**563.76**	-
Payable to subsidiary companies	**-**	-	**225.22**	91.25
Deferred payment compensation to the erstwhile shareholders of				
- ECnet Limited	**110.69**	93.52	**110.69**	93.52
- Computaris International Limited	**1,162.33**	-	**1,162.33**	-
Book overdraft	**10.61**	8.95	**-**	-
Deferred revenue	**908.46**	443.45	**469.51**	430.89
Investor education and protection fund (not due) - Unclaimed dividend	**5.98**	4.81	**5.98**	4.81
Security deposits	**31.33**	25.55	**31.03**	25.55
Other liabilities	**931.00**	251.08	**143.92**	101.71
Total Current Liabilities	**7,587.23**	3,567.42	**3,822.51**	2,058.92

13. Provisions

(Rs. in lakhs)

Particulars	Consolidated		Standalone	
	2011	2010	**2011**	2010
Employee bonus	**82.39**	-	**-**	-
Income tax (net of advance tax)	**466.27**	-	**-**	-
Proposed dividend	**443.41**	295.60	**443.41**	295.60
Tax on proposed dividend	**71.93**	49.10	**71.93**	49.10

Particulars	Consolidated		Standalone	
	2011	2010	**2011**	2010
Gratuity	**629.37**	578.26	**629.37**	578.26
Long term compensated absences	**861.37**	665.50	**576.52**	510.17
Total Provision	**2,554.74**	1,588.46	**1,721.23**	1,433.13

14. Liquidity

The consolidated cash and cash equivalent as at December 31, 2011 were Rs. 5,738.69 lakhs as against Rs. 3,969.36 lakhs as on December 31, 2010.

Net cash generated from operating activities was Rs. 3,507.35 lakhs for the year ended December 31, 2011 compared to Rs. 1,681.89 lakhs for the year ended December 31, 2010. The increase in cash generated from operating activities was mainly due to operating profits during the year 2011 along with changes in working capital.

Cash flow generated from operating activities is the significant source of funding for investing and financing activities.

During the year, R Systems invested Rs. 2,437.83 lakhs (net of cash acquired) for the acquisition of Computaris, Rs. 785.68 lakhs in the purchase of fixed assets. The interest received during the year 2011 was Rs. 552.05 lakhs against Rs. 429.06 lakhs during the year 2010.

Cash used in financing activities during the year 2011 was Rs. 103.28 lakhs mainly due to payment of Rs. 294.44 lakhs and Rs. 47.95 lakhs for the dividend and dividend distribution tax respectively for the year 2010 as offset by release of margin money deposits against short term borrowings of Rs. 264.00 lakhs.

R Systems' policy is to maintain sufficient liquidity to fund the anticipated capital expenditures, operational expenses and investments for strategic initiatives.

Pursuant to initial public offer the Company collected Rs. 7,062.50 lakhs (net of selling shareholders' proceeds). The break-down of utilisation of IPO funds are as follows:

(Rs. in lakhs)

Objects	Total Estimated Project Cost*	Amount incurred till December 31, 2011	Amount incurred till December 31, 2010
Upgrading and Expansion of Existing Infrastructure*	2,299.93	2,299.93	2,299.93
Repayment of Outstanding Loans	365.50	365.50	365.50
Financing General Working Capital Requirements	1,795.10	1,795.10	1,795.10
General Corporate Purposes*	1,590.60	1,590.60	586.20
Meeting Offer Expenses *	1,011.37	1,011.37	1,011.37
Total	**7,062.50**	**7,062.50**	**6,058.10**

*The Company had obtained an approval from its shareholders at the annual general meeting held on May 2, 2008 for reallocation in the estimated project cost among above mentioned heads.

During the year ended December 31, 2011, the Company has utilised the remaining IPO fund amounting to Rs. 1,004.40 lakhs kept under the general corporate purposes towards the initial payout for the acquisition of Computaris.

Analysis and Discussions of Operating Performance for the Year Ended December 31, 2011

The following section discusses in detail the composition of different items in the consolidated and standalone Profit and Loss Account.

Consolidated Profit and Loss Statement for the year:

(Rs. in lakhs)

	2011	% of Total income	2010	% of Total income	Change %
Income					
Operating income	**40,949.55**	**98.66**	29,054.66	98.08	40.94
Other income	**556.43**	**1.34**	569.95	1.92	(2.37)
Total income	**41,505.98**	**100.00**	29,624.61	100.00	40.11
Expenditure					
Personnel expenses	**26,228.30**	**63.19**	19,098.59	64.47	37.33
Operating and other expenses	**11,790.85**	**28.41**	7,363.04	24.85	60.14
Cost of third party hardware and software	**2.23**	**0.01**	287.66	0.97	(99.22)
Depreciation and amortisation	**1,311.85**	**3.16**	1,330.86	4.49	(1.43)
Financial expenses	**80.84**	**0.19**	71.37	0.24	13.27
Total expenditure	**39,414.07**	**94.96**	28,151.52	95.03	40.01
Net profit before tax and prior period items	**2,091.91**	**5.04**	1,473.09	4.97	42.01
Prior period income / (expenses)	**-**	**-**	(17.29)	(0.06)	
Net profit before tax	**2,091.91**	**5.04**	1,455.80	4.91	43.70
Tax expense / (credit)	**440.66**	**1.06**	(221.84)	(0.75)	(298.64)
Net profit after tax	**1,651.25**	**3.98**	1,677.64	5.66	(1.57)

Standalone Profit and Loss Statement for the year:

(Rs. in lakhs)

	2011	% of Total income	2010	% of Total income	Change %
Income					
Operating income	**19,168.61**	**96.97**	17,859.67	96.34	7.33
Other income	**599.42**	**3.03**	678.46	3.66	(11.65)
Total income	**19,768.03**	**100.00**	18,538.13	100.00	6.63
Expenditure					
Personnel expenses	**13,006.45**	**65.80**	11,780.15	63.55	10.41
Operating and other expenses	**5,045.09**	**25.52**	4,096.79	22.10	23.15
Cost of third party hardware and software	**2.23**	**0.01**	287.66	1.55	(99.22)
Depreciation and amortisation	**881.24**	**4.46**	862.65	4.65	2.15
Provision for diminution in value of long term investments	-	-	18.50	0.10	(100.00)
Financial expenses	**42.67**	**0.22**	44.78	0.24	(4.71)
Total expenditure	**18,977.68**	**96.00**	17,090.53	92.19	11.04
Net profit before tax and prior period items	**790.35**	**4.00**	1,447.60	7.81	(45.40)
Prior period income / (expenses)	-	-	(17.29)	(0.09)	
Net profit before tax	**790.35**	**4.00**	1,430.31	7.72	(44.74)
Tax expense / (credit)	**143.84**	**0.73**	(245.06)	(1.32)	(158.69)
Net profit after tax	**646.51**	**3.27**	1,675.37	9.04	(61.41)

1. Income

1.1 Operating Income

R Systems derives operating income principally from software development & customisation services and business process outsourcing services. Income is recognised to the extent that it is probable that the economic benefits will flow and the revenue can be reliably measured.

1.1.1 Based on Consolidated Financial Statement

During the year ended December 31, 2011, consolidated operating income increased by 40.94 % to Rs. 40,949.55 lakhs compared to Rs. 29,054.66 lakhs during 2010.

(Rs. in lakhs)

Particulars	Year ended December 31, 2011	%	Year ended December 31, 2010	%	Change %
Software development and customisation services	**34,099.29**	**83.27**	23,262.89	80.07	46.58
Business process outsourcing services	**6,850.26**	**16.73**	5,791.77	19.93	18.28
Total	**40,949.55**	**100.00**	29,054.66	100.00	40.94

1.1.2 Based on Standalone Financial Statement

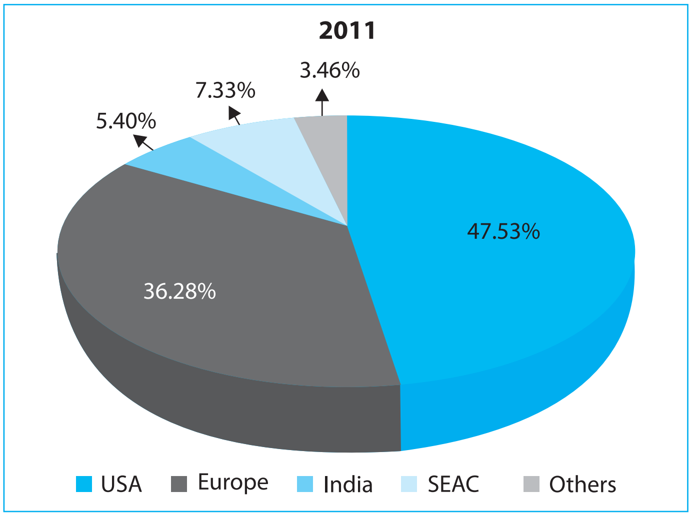
During the year ended December 31, 2011, standalone operating income increased by 7.33 % to Rs. 19,168.61 lakhs compared to Rs. 17,859.67 lakhs during 2010.

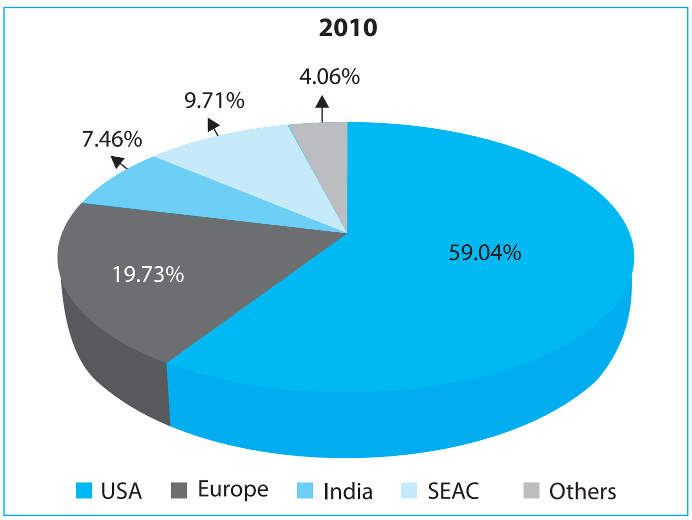
(Rs. in lakhs)

Particulars	Year ended December 31, 2011	%	Year ended December 31, 2010	%	Change %
Software development and customisation services	**16,828.72**	**87.79**	15,973.86	89.44	5.35
Business process outsourcing services	**2,339.89**	**12.21**	1,885.81	10.56	24.08
Total	**19,168.61**	**100.00**	17,859.67	100.00	7.33

1.1.3 Consolidated Operating Income by Geography

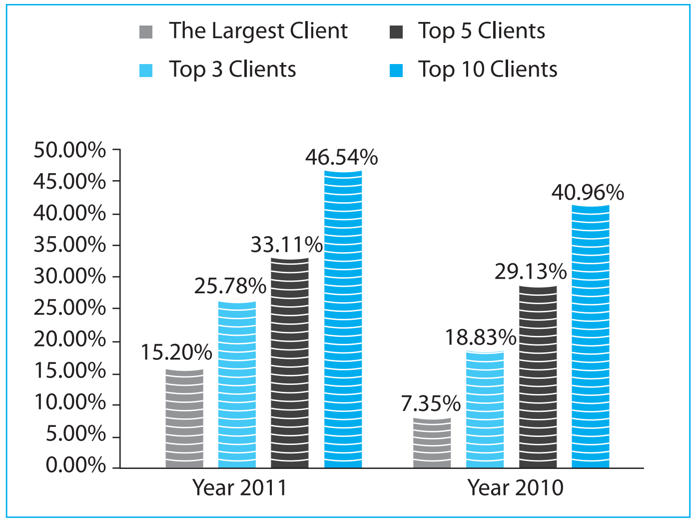
R Systems earns income from five principal geographic territories, namely the United States of America, Europe, South East Asian countries ("SEAC"), India and others. A significant proportion of the revenues were derived from clients located in the United States of America and Europe. The geographic break-down of the operating income is given below:





1.1.4 Consolidated Operating Income by Client Concentration

The breakdown of R Systems consolidated operating income on the basis of client concentration for the year ended December 31, 2011 and 2010 is as follows:



1.2 Other Income

Other income consists of interest; write back of creditors' no longer required and other miscellaneous income.

1.2.1 Based on Consolidated Financial Statement

Other income amounted to Rs. 556.43 lakhs during the year ended December 31, 2011 as compared to Rs. 569.95 lakhs for the year ended 2010.

1.2.2 Based on Standalone Financial Statement

Other income amounted to Rs. 599.42 lakhs during the year ended December 31, 2011 as compared to Rs. 678.46 lakhs for the year ended 2010.

During the year 2011, the decrease in the other income in consolidated as well as standalone financial statements was due to lower interest income on the reduced investible corpus after initial payout towards the acquisition of Computaris in January 2011.

2. Expenditures

2.1 Personnel Expenses

Personnel expenses consist primarily of salaries, wages, bonus, commissions, perquisites, provision for long term compensated absences, gratuity benefits, contribution towards provident and other funds and staff welfare expenses.

2.1.1 Based on Consolidated Financial Statement:

(Rs. in lakhs)

Particulars	2011	% of Total income	2010	% of Total income	Change %
Salaries, wages and bonus	**23,732.05**	**57.18**	17,528.61	59.17	35.39
Gratuity	**112.28**	**0.27**	193.76	0.65	(42.05)
Contribution to provident fund and other payments	**2,127.18**	**5.12**	1,135.34	3.83	87.36
Staff welfare expenses	**256.79**	**0.62**	240.88	0.82	6.61
	26,228.30	**63.19**	19,098.59	64.47	37.33

The increase in personnel cost during the year 2011 was mainly on account of acquisition of Computaris, addition of head counts and annual salary increase mainly at our offshore units.

2.1.2 Based on Standalone Financial Statement:

(Rs. in lakhs)

Particulars	2011	% of Total income	2010	% of Total income	Change %
Salaries, wages and bonus	**12,281.33**	**62.13**	11,027.74	59.49	11.37
Gratuity	**112.28**	**0.57**	193.76	1.05	(42.05)
Contribution to provident fund and other payments	**421.02**	**2.13**	384.19	2.07	9.59
Staff welfare expenses	**191.82**	**0.97**	174.46	0.94	9.95
	13,006.45	**65.80**	11,780.15	63.55	10.41

The increase in personnel cost during the year 2011 was mainly on account of increase in head counts and annual salary increase mainly at our offshore units.

2.2 Operating and Other Expenses

Operating and other expenses includes expenses on traveling and conveyance, legal and professional expenses including sub-contractors costs, recruitment and training, communication, provision for doubtful debts and advances, foreign exchange fluctuation movement, rent of premises, equipment rental, audit fees, repairs and maintenance, commission, insurance premium and other miscellaneous items.

2.2.1 Based on Consolidated Financial Statement:

(Rs. in lakhs)

Particulars	2011	% of Total income	2010	% of Total income
Travelling and conveyance	**2,720.63**	**6.55**	1,945.64	6.57
Legal and professional expenses including audit fees	**3,275.15**	**7.89**	2,247.40	7.59
Communication costs	**658.58**	**1.59**	586.30	1.98
Repair and maintenance	**684.97**	**1.65**	568.01	1.92
Rent - premises and equipments	**1,168.96**	**2.82**	824.27	2.78
Provision for doubtful debts and advances and debts written off	**579.24**	**1.40**	193.59	0.65
Bad debts and advances written off	**106.40**	**0.26**	1.89	0.01
Recruitment and training expenses	**208.20**	**0.50**	140.39	0.47
Power and fuel	**401.02**	**0.97**	404.72	1.37
Contract cost	**855.58**	**2.06**	-	-
Foreign exchange fluctuation (net)	**373.93**	**0.90**	(61.99)	(0.21)
Others	**758.19**	**1.82**	512.82	1.72
Total Operating Expense	**11,790.85**	**28.41**	7,363.04	24.85

The increase in the operating expenses during the year 2011 was mainly on account of inclusion of operating expense of recent acquisition i.e. Computaris, mark to market loss on forward contracts, reinstatement loss on foreign denominated liabilities related to recent acquisition and increase in the provision for doubtful debts and advances.

2.2.2 Based on Standalone Financial Statement:

(Rs. in lakhs)

Particulars	2011	% of Total income	2010	% of Total income
Travelling and conveyance	**1,685.07**	**8.52**	1,564.11	8.44
Legal and professional expenses including audit fees	**590.99**	**2.99**	305.09	1.65
Communication costs	**443.00**	**2.24**	463.42	2.50
Repair and maintenance	**375.57**	**1.90**	329.99	1.78
Rent - premises and equipments	**348.04**	**1.76**	344.59	1.86

Particulars	2011	% of Total income	2010	% of Total income
Provision for doubtful debts and advances and debts written off	**374.71**	**1.90**	327.36	1.77
Bad debts and advances written off	**90.86**	**0.46**	0.44	0.00
Recruitment and training expenses	**81.89**	**0.41**	57.46	0.31
Power and fuel	**344.89**	**1.74**	359.00	1.94
Foreign exchange fluctuation (net)	**289.80**	**1.47**	(87.77)	(0.47)
Others	**420.27**	**2.13**	433.10	2.32
Total Operating Expense	**5,045.09**	**25.52**	4,096.79	22.10

The increase in the operating expenses during the year 2011 was mainly on account of mark to market loss on forward contracts and reinstatement loss on foreign denominated liabilities related to recent acquisition.

2.3 Depreciation and Amortisation

(Rs. in lakhs)

Particulars	Consolidated		Standalone	
	2011	2010	2011	2010
Depreciation and amortisation	**1,311.85**	1,330.86	**881.24**	862.65
% of gross block (tangible and intangible)	**8.56**	12.13	**11.72**	11.84
% of total income	**3.16**	4.49	**4.46**	4.65

2.4 Provision for Diminution in Value of Long Term Investments in the Standalone Financial Statement

During the year ended December 31, 2010, the Board of Directors of the Company had approved the liquidation of R Systems NV, Belgium (wholly owned subsidiary) subject to the required statutory and corporate approvals in India and Belgium. Consequently, the management has assessed that there is a decline, other than temporary, in the value of the subsidiary and had reduced the carrying amount of investment by Rs. 18.50 lakhs to recognise the decline in value.

2.5 Finance Charges

(Rs. in lakhs)

Particulars	Consolidated		Standalone	
	2011	2010	2011	2010
Interest on loans	**6.69**	6.64	**6.26**	4.25
Bank charges	**74.15**	64.73	**36.41**	40.53
Total Finance Charges	**80.84**	71.37	**42.67**	44.78
% of total income	**0.19**	0.24	**0.22**	0.24

2.6 Prior Period Income / (Expenses)

Prior period expense for the year ended December 31, 2010 amounting to Rs. 17.29 lakhs represents communication cost related to prior year.

2.7 Provision for Taxes / (Credit)

Tax expense / (credit) comprises of current tax and deferred tax. Tax holiday period for all STPI units has expired as at March 31, 2011 which resulted into an increase in the current year tax provision during the year 2011.

(Rs. in lakhs)

Particulars	Consolidated		Standalone	
	2011	2010	2011	2010
Profit Before Tax	**2,091.91**	1,455.80	**790.35**	1,430.31
Current tax	**857.44**	209.12	**477.24**	185.90
Deferred tax credit	**(416.78)**	(430.96)	**(333.40)**	(430.96)
Total Tax Expense / (Credit)	**440.66**	(221.84)	**143.84**	(245.06)
Effective tax %	**21.07**	(15.24)	**18.20**	(17.13)

2.8 Dividend

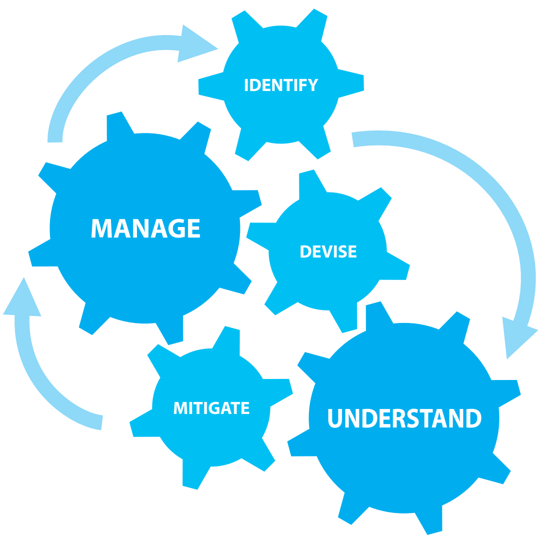
The Board of Directors has recommended a dividend of Rs. 3.60 per equity share or 36% on the par value of Rs. 10 per share to be appropriated from the current year profits subject to the approval of the shareholders at the ensuing annual general meeting.

Risk Management Report

The Management cautions readers that the risks outlined in this report are not exhaustive, are for information purposes only and may contain forward looking statements, the results of which may differ materially from those reflected. Investors and readers are requested to exercise their own judgment in assessing various risks associated with the Company.

OVERVIEW

Risk Management is a dynamic process which should constantly be able to identify all the emerging risks and propose solutions to manage them. The risk perception also constantly varies depending on the size of the business, business segment, location, scale of business. The essence of risk management strategy at R Systems' lies in maximising areas of control over outcome and minimising areas where the Company has no control over outcome. R Systems' recognizes that business conditions are constantly changing, evolving and entering into cycles. Following is the model adopted by the Company for managing risk:



ENTERPRISE RISK MANAGEMENT STRUCTURE

Risk management is an integral part of the charter of the Board of Directors at R Systems. The Board is responsible for monitoring risk levels on various parameters and to suggest measures to address the same. The day to day management of the risk is entrusted to the management team of R Systems. Based on the philosophy of "No risks, no rewards", our management continuously keeps monitoring the level of our existence on the path of growth and within R Systems management structure, certain personnel are designated with responsibility of managing risks including ensuring compliance with laws, rules and regulations with the assistance of both internal and external resources. Further, formal reporting, escalation of risk events and control mechanisms ensure timely communication, response and proactive management of the risks.

RISK MANAGEMENT AT R SYSTEMS

1. Customer Concentration

R Systems revenues are dependent to a considerable extent upon relationships with a limited number of customers and retaining those customers. The percentage of total consolidated revenues during fiscal year 2011 and 2010 that R Systems derived from contracts with its top ten customers is as follows:

Customer	Year Ended	
	Dec 31, 2011 (%)	Dec 31, 2010 (%)
Top 10	**46.54**	40.96
Top 5	**33.11**	29.13
Top 3	**25.78**	18.83
The Largest Customer	**15.20**	7.35

Concentration of revenues from a limited number of customers deepens our relationship with those customers but at the same time imposes a risk of dependence. Customer's vendor management strategies and business risks radiate on to R Systems through fluctuations in utilization, pricing for services and service level demands. All these factors could potentially impact revenues and profitability of R Systems.

INITIATIVES: The business model and strategy followed by R Systems involves serving the customers in a manner that they get measurable tangible benefits. When customers see value in the services that R Systems provides, we believe that customer's relationship can be nurtured into the long term. Further, with our proactive strategy of adding new customers, we attempt to reduce our dependency on a smaller number of customer relationships.

2. Geographical Concentration

R Systems has traditionally derived most of its revenues from the US, given the technology focus and specialized product engineering services offered by it. The geographic break-up of the revenue is given below:

Revenues by Geographies	Year Ended	
	Dec 31, 2011 (%)	Dec 31, 2010 (%)
U.S.A.	**47.53**	59.04
Europe	**36.28**	19.73
ASEAN	**7.33**	9.71
India	**5.40**	7.46
Others	**3.46**	4.06
Total	**100**	100

INITIATIVES: In order to mitigate the risk of geographical concentration, R Systems has stepped up its business activities in other geographic areas like Europe, Japan and South East Asia and recent acquisition of Computaris International Limited has expanded our presence in Europe.

3. Risks Associated With Fixed Price Contracts

While most of our assignments are on the basis of time and material task orders, some proportion of the services provided by us is in the nature of fixed price task order assignments. There can be no assurance that we will be able to execute fixed cost projects within the anticipated timeframe without incurring cost overruns. In the event of cost overruns, our profitability will be adversely affected.

INITIATIVES: We have our internal processes to ensure accuracy in the estimation of the time required to execute fixed price projects and processes to implement and monitor the progress of such projects. Further the experience gained from such projects is also used for new projects. However given the very nature of the fixed price projects, cost overruns and delayed deliveries cannot be ruled out.

4. Competition

The IT & ITES sector is a highly competitive sector. Our competitors include IT outsourcing firms and product companies in similar business vertical in India as well as in other countries, national and multinational consulting and technology firms, Indian IT services firms, software firms and in-house IT departments of large companies. The competition in the IT industry is very intense and our competitors are aggressive in winning new business and customers that may drive a harder bargain.

INITIATIVES: We believe that R Systems is well positioned and enjoys following competitive advantages:

- Deep domain knowledge in key vertical - Telecom & Digital Media, BFSI, Healthcare and Manufacturing & Logistics;
- Experience in providing end-to-end solutions and services;
- Unique and proprietary iPLM & PSuite with best practices, tools and methodologies for flawless execution;
- Investment in processes, talent and methodologies;
- Strong customer franchise consisting of large and mid-sized corporations;
- Strong financial position;
- Proven global delivery model.

5. Disaster Prevention And Recovery

The IT industry is very sensitive to security risk and a real or perceived threat of a risk to the security and integrity of information available to us may adversely affect customer perception, give rise to litigation and reduce our customer base, thereby negatively affecting R Systems revenues and profit margins. The contracts entered into by R Systems typically hold us solely responsible for maintaining satisfactory standards of personnel competency, conduct and integrity and for taking required disciplinary action.

INITIATIVES: R Systems makes continual investments in organisation behavior and management processes to ensure that these certified industry standards are continually adhered to. As of the date of this report, Noida IT centre is SEI-CMMi level 5, PCMM Level 5, ISO 9001 : 2008 and ISO 27001 : 2005 certified; Noida BPO centre is PCMM Level 5, ISO 9001 : 2008 and ISO 27001 : 2005 certified. Pune and Chennai development centres are SEI-CMM Level 5, ISO 9001 : 2008 and ISO 27001 : 2005 certified. Further, our offshore and near shore development and service centres are seamlessly connected through a strong infrastructure design and appropriate bandwidth that provides us the capability to initiate and maintain uninterrupted services / support across the world.

6. Talent Acquisition & Retention

The IT and BPO sector is highly competitive in terms of hiring strategy and incentives. R Systems is highly dependent on its employees at various levels of the organisation to provide leadership, manage the business, to provide services and execute complex projects for the clients. These skilled professionals are in high demand by other organisations and if R Systems is unable to attract and retain the skilled people, it will affect R Systems ability to grow and provide services to its customers.

INITIATIVES: Our employees are most precious assets and we value their commitment in building R Systems. In the IT and ITES industry attracting, developing, deploying and retaining talent is critical and R Systems has defined and implemented a People Management Initiative which is in line with industry best practices and People CMM. It effectively manages the Employee Life Cycle so that the individuals are committed, have pride and show pro-activeness on the job. Our global development and service centre in Noida has been assessed as PCMM Level 5 certification.

7. Technological Obsolescence

The IT and ITES sector is characterised by technological changes at a rapid rate, evolution of existing products and introduction of new products. R Systems makes investments in R&D, with a view to keep pace with the latest developments in the technology space. Further, R Systems regularly hires, trains and nurtures domain and market specialists and continuously evaluates increasing the portfolio of technology alliances and partnerships to enrich our product and service mix. However, this risk cannot be fully mitigated despite the proactive investments made by R Systems.

INITIATIVES: While we continuously upgrade our product suite to deliver effectively by keeping our technology up-to-date, in our iPLM business, our technologies are influenced by our client's choice of technology. To that extent, the Company's business does not straddle what is in jargon referred to as "bleeding edge of technology".

8. Acquisitions

R Systems growth strategy involves future strategic acquisitions, partnerships and exploration of mutual interests with other parties. These future acquisitions may not contribute to our profitability, and we may be required to incur or assume debt, or assume contingent liabilities, as part of any acquisition. We could have difficulty in assimilating the personnel, operations, software assets and technology of the acquired company. These difficulties could disrupt our ongoing business, distract our management and employees and increase our expenses.

INITIATIVES: R Systems will remain sharply focused on those acquisitions and partnerships that add to the competitive strengths of our business. Specific transactions are evaluated in detail with experienced internal personnel and external advisors, wherever relevant, before consummating any transaction. Deal teams conduct technical, operational, finance, legal, marketing due diligence and build detailed financial model to evaluate the risks and benefits of any transaction. Further, contractual agreements are negotiated with the advice of legal counsel to protect Company's interests.

9. Credit Risk

As a matter of business practice, the payment collection process may extend over a period of time. Customers budgeting constraints can impact their ability to make the required payments. In addition, the creditworthiness of our clients may deteriorate and we can be adversely affected by bankruptcies or other business failures of our customers.

INITIATIVES: R Systems' credit terms are standard and there is rigorous process in following up with customers for payments as and when the invoices fall due for payment. The Company has suitably streamlined its processes to develop a more focused and aggressive receivables management systems to ensure timely collections as a result of the global liquidity crunch.

10. Foreign Currency Rate Fluctuations

Managing an equilibrium state in the light of the unfavourable movements in exchange rates involved in earnings and expenditure in foreign currency continues to be one of the challenges when exposed to global markets. A significantly large percentage of R Systems consolidated revenues are either foreign currency denominated or derived from export earnings. Whereas a major portion of the R Systems expenses in India are incurred in Indian rupees. As a result, operating profits will be highly impacted by foreign currency rate fluctuations. While depreciation of the Indian rupee would have a favorable bottom-line impact, an appreciation would affect R Systems profitability adversely.

INITIATIVES: R Systems cannot directly influence exchange rates, it is incumbent upon management to follow a well thought out policy to hedge the risk associated with foreign currency without taking speculative positions. R Systems attempts to minimize currency fluctuation risks on export earnings by taking forward covers on Rupee - USD/EURO exchange rate based on anticipated revenues and debtors at periodic intervals. R Systems has laid down appropriate policies, processes and hired external expert for using financial derivative instruments consistent with its risk management strategy. The Company does not use the foreign exchange forward contracts for trading or speculation purposes.

11. Inflation And Cost Structure

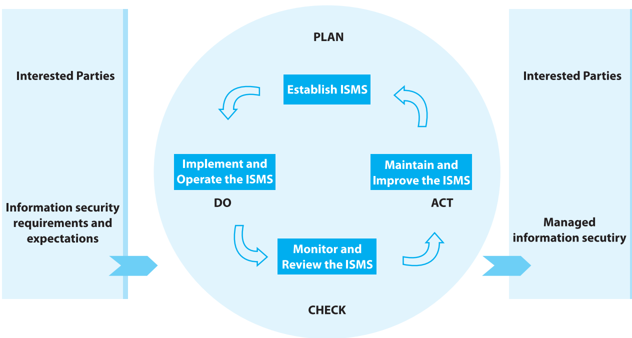
R Systems' cost structure consists of salary and other compensation expenses, overseas travel, and other general selling and administrative costs. Rapid economic development in India and increasing demand for global delivery may have a significant impact on these costs and the rate of inflation as relevant to the IT & ITES services industry. This is compounded by the fact that overseas competitors may treat their India strategy as a cost centre and develop the same regardless of the cost incurred and its impact on their profitability.

INITIATIVES: R Systems' major costs are salary and benefit cost that it incurs on employees. These costs may have a tendency to escalate faster than the rate of inflation because of the demand for skilled and experienced professionals. R Systems attempts to mitigate the risks associated with wage inflation by increasing bench mark prices for new business, enhancing productivity, increasing utilisation, obtaining increased price from clients and inducting fresh graduates and training them.

12. Intellectual Property Rights

As a part of R Systems' business, there are risks associated with intellectual property of the Company and intellectual property of R Systems' customers.

INITIATIVES: R Systems has adopted industry-standard security practices such as ensuring that our employees and strategic partners enter into non-disclosure and confidentiality agreements with us. Further, for ensuring the effectiveness of Information security, it is addressed at people, process and technology levels and is integrated in the way an organization operates. R Systems has established, documented and implemented Information Security Management Systems (ISMS) and continually improve its effectiveness in accordance with requirements of ISO 27001:2005. The approach applied to the ISMS is given in figure as follows.



R Systems security policy provides a framework for protecting confidentiality, integrity and ensuring availability of organization's Information assets. This is to safeguard the interest of customer, business continuity and continual improvement of ISMS at R Systems. The security policy of R Systems has been designed to safeguard the risk associated with information security management and has been approved by the President & Sr. Executive Director. The same is published and communicated to all relevant stakeholders.

This is further audited by both internal team and experts from third parties assessors who periodically audit and certify R Systems compliance as per ISO 27001:2005 standard.

R Systems has not registered some of its intellectual property under the relevant intellectual property laws and is in the process of applying for the same. We have applied for the registration of the following three marks and their corresponding words as R Systems' trade marks.

PSuite Framework

Products Foremost

IPLM

Out of the aforesaid trademarks three logo and two words are already registered w.e.f. January 30, 2006 and the word "IPLM" is awaiting approval.

We also rely on a combination of confidentiality agreements with employees and non-disclosure and contractual confidentiality obligations imposed on our customers, vendors and strategic partners, to protect our proprietary intellectual property rights. A misappropriation of our intellectual property rights would harm the competitive advantage we enjoy in relation to those intellectual property rights.

13. Contractual Risk

The primary contractual risks that R Systems faces pertain to obligations of R Systems to provide services with full adherence to contracted terms of quality, time deadlines, output per hour, protection of confidential information, protection of intellectual property rights, patents and copyrights. R Systems has a rigorous process to evaluate the legal risks involved in a contract, ascertains its legal responsibilities under the applicable law of the contract and tries to restrict its liabilities to the maximum extent possible.

INITIATIVES: R Systems attempts to protect itself with "no consequential losses" and "maximum liability" clauses. R Systems also ensures that risks are protected through various insurances like professional liability, workers compensation, directors' and officers' liability insurance. The Company's past record in this regard has been good and there has been no significant damages awarded against the Company that has resulted in material adverse impact on our financial position. R Systems also has an escalation process to immediately involve senior management personnel in case R Systems customers or contractors make any assertion of breach of contract.

R Systems has employed professionals with adequate legal expertise who plays handy role in finalizing the various terms under written contracts on behalf of the Company. The experience gained from past contracts and transaction entered into by the Company are also analyzed and implemented for the new contracts envisaged by the Company. As a matter of practice depending upon the criticality of the transactions, contractual agreements are well discussed within the organization in coordination with technical team as well legal professionals and are also negotiated with the advice of legal counsel to protect Company's interests.

14. Execution Risk

A significant number of R Systems clients are software product, large banking, telecom and manufacturing companies. These clients need high quality and timely delivery of services with very stringent services level agreements. Any failure in delivery, quality, meeting service level bench agreements, product features and functionalities could adversely affect R Systems relationship with its clients, which could potentially impact R Systems revenues and profitability.

INITIATIVES: R Systems has continuously invested in processes, people, training, information systems, quality standards, frameworks, tools and methodologies to mitigate the risks associated with execution of projects. Adoption of quality models and practices such as ISO, Software Engineering Institute's - Capability Maturity Model (SEI-CMM) and Six Sigma have ensured that risks are identified and mitigated at various levels in the planning and execution process. Further, senior management personnel, project managers and process leaders are entrusted with the responsibility to meet the project and service level expectations on various engagements. Planned intervention and escalation systems are further deployed to minimise risks.

15. **Directors' And Officers' Liability Risk**

The directors and officers of R Systems are required to take material decisions in the best interest of the Company. Such decisions might result in errors and omission and R Systems might be sued by the other counterpart.

INITIATIVES: To mitigate this risk, the directors and officers take legal and expert advice when required and have taken various insurance policies outlined earlier including professional liability and directors' and officers' liability insurance. The Company attempts to limit its contractual liability for damages arising from negligent acts, errors, mistakes or omissions by directors and officers in rendering services, there can be no assurance that the limitations of liability set forth in its service contracts will be enforceable in all instances or will otherwise protect the Company from liability for damages. Though the Company maintains general liability insurance coverage, including coverage for errors or omissions, going forward, there can be no assurance that such coverage will be available on reasonable terms and in sufficient amount to cover one or more large claims, or that the insurer will not disclaim coverage as to any future claim. The successful assertion of one or more large claims against the Company could adversely affect the Company's results of operations and financial condition.

16. **Statutory Compliance**

R Systems has trans-national operations. R Systems operates in various geographies and it has to ensure compliance of various applicable rules and regulations in those countries. R Systems is exposed to penalties and other liabilities related to non-compliance or inadequate compliance in those countries.

INITIATIVES: R Systems uses independent legal counsel to advise the Company on compliance issues with respect to the laws of various countries in which the Company has its business activities and to ensure that R Systems is not in violation of the laws applicable. R Systems has a compliance management system with qualified managers entrusted with compliance of various laws including the listing laws and regulations applicable to public companies in India.

17. **Visa Regulations / Restrictions**

The majority of employees of R Systems are Indian nationals. The ability of R Systems to render its services in the US, Europe and other countries depends on the ability to obtain visas and work permits. Immigration to US, Europe and other countries are subject to legislative changes as well as variations in standards of application and enforcement due to political forces and economic conditions. It is difficult to predict the political and economic events that could affect immigrations laws or the restrictive impact they could have on obtaining or monitoring work visas. The reliance on visas makes R Systems vulnerable to such changes and variations as it affects the ability of the Company to staff projects with employees who are not citizens of the country where the work is to be performed. As a result, R Systems may not be able to get a sufficient number of visas for employees or may encounter delays or additional costs all of which may affect profitability.

INITIATIVES: R Systems monitors the status of visa availability and requirements on a regular basis in consultation with external legal counsel. In house legal personnel are entrusted with the responsibility for compliance with the immigrations laws which is validated by periodic independent audit.

18. **Political Risk**

The Government of India has been favorably disposed towards the IT and BPO industry in India. Such changes in government policies affect the performance and cost advantage of IT and BPO companies in India. Further, we operate in multiple countries of which the US is a major market. While most governments in the countries where we operate are in favor of free trade, we cannot be immune to changes in policies that may discourage off-shoring to protect local employment.

Auditors' Report

On Standalone Financial Statements

To

The Members of R Systems International Limited

1. We have audited the attached Balance Sheet of R Systems International Limited (the "Company") as at December 31, 2011 and also the Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date annexed thereto. These Financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to above, we report that:

    i. We have obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the 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 appears from our examination of those books;

    iii. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;

    iv. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;

    v. On the basis of the written representations received from the Directors, as on December 31, 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on December 31, 2011 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

    vi. in our opinion 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;

        (a) in the case of the Balance Sheet, of the state of affairs of the Company as at December 31, 2011,

        (b) in the case of the Profit and Loss Account, of the profit for the year ended on that date, and

        (c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

FOR S.R. Batliboi & Co.
Firm Registration Number: 301003E
Chartered Accountants

Sd/-
per Yogender Seth
Partner
Membership Number: 94524

Place : Noida
Date : February 9, 2012

Annexure to Auditors' Report

Annexure referred to in paragraph 3 of our report of even date
Re: R Systems International Limited

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) All fixed assets were physically verified by the management in the previous year in accordance with a planned programme of verifying them once in two years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

(c) There was no disposal of a substantial part of fixed assets during the year.

(ii) The Company has no inventory and therefore, the provisions of clause 4(ii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(iii) (a) The following are the particulars of loans granted by the Company to companies, firms and other parties covered in the Register maintained under Section 301 of the Companies Act, 1956:

Name of Party	Relationship with Company	Opening Balance Rs.	Loan granted during the year Rs.	Maximum Amount outstanding during the year Rs.	Year end Balance* (at closing rate) Rs.
ECnet Limited, Singapore	Subsidiary	131,974,000	-	154,660,000	-

* Refer Note 11(a) under Schedule 17 to the financial statements.

(b) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company. (Also refer Note 16 under Schedule 17 of financial statements).

(c) The loan granted was repayable on demand. As informed, the Company has not demanded repayment of any loan during the year, thus there has been no default on the part of the parties to whom the money has been lent. The payment of interest has been regular. Further, during the year ended December 31, 2011, the amount of loan granted to ECnet Limited has been converted into equity. (Also refer Note 11 (a) under Schedule 17 of financial statements)

(d) There is no overdue amount of loans granted to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.

(e) According to information and explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause 4(iii)(e) to (g) of the Order are not applicable to the Company and hence not commented upon.

(iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.

(v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Act that need to be entered into the register maintained under Section 301 have been so entered.

(b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.

(vi) The Company has not accepted any deposits from the public.

(vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

(viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the Company.

(ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(c) According to the information and explanation given to us, there are no dues of income tax, wealth tax, service tax, sales tax, cess, excise duty and customs duty, which have not been deposited on account of any dispute except for income tax as below:

Name of the Statute	Nature of Dues	Amount	Period to which amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	2,808,941	A/Y 2004-05	CIT (Appeals)
Income Tax Act, 1961	Income Tax	9,399,040	A/Y 2008-09	CIT (Appeals)

(x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.

(xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to any bank. The Company did not have any dues to any financial institution or any outstanding debentures during the year.

(xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.

(xvi) Based on the information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.

(xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.

(xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.

(xix) The Company did not have any outstanding debentures during the year.

(xx) We have verified that the end use of money raised by public issue is as disclosed in the notes to the financial statements.

(xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

FOR S.R. Batliboi & Co.
Firm Registration Number: 301003E
Chartered Accountants

Sd/-
per Yogender Seth
Partner
Membership Number: 94524

Place : Noida
Date : February 9, 2012

Balance Sheet as at December 31, 2011

	Schedule No.	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	**122,429,880**	122,429,880
Reserves and surplus	2	**1,791,131,304**	1,777,899,752
		1,913,561,184	1,900,329,632
Loan funds			
Secured loans	3	**5,911,412**	5,022,625
		5,911,412	5,022,625
Deferred payments liability (refer note 11(c) under schedule 17)		**70,994,905**	-
TOTAL		**1,990,467,501**	1,905,352,257
APPLICATION OF FUNDS			
Fixed assets	4A		
Gross block		**585,169,059**	566,285,079
Less: Accumulated depreciation		**282,404,128**	240,407,882
Net block		**302,764,931**	325,877,197
Capital work-in-progress including capital advances		**-**	200,000
		302,764,931	326,077,197
Intangible assets (net)	4B	**24,851,048**	63,372,065
Investments	5	**813,766,941**	329,183,437
Deferred tax assets (net)	6	**55,373,268**	22,032,582
Current assets, loans and advances			
Sundry debtors	7	**522,522,018**	415,607,137
Cash and bank balances	8	**623,607,936**	819,244,473
Other current assets	9	**78,362,523**	134,479,086
Loans and advances	10	**123,592,929**	144,561,305
(A)		**1,348,085,406**	1,513,892,001
Less : Current liabilities and provisions			
Current liabilities	11	**382,250,606**	205,892,069
Provisions	12	**172,123,487**	143,312,956
(B)		**554,374,093**	349,205,025
Net current assets (A-B)		**793,711,313**	1,164,686,976
TOTAL		**1,990,467,501**	1,905,352,257
Notes to accounts	17		

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

As per our report of even date.

For S.R. BATLIBOI & CO.
Firm registration number: 301003E
Chartered Accountants

For and on behalf of the Board of Directors of R Systems International Limited

Sd/-
per Yogender Seth
Partner
Membership No. 94524
Place : NOIDA
Date : February 9, 2012

Sd/-
Satinder Singh Rekhi
[Chairman & Managing Director]
Place : NOIDA
Date : February 9, 2012

Sd/-
Lt. Gen. Baldev Singh (Retd.)
[President & Senior Executive Director]
Place : NOIDA
Date : February 9, 2012

Sd/-
Raj Swaminathan
[Director & Chief Operating Officer]
Place : NOIDA
Date : February 9, 2012

Sd/-
Nand Sardana
[Chief Financial Officer]
Place : NOIDA
Date : February 9, 2012

Sd/-
Vikash Kumar Tiwari
[Company Secretary & Compliance Officer]
Place : NOIDA
Date : February 9, 2012

Profit & Loss Account for the year ended December 31, 2011

	Schedule No.	For the Year ended December 31, 2011 Rs.	For the year ended December 31, 2010 Rs.
INCOME			
Sales and service income		**1,916,564,160**	1,756,831,863
Sale of third party hardware and software		**296,713**	29,135,043
Other income	13	**59,941,999**	67,846,273
TOTAL		**1,976,802,872**	1,853,813,179
EXPENDITURE			
Personnel expenses	14	**1,300,645,293**	1,178,014,943
Operating and other expenses	15	**504,508,871**	409,678,521
Cost of third party hardware and software		**223,250**	28,766,073
Depreciation and amortisation	4A & 4B	**88,123,921**	86,265,281
Financial expenses	16	**4,266,782**	4,477,727
Provision for diminution in value of long term investments (refer note 11(d) under Schedule 17)		**-**	1,850,305
TOTAL		**1,897,768,117**	1,709,052,850
Profit before tax before prior period items		**79,034,755**	144,760,329
Prior period income / (expenses) (refer note 21 under schedule 17)		**-**	(1,729,293)
Profit for the year before tax and after prior period items		**79,034,755**	143,031,036
Current tax [Including excess provision written back Rs. Nil (Previous year Rs. 6,026,800)]		**54,779,970**	28,847,201
Less: MAT credit entitlement [Including MAT credit entitlement / (reversal) relating to earlier year Rs. 8,155,877 {Previous year (Rs. 4,042,471)}]		**(7,055,877)**	(10,257,529)
Net current tax liability		**47,724,093**	18,589,672
Deferred tax credit [Including excess credit related to earlier years Rs. 2,059,841 (Previous year Rs. Nil)] (refer note 20 under schedule 17)		**(33,340,686)**	(43,095,516)
Total tax expense / (credit)		**14,383,407**	(24,505,844)
Profit available for appropriation		**64,651,348**	167,536,880
Appropriations			
Proposed dividend (refer note 10 (c) under Schedule 17)		**44,340,790**	29,560,527
Tax on proposed dividend (refer note 10 (c) under Schedule 17)		**7,079,006**	4,909,635
Transfer to General Reserve		**6,465,135**	16,753,688
Surplus carried to Balance Sheet		**6,766,417**	116,313,030
Earnings per share (also refer note 13 under schedule 17)			
Basic [Nominal value of shares Rs. 10 (Previous year: Rs. 10)]		**5.25**	13.60
Diluted [Nominal value of shares Rs. 10 (Previous year: Rs. 10)]		**5.19**	13.44
Notes to accounts	17		

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

As per our report of even date.

For S.R. BATLIBOI & CO.
Firm registration number: 301003E
Chartered Accountants

For and on behalf of the Board of Directors of R Systems International Limited

Sd/-
per Yogender Seth
Partner
Membership No. 94524

Place : NOIDA
Date : February 9, 2012

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[Chairman & Managing Director]

Place : NOIDA
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[President & Senior Executive Director]

Place : NOIDA
Date : February 9, 2012

Sd/-
Raj Swaminathan
[Director & Chief Operating Officer]

Place : NOIDA
Date : February 9, 2012

Sd/-
Nand Sardana
[Chief Financial Officer]

Place : NOIDA
Date : February 9, 2012

Sd/-
Vikash Kumar Tiwari
[Company Secretary & Compliance Officer]

Place : NOIDA
Date : February 9, 2012

SYSTEMS

Cash Flow Statement for the year ended December 31, 2011

	For the year ended December 31, 2011 Rs.	For the year ended December 31, 2010 Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before taxation	**79,034,755**	143,031,036
Adjustments for:		
Depreciation and amortisation	**88,123,921**	86,265,281
Provision for doubtful debts	**14,064,819**	5,715,961
Provision for doubtful advances	**23,406,259**	27,019,892
Bad debts and advances written off	**9,085,672**	44,060
Provision for diminution in value of long term investment (refer note 11(d) under Schedule 17)	**-**	1,850,305
Loss on sale / discard of fixed assets (net)	**617,990**	2,068,370
Unrealised foreign exchange loss / (gain)	**4,805,434**	(2,777,747)
Unrealised loss / (gain) on derivative instruments	**62,748,844**	12,737,183
Interest income	**(47,717,542)**	(56,149,324)
Other excess provisions written back	**(1,332,503)**	(2,938,999)
Interest expense	**625,837**	425,310
Operating profit before working capital changes	**233,463,486**	217,291,328
Movements in working capital :		
(Increase) / Decrease in sundry debtors	**(109,398,356)**	(38,463,213)
(Increase) / Decrease in other current assets	**18,395,362**	(18,205,557)
(Increase) / Decrease in loans and advances	**10,059,710**	10,520,246
(Increase) / Decrease in margin money deposits	**93,815,901**	5,337,589
Increase / (Decrease) in provisions	**11,746,718**	(9,158,927)
Increase / (Decrease) in current liabilities	**12,301,964**	42,557,954
Cash generated from operations	**270,384,785**	209,879,420
Direct taxes paid, net of refunds	**(36,118,117)**	(46,979,141)
Net cash from operating activities (A)	**234,266,668**	162,900,279
B. CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of fixed assets	**(51,194,721)**	(56,663,940)
Proceeds from sale of fixed assets	**2,112,700**	839,907
Investment in Computaris International Limited, UK (refer note 11(c) under Schedule 17)	**(319,043,900)**	-
Loan to ECnet Limited, Singapore (a subsidiary company)	**-**	(16,940,380)
Interest received	**61,992,469**	49,540,241
Investment in long term fixed deposits with scheduled banks	**(456,496,667)**	(345,267,460)
Proceeds from long term fixed deposits with scheduled banks	**532,009,438**	347,901,778
Net cash used in investing activities (B)	**(230,620,681)**	(20,589,854)

	For the year ended December 31, 2011 Rs.	For the year ended December 31, 2010 Rs.
C. CASH FLOWS USED IN FINANCING ACTIVITIES		
Proceeds from long term borrowings	**2,716,828**	3,762,885
Repayment of long term borrowings	**(1,828,041)**	(1,893,673)
Proceeds from margin money deposits against short term borrowings	**26,400,000**	-
Interest paid	**(625,837)**	(425,310)
Dividends paid	**(29,443,797)**	(29,463,130)
Tax on dividend paid	**(4,795,456)**	(5,023,813)
Net cash used in financing activities (C)	**(7,576,303)**	(33,043,041)
Net increase in cash and cash equivalents (A + B + C)	**(3,930,316)**	109,267,384
Cash and cash equivalents at the beginning of the year	**259,321,520**	150,054,136
Cash and cash equivalents at the end of the year	**255,391,204**	259,321,520

Components of cash and cash equivalents as at	December 31, 2011 Rs.	December 31, 2010 Rs.
Cash on hand	**131,910**	143,715
Cheques in hand	**132,440**	51,070
Balances with scheduled banks		
On current accounts	**14,637,843**	33,877,858
On cash credit / overdraft accounts	**27,054,026**	7,321,426
On EEFC accounts	**41,920,457**	80,343,955
On deposit accounts	**504,122,853**	670,541,296
On unclaimed dividend accounts*	**597,793**	481,063
Balances with other banks		
On current account	**35,010,614**	26,484,090
Total as per Balance sheet	**623,607,936**	819,244,473
Less: Margin money deposits	**82,072,249**	202,288,150
Less: Long term deposits	**281,509,604**	357,022,375
Less: Unrealised gain / (loss) on foreign currency cash and cash equivalents	**4,634,879**	612,428
Net cash and cash equivalents	**255,391,204**	259,321,520

* These balances are not available for use by the Company as they represent corresponding unpaid dividend liabilities.

Note:

The cash flow statement has been prepared under the indirect method as set out in the Accounting Standard 3 "Cash Flow Statement" notified under the Companies (Accounting Standard) Rules, 2006 (as amended).

As per our report of even date.

For S.R. BATLIBOI & CO.
Firm registration number: 301003E
Chartered Accountants

For and on behalf of the Board of Directors of R Systems International Limited

Sd/-
per Yogender Seth
Partner
Membership No. 94524
Place : NOIDA
Date : February 9, 2012

Sd/-
Satinder Singh Rekhi
[Chairman & Managing Director]
Place : NOIDA
Date : February 9, 2012

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Sd/-
Nand Sardana
[Chief Financial Officer]
Place : NOIDA
Date : February 9, 2012

Sd/-
Vikash Kumar Tiwari
[Company Secretary & Compliance Officer]
Place : NOIDA
Date : February 9, 2012

Schedules

	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
SCHEDULE 1: SHARE CAPITAL		
Authorised		
20,000,000 (Previous year 20,000,000) equity shares of Rs. 10 each	**200,000,000**	200,000,000
Issued, subscribed and paid up		
13,782,206 (Previous year 13,782,206) equity shares of Rs. 10 each fully paid-up	**137,822,060**	137,822,060
Less: Equity shares buy-back		
997,500 (Previous year 997,500) equity shares of Rs. 2 each fully paid-up (equivalent to 199,500 (Previous year 199,500) equity shares of Rs. 10 each) (refer note 10(b) under Schedule 17)	**1,995,000**	1,995,000
13,582,706 (Previous year 13,582,706) equity shares of Rs. 10 each fully paid-up (refer note 10(a) under Schedule 17)	**135,827,060**	135,827,060
Less: Equity shares buy-back		
1,265,820 (Previous year 1,265,820) equity shares of Rs. 10 each fully paid-up (refer note 10(b) under Schedule 17)	**12,658,200**	12,658,200
	123,168,860	123,168,860
Less: Advance to Indus Software Employees Welfare Trust (refer note 12(b) under Schedule 17)	**738,980**	738,980
	122,429,880	122,429,880

Notes:

(1) Refer note 10 (a) under Schedule 17 for bonus shares and shares issued for consideration other than cash.

(2) Refer note 12 under Schedule 17 for details of options in respect of equity shares.

	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
SCHEDULE 2: RESERVES AND SURPLUS		
Capital Redemption Reserve	**12,658,200**	12,658,200
Securities Premium Account	**914,345,795**	914,345,795
Less: Advance to Indus Software Employees Welfare Trust (also refer note 12(b) under Schedule 17)	**2,282,728**	2,282,728
	912,063,067	912,063,067
General Reserve		
Balance as per last account	**54,935,396**	38,181,708
Add: Transferred from current year Profit and Loss Account	**6,465,135**	16,753,688
	61,400,531	54,935,396
Profit and Loss Account		
Balance as per last account	**798,243,089**	681,930,059
Add: Transferred from current year Profit and Loss Account	**6,766,417**	116,313,030
	805,009,506	798,243,089
	1,791,131,304	1,777,899,752

	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
SCHEDULE 3: SECURED LOANS		
- **From bank**		
For motor vehicles	**-**	88,742
(Secured by hypothecation of underlying motor vehicles)		
- **From others**		
For motor vehicles	**5,911,412**	4,933,883
(Secured by hypothecation of underlying motor vehicles)		
	5,911,412	5,022,625

Note:

Included in secured loans above, the amount payable within one year is Rs. 2,072,463 (Previous year Rs. 1,588,762).

SCHEDULE 4A: FIXED ASSETS

(Amount in Rs.)

	Land-freehold	Land-leasehold	Building-freehold	Building-leasehold [1]	Leasehold improvements	Computers	Office and electrical equipment	Furniture and fittings	Vehicle	Total	Previous Year
Gross block											
As at January 1, 2011	4,765,674	10,005,968	31,198,298	88,983,200	1,640,632	234,094,468	90,045,390	84,098,196	21,453,253	**566,285,079**	573,366,291
Additions	-	-	-	30,000	142,884	17,140,929	1,868,144	347,678	4,902,594	**24,432,229**	16,348,946
Deletions / adjustments	-	-	-	-	-	2,696,635	600,290	240,864	2,010,460	**5,548,249**	23,430,158
At December 31, 2011	**4,765,674**	**10,005,968**	**31,198,298**	**89,013,200**	**1,783,516**	**248,538,762**	**91,313,244**	**84,205,010**	**24,345,387**	**585,169,059**	566,285,079
Accumulated depreciation											
As at January 1, 2011	-	1,094,305	4,707,256	8,701,745	649,732	158,336,974	28,464,647	33,201,798	5,251,425	**240,407,882**	215,333,602
For the year	-	157,818	513,504	1,450,718	735,413	29,699,602	5,229,937	4,877,150	2,149,663	**44,813,805**	45,973,417
Deletions / adjustments	-	-	-	-	-	1,467,845	338,540	142,522	868,652	**2,817,559**	20,899,137
At December 31, 2011	**-**	**1,252,123**	**5,220,760**	**10,152,463**	**1,385,145**	**186,568,731**	**33,356,044**	**37,936,426**	**6,532,436**	**282,404,128**	240,407,882
Net block											
At December 31, 2011	**4,765,674**	**8,753,845**	**25,977,538**	**78,860,737**	**398,371**	**61,970,031**	**57,957,200**	**46,268,584**	**17,812,951**	**302,764,931**	325,877,197
At December 31, 2010	4,765,674	8,911,663	26,491,042	80,281,455	990,900	75,757,494	61,580,743	50,896,398	16,201,828		
Capital work in progress [including capital advances of Rs. Nil (Previous year Rs. 200,000)]										-	200,000
										302,764,931	326,077,197

Notes:

(1) Includes Rs. 21,155,390 (Previous year Rs. 21,155,390) paid towards land and building under a composite lease taken for which no separate values are assignable.

(2) Vehicles amounting to Rs. 11,206,796 (Previous year Rs. 9,160,270) are hypothecated against terms loans for vehicle finance from banks & others.

(3) Also refer note 4 and note 8.4 under Schedule 17 for assets obtained free of cost on returnable basis and capitalised at Nil value.

(Amount in Rs.)

	Softwares	Product development costs (Internally generated software)	Total	Previous Year
SCHEDULE 4B : INTANGIBLE ASSETS				
Gross block				
As at January 1, 2011	127,451,051	34,580,899	**162,031,950**	147,284,643
Additions	4,789,099	-	**4,789,099**	32,769,308
Deletions / adjustments	-	-	**-**	18,022,001
At December 31, 2011	**132,240,150**	**34,580,899**	**166,821,049**	162,031,950
Accumulated amortisation				
As at January 1, 2011	80,154,708	18,505,177	**98,659,885**	76,012,766
For the year	35,679,187	7,630,929	**43,310,116**	40,291,864
Deletions / adjustments	-	-	**-**	17,644,745
At December 31, 2011	**115,833,895**	**26,136,106**	**141,970,001**	98,659,885
Net block				
At December 31, 2011	**16,406,255**	**8,444,793**	**24,851,048**	63,372,065
At December 31, 2010	47,296,343	16,075,722	63,372,065	

		As at December 31, 2011 Rs.		As at December 31, 2010 Rs.
SCHEDULE 5: INVESTMENTS				
Long term investments (at cost)				
A. Other than trade, unquoted				
Equity shares, fully paid up				
2,500 (Previous year 2,500) equity shares of Rs. 10 each fully paid up in The Saraswat Co-operative Bank Limited		**25,000**		25,000
B. In subsidiary companies (Companies under the same management):				
Trade, unquoted, fully paid up				
(i) 4,070,000 (Previous year 4,070,000) ordinary shares of "no par" value in R Systems (Singapore) Pte. Ltd.		**104,173,570**		104,173,570
(ii) 2,000 (Previous year 2,000) shares of "no par" value in R Systems, Inc., USA		**223,358,532**		223,358,532
(iii) 243,750 (Previous year 243,750) common stock of US$1 each fully paid up in Indus Software Inc., USA	**10,785,738**		10,785,738	
Less: Provision for diminution in value	**10,784,738**	**1,000**	10,784,738	1,000
(iv) 17,651,502 (Previous year 17,651,502) ordinary shares of "no par" value in ECnet Limited, Singapore (also refer note 11(a) under Schedule 17)	**34,938,958**		34,938,958	
38,306,451 (Previous year Nil) ordinary shares of "no par" value in ECnet Limited, Singapore (also refer note 11(a) under Schedule 17)	**-**			
Less : Adjustment with securties premium as per order of High Court (refer note 11(a) under Schedule 17)	**24,495,721**		24,495,721	
	10,443,237		10,443,237	
Less: Amounts adjusted on settlement of liabilities towards certain erstwhile shareholders (refer note 11(a) under Schedule 17)	**10,442,237**	**1,000**	10,442,237	1,000

		As at December 31, 2011 Rs.		As at December 31, 2010 Rs.	
(v)	Investment in R Systems Solutions, Inc,USA				
	8,666,884 (Previous year 8,666,884) Series A convertible preferred stock of "no par" value	**128,825,090**		128,825,090	
	10,335,833 (Previous year 10,335,833) common stock of "no par" value				
	1,000,000 (Previous year 1,000,000) common stock of "no par" value	**43,852,500**		43,852,500	
		172,677,590		172,677,590	
	Less: Provision for diminution in value	**172,676,590**	**1,000**	172,676,590	1,000
(vi)	200 (Previous year 200) shares of Euro 310 each fully paid up in R Systems NV, Belgium (refer note 11(d) under Schedule 17)	**3,471,640**		3,471,640	
	Less: Provision for diminution in value	**1,850,305**	**1,621,335**	1,850,305	1,621,335
(vii)	Investment in R Systems Europe B.V., Netherlands	**42,053,275**		42,053,275	
	3,170 (Previous year 3,170) ordinary shares of Euro 100 each fully paid up				
	Less: Provision for diminution in value	**42,052,275**	**1,000**	42,052,275	1,000
(viii)	Investment in R Systems S.A.S., France	**32,593,766**		32,593,766	
	10,000 (Previous year 10,000) ordinary shares of Euro 15.24 each fully paid up				
	Less: Provision for diminution in value	**32,592,766**	**1,000**	32,592,766	1,000
(ix)	Investment in Computaris International Limited, UK (refer note 11(c) under Schedule 17)		**484,583,504**		-
	80,000 (Previous year Nil) ordinary shares of GBP 0.01 each fully paid up				
			813,766,941		329,183,437
	Aggregate amount of unquoted investments		**813,766,941**		329,183,437
	Aggregate amount of quoted investments		-		-

	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
SCHEDULE 6: DEFERRED TAX ASSETS (NET)		
Deferred tax assets		
Provision for gratuity	**20,420,033**	18,555,113
Provision for long term compensated absences	**18,705,235**	15,466,872
Provision for doubtful debts and advances	**46,559,618**	29,545,166
Other timing differences	**5,995,456**	4,219,444
Gross deferred tax assets	**91,680,342**	67,786,595
Deferred tax liability		
Differences in depreciation / amortisation and other differences in block of fixed assets as per tax books and financial books	**36,307,074**	45,754,013
Gross deferred tax liability	**36,307,074**	45,754,013
Deferred tax assets (net)	**55,373,268**	22,032,582

Note:

Also refer note 20 under Schedule 17.

	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
SCHEDULE 7: SUNDRY DEBTORS		
Debts outstanding for a period more than six months		
Unsecured, considered good	**26,278,701**	18,258,979
Unsecured, considered doubtful	**104,979,040**	82,324,356
Other debts		
Unsecured, considered good	**496,243,317**	397,348,158
Unsecured, considered doubtful	**9,043,782**	1,697,022
	636,544,840	499,628,515
Less : Provision for doubtful debts	**114,022,822**	84,021,378
	522,522,018	415,607,137
Included in Sundry debtors are:		
Dues from companies under the same management		
From subsidiary companies		
R Systems, Inc., USA	**11,288,018**	4,621,674
ECnet Limited, Singapore	**28,431,965**	4,375,487
R Systems (Singapore) Pte. Ltd., Singapore	**1,917,113**	614,769
R Systems Europe B.V., Netherlands	**420,199**	98,557

	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
SCHEDULE 8: CASH AND BANK BALANCES		
Cash on hand	**131,910**	143,715
Cheques in hand	**132,440**	51,070
Balances with scheduled banks		
On current accounts	**14,637,843**	33,877,858
On cash credit / overdraft accounts	**27,054,026**	7,321,426
On EEFC accounts	**41,920,457**	80,343,955
On deposit accounts	**504,122,853**	670,541,296
On unclaimed dividend accounts	**597,793**	481,063
Balance with other banks		
On current account with California Bank & Trust	**33,364,239**	17,607,220
[Maximum balance during the year Rs. 90,157,529 (Previous year Rs. 93,510,000)]		
On current account with Fortis Bank (Netherlands) N.V.	**506,932**	311,550
[Maximum balance during the year Rs. 1,828,589 (Previous year Rs. 1,745,818)]		
On current account with Sumitomo Mitusi Banking Corporation	**1,139,443**	8,565,320
[Maximum balance during the year Rs. 8,565,320 (Previous year Rs. 10,141,967)]		
	623,607,936	819,244,473

Notes:

(1) Balances with scheduled banks - on deposit accounts include receipts lien marked with banks against guarantees issued in favour of various Government departments Rs. 23,122,552 (Previous year Rs. 114,555,707), against credit / derivative facilities taken Rs. 45,949,697 (Previous year Rs. 84,376,825) and performance guarantees given to customers Rs. 13,000,000 (Previous year Rs. 3,355,618).

(2) Also refer note 19 under Schedule 17 for details of cash and bank balances.

(3) Cash credit limit / Bank guarantee / Loan equivalent risk / Letter of credit is secured by first charge by way of hypothecation of entire current assets and collateral over the immovable property situated in Pune.

	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
SCHEDULE 9: OTHER CURRENT ASSETS		
Interest accrued on deposits	**11,131,355**	25,418,354
Interest accrued on staff advances	**100,271**	128,215
Unbilled revenue	**67,130,897**	108,932,517
	78,362,523	134,479,086

	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
SCHEDULE 10: LOANS AND ADVANCES		
(Unsecured, considered good, except where otherwise stated)		
Advances recoverable in cash or in kind or for value to be received	**38,625,262**	39,005,702
[including Rs. 4,923,200 (Previous year Rs. 4,923,200) considered doubtful]		
Mark-to-market on forward contracts (also refer Schedule 11 below)	**-**	6,372,744
Advance recoverable from subsidiary companies		
(a) Advance recoverable from R Systems, Inc., USA (a wholly owned subsidiary company)	**6,495,382**	1,957,295
(b) Advance recoverable from ECnet Limited, Singapore (a subsidiary company)	**4,087,207**	4,047,191
(c) Advance recoverable from R Systems Solutions, Inc., USA (a wholly owned subsidiary company)	**1,219,519**	238,783
(d) Advance recoverable from R Systems (Singapore) Pte Ltd, Singapore (a wholly owned subsidiary company)	**4,008**	4,035
(e) Advance recoverable from R Systems Europe B.V., Netherlands (a wholly owned subsidiary company)	**72,116**	-
Loan to ECnet Limited, Singapore (a subsidiary company) (refer note 11(a) under Schedule 17)	**-**	131,974,000
[including Rs. Nil (Previous year Rs. 131,974,000) considered doubtful]		
MAT credit receivable	**44,661,282**	69,619,398
Balances with customs, excise, etc.	**784,022**	1,016,225
Deposits - others	**18,256,783**	26,264,723
Advance fringe benefit tax [net of provisions amounting to Rs. 7,082,336 (Previous year Rs. 7,082,336)]	**167,664**	167,664
Advance income taxes [net of provisions amounting to Rs. 188,981,213 (Previous year Rs. 166,136,636)]	**14,142,884**	790,745
	128,516,129	281,458,505
Less : Provision for doubtful loans and advances	**4,923,200**	136,897,200
	123,592,929	144,561,305
Included in loans and advances are :		
Maximum amounts outstanding from companies under the same management		
From subsidiary companies		
R Systems, Inc., USA	**6,495,382**	19,336,064
ECnet Limited, Singapore (refer note 11(a) under Schedule 17)	**154,660,000**	136,021,191
R Systems Solutions, Inc, USA	**1,219,519**	5,718,254
R Systems (Singapore) Pte. Ltd., Singapore	**99,381**	4,035
R Systems Europe B.V., Netherlands	**175,353**	426,544

	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
SCHEDULE 11: CURRENT LIABILITIES		
Sundry creditors		
(a) Total outstanding dues of micro enterprises and small enterprises included in Sundry creditors (also refer note 9 under Schedule 17)	**-**	-
(b) Total outstanding dues other than micro enterprises and small enterprises included in Sundry creditors	**111,006,838**	131,118,998
Mark-to-market on forward contracts (also refer Schedule 10 above)	**56,376,100**	-
Payable to subsidiary companies	**22,522,526**	9,124,884
Deferred payment compensation to the erstwhile shareholders of ECnet Limited (refer note 11(a) under Schedule 17)	**11,068,991**	9,352,294
Deferred payment compensation to the erstwhile shareholders of Computaris International Limited (refer note 11 (c) under Schedule 17)	**116,232,952**	-
Deferred revenue	**46,950,872**	43,088,747
Investor education and protection fund (not due) - Unclaimed dividend	**597,793**	481,063
Security deposits	**3,102,797**	2,554,885
Other liabilities	**14,391,737**	10,171,198
	382,250,606	205,892,069

	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
SCHEDULE 12: PROVISIONS		
Proposed dividend (refer note 10(c) under Schedule 17)	**44,340,790**	29,560,527
Tax on proposed dividend (refer note 10(c) under Schedule 17)	**7,193,185**	4,909,635
Gratuity (refer note 14 under Schedule 17)	**62,937,379**	57,825,653
Long term compensated absences	**57,652,133**	51,017,141
	172,123,487	143,312,956

	For the year ended December 31, 2011 Rs.	For the year ended December 31, 2010 Rs.
SCHEDULE 13: OTHER INCOME		
Interest on:		
- Bank deposits [Gross of tax deducted at source Rs. 4,515,570 (Previous year Rs. 5,611,354)]	**39,854,884**	48,782,887
- Loan to ECnet Limited [Gross of withholding tax Rs. 1,256,471 (Previous year Rs. 995,277)]	**7,862,658**	7,366,437
Other excess provisions written back, as no longer required	**1,332,503**	2,938,999
Miscellaneous income	**10,891,954**	8,757,950
	59,941,999	67,846,273

	For the year ended December 31, 2011 Rs.	For the year ended December 31, 2010 Rs.
SCHEDULE 14: PERSONNEL EXPENSES		
Salaries, wages and bonus	**1,228,133,368**	1,102,773,216
Gratuity (refer note 14 under Schedule 17)	**11,228,082**	19,376,372
Contribution to provident fund and ESI	**42,101,763**	38,419,144
Staff welfare expenses	**19,182,080**	17,446,211
	1,300,645,293	1,178,014,943

Note:

Also refer note 8.1(a), (b) & (c) under Schedule 17 for managerial remuneration.

		For the year ended December 31, 2011 Rs.		For the year ended December 31, 2010 Rs.
SCHEDULE 15: OPERATING AND OTHER EXPENSES				
Power and fuel		**34,488,629**		35,900,434
Rent - premises		**32,112,110**		32,992,685
Rent - equipments		**2,692,726**		1,466,599
Rates and taxes		**2,396,489**		4,314,445
Insurance		**6,592,315**		6,063,497
Repair and maintenance				
- Buildings		**105,842**		541,176
- Others		**37,451,379**		32,458,018
Advertising and sales promotion		**7,432,631**		6,480,804
Commission-others		**8,316,386**		9,092,933
Traveling and conveyance		**168,506,605**		156,411,418
Communication costs		**44,300,493**		46,341,654
Printing and stationery		**2,681,506**		3,514,913
Legal and professional fees		**53,854,170**		25,932,550
Directors' sitting fee		**300,000**		270,000
Auditors' remuneration				
As auditor:				
- Audit fee				
- Statutory audit fee	**1,350,000**		1,350,000	
- Quarterly audit fee	**1,950,000**		1,900,000	
- Limited Review	**525,000**		500,000	
- Out-of-pocket expenses	**369,750**		214,250	
In other manner:				
- Certification	**800,000**		362,500	
- Other services	**250,000**	**5,244,750**	250,000	4,576,750
Foreign exchange fluctuation (net)		**28,979,836**		(8,776,516)
Provision for doubtful debts [net of Rs. 13,312,006 (previous year Rs. 10,047,008) written back]		**14,064,819**		5,715,961
Provision for doubtful advances [net of Rs. 5,097,941 (previous year Rs. Nil) written back]		**23,406,259**		27,019,892
Bad debts and advances written off		**9,085,672**		44,060
Loss on sale / discard of fixed assets (net)		**617,990**		2,068,370
Recruitment and training expenses		**8,189,087**		5,745,577
Watch and ward expenses		**5,543,671**		5,166,310
Membership and subscription		**4,494,020**		4,245,633
Miscellaneous expenses		**3,651,486**		2,091,358
		504,508,871		409,678,521

	For the year ended December 31, 2011 Rs.	For the year ended December 31, 2010 Rs.
SCHEDULE 16: FINANCIAL EXPENSES		
Interest on loans	**625,837**	425,310
Bank charges	**3,640,945**	4,052,417
	4,266,782	4,477,727

Schedule 17: Notes to accounts

1. NATURE OF OPERATIONS

R Systems International Limited (the 'Company') is a leading global provider of IT solutions and Business Process Outsourcing (BPO) services. The Company's primary focus is to provide full service IT solutions, software engineering services, technical support, customer care and other IT enabled services to the high technology sector, independent software vendors (ISV's), banks, financial services companies, telecom and digital media technology companies and services providers, insurance and health care sector. The Company develops and markets a suite of applications under the brand name "Indus" for the retail lending sector and undertakes software projects in the banking and financial services and telecom segment.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements have been prepared to comply in all material respects with the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual and going concern basis, except for derivative financial instruments that have been measured at fair value. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

All figures are in Rupees except where expressly stated.

(b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(c) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

(d) Depreciation

Depreciation is provided on Straight Line method over the estimated useful lives of the fixed assets which result in depreciation rates being greater than or equal to the corresponding rates prescribed in Schedule XIV of the Companies Act, 1956.

The estimated useful lives of the fixed assets followed by the Company in preparing the financial statements are described as below:

Category of fixed assets	Estimated useful life
Land – leasehold	Lease period
Buildings – freehold	61 years
Buildings – leasehold	Lower of lease period or 61 years
Leasehold improvements	Lower of lease period or useful life
Plant and machinery - office and electrical equipments other than (i) UPS systems, (ii) standalone air conditioners and (iii) telephone instruments	20 years
UPS systems	12 years
Standalone air conditioners and telephone instruments	6 years
Computer hardware and network installations	6 years
Furniture and fittings	15 years
Vehicles	10 years

In the following cases, the estimated useful lives of the assets followed by the Company result in depreciation rates to be higher than that provided under Schedule XIV.

	Rates (SLM)	Schedule XIV Rates (SLM)
UPS systems	8.33%	4.75%
Standalone air conditioners and telephone instruments	16.66%	4.75%

Individual assets costing up to Rs. 5,000 are fully depreciated in the year of purchase.

(e) Impairment

The carrying amount of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal / external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

After impairment, fixed assets / intangibles are depreciated / amortised on the revised carrying amount over its remaining useful life.

(f) Intangibles

Product development costs (Internally generated software)

Product development cost represents direct cost incurred by the Company for developing new product.

Research costs are expensed as incurred.

Development expenditure incurred on an individual project is recognised as an intangible asset when the Company can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the asset and use or sell it;
- its ability to use or sell the asset;
- how the asset will generate probable future economic benefits;
- the availability of adequate resources to complete the development and to use or sell the asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during development.

Any expenditure so capitalised is amortised over the period of expected useful life of product as estimated by the management at 48 months beginning in the month when revenue from the products starts accruing.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, and otherwise when events or changes in circumstances indicate that the carrying value may not be recoverable.

Computer software

Costs relating to acquired software are capitalised and amortised on a straight-line basis over their useful lives as estimated by the management at 3 years or below in specific cases.

(g) Expenditure on new projects

Expenditure directly relating to construction activity is capitalised. Indirect expenditure incurred during construction period is capitalised to the extent allocable. Other indirect expenditure incurred during the construction period which is not related to the construction activity nor is incidental thereto is charged to the Profit and Loss Account.

(h) Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognised as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

(i) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the long term investments.

(j) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Sale of products

Revenue from the sale of product (software and hardware) is recognised when the sale has been completed with the transfer of title.

Rendering of services

Revenue from software development and maintenance services projects comprise income from time-and-material and fixed-price contracts.

Revenue associated with software development and maintenance services / customisation of products and business process outsourcing services rendered on time and materials basis is recognised when services are rendered. The same is calculated based on man-hours incurred for rendering services.

Fixed-price contracts vary in duration depending on the terms of the work being performed. Revenue from fixed price contracts (including maintenance and support contracts) is recognised using the percentage of completion method, when reasonable progress has been made on the milestones achieved as specified in the contracts. The stage of completion of project is determined by the proportion that contract efforts incurred for work performed up to the balance sheet date bear to the estimated total contract effort. Changes in contract performance, estimated profitability and final contract settlements may result in revision to costs and revenue and are recognised in the period in which the revisions are determined. If a loss is projected on any contract in process, the entire projected loss is recognised immediately.

In terms of contracts excess / shortfall of revenue over the billed as at the year-end is carried in financial statement as unbilled revenue / deferred revenue separately.

Management fees from the customers for managing projects are being recognised on time basis over the estimated life of the project.

Interest

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

(k) Foreign currency translation

Foreign currency transactions

(i) Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

(iii) Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expense in the year in which they arise except those arising from investments in non-integral operations.

(iv) Forward exchange contracts not intended for trading or speculation purposes

The premium or discount arising at the inception of forward exchange contracts (except outstanding against firm commitments and highly probable forecast transaction) is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

(v) Translation of Integral foreign operation

The financial statements of an integral foreign operation are translated as if the transactions of the foreign operation have been those of the Company itself.

(l) Employee benefits

(i) Retirement benefits mainly in the form of Provident Fund are a defined contribution scheme and the contributions are charged to the Profit and Loss Account of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective funds.

(ii) Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation made at the end of each financial year on projected unit credit method. The gratuity plan is not funded.

(iii) Long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method.

(iv) Actuarial gains / losses are immediately taken to Profit and Loss Account and are not deferred.

(m) Income taxes

Tax expense comprises of current and deferred tax.

Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the relevant tax regulations applicable to the Company.

Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The Company claims exemption under Section 10A of the Income Tax Act, 1961 in respect of taxable income upto March 31, 2011. Deferred tax is recognised after eliminating timing differences, which reverse during the tax holiday period.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises the unrecognised deferred tax assets to the extent that it has become reasonably certain that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain, that sufficient future taxable income will be available.

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified year. In the year in which the Minimum Alternative Tax (MAT) credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal income tax during the specified period.

(n) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs incurred in connection with the borrowing of funds.

(o) Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The weighted average numbers of equity shares outstanding during the year are adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders, share split and reverse share split (consolidation of shares).

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

(p) Provision

A provision is recognised when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the management's current estimates.

(q) Segment reporting policies

Identification of segments:

The Company's operating businesses are organised and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which the major customers of the Company operate and / or the area in which the assets are located.

Intersegment transfers:

The Company generally accounts for intersegment sales and transfers as if the sales or transfers were to third parties at current market prices.

Allocation of common costs:

Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

Unallocated items:

The corporate and other segment includes general corporate income and expense items which are not allocated to any business segment.

Segment Policies:

The Company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company as a whole.

(r) Accounting for derivatives

The Company uses foreign exchange forward contracts (derivative financial instrument) to hedge its exposure to movements in foreign exchange rates against firm commitment or highly probable forecast transactions. The use of these foreign exchange forward contracts reduces the risk or cost to the Company and the Company does not use the foreign exchange forward contracts or options for trading or speculation purposes.

Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value on a mark-to-market basis at each balance sheet date. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting and the ineffective portion of an effective hedge, are taken directly to the Profit and Loss Account.

The mark-to-market is the difference between the forward exchange rate and the contract rate. The forward exchange rate is referenced to current forward exchange rates for contracts with similar maturity profiles.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or

- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges

The change in the fair value of a hedging derivative is recognised in the Profit and Loss Account. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is also recognised in the Profit and Loss Account.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while any ineffective portion is recognised immediately in the Profit and Loss Account. Amounts taken to equity are transferred to the Profit and Loss Account when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in equity are transferred to the Profit and Loss Account. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction or firm commitment occurs.

(s) Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement on balance sheet date comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

(t) Employee stock compensation cost

Measurement and disclosure of the employee share-based payment plans is done in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India. The Company measures compensation cost relating to employee stock options using the intrinsic value method. Compensation expense is amortised over the vesting period of the option on a straight line basis.

3. Segment information

Business segments :

The Company considers business segment as the basis for primary segmental reporting. The Company is organised into two business segments – software development and customisation services and BPO services. Costs and expenses which cannot be allocated to any business segment are reflected in the column 'corporate and others'. Segments have been identified and reported based on the nature of the services, the risks and returns, the organisation structure and the internal financial reporting system.

Geographical segments :

The Company reports secondary segmentation information on the basis of the geographical location of the customers / assets. Although the Company's major operating divisions are managed on a worldwide basis, they operate in five principal geographical areas of the world which are: India, United States of America, South East Asian countries, Europe and Other areas.

The following table provides required information for the primary segments for the year ended December 31, 2011 and December 31, 2010:

(Amount in Rs.)

Particulars	Software development & customisation services		Business process outsourcing services		Corporate and others		Total	
	Year ended December 31,		Year ended December 31,		Year ended December 31,		Year ended December 31,	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
REVENUE								
External sales	**1,682,872,195**	1,597,385,846	**233,988,678**	188,581,060	**-**	-	**1,916,860,873**	1,785,966,906
Total revenue	**1,682,872,195**	1,597,385,846	**233,988,678**	188,581,060	**-**	-	**1,916,860,873**	1,785,966,906
RESULT								
Segment result	**76,043,177**	128,481,002	**(10,503,130)**	(9,684,630)			**65,540,047**	118,796,372
Unallocated corporate expenses					**37,958,796**	34,671,370	**37,958,796**	34,671,370
Operating profit							**27,581,251**	84,125,002
Interest expenses					**(625,837)**	(425,310)	**(625,837)**	(425,310)
Interest income					**39,854,884**	48,782,887	**39,854,884**	48,782,887
Other income					**12,224,457**	10,548,457	**12,224,457**	10,548,457
Income taxes (expense) / credit					**(14,383,407)**	24,505,844	**(14,383,407)**	24,505,844
Net profit							**64,651,348**	167,536,880

The following table provides required information for the primary segments as at December 31, 2011 and December 31, 2010:

(Amount in Rs.)

Particulars	Software development & customisation services		Business process outsourcing services		Eliminations		Corporate and others		Total	
	December 31,		December 31,		December 31,		December 31,		December 31,	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
OTHER INFORMATION										
Segment assets	**2,013,800,938**	1,531,283,756	**77,301,641**	60,811,855	**307,466,473**	275,927,951			**1,783,636,106**	1,316,167,660
Unallocated corporate assets							**646,860,390**	845,779,233	**646,860,390**	845,779,233
Income tax assets							**114,345,098**	92,610,389	**114,345,098**	92,610,389
Total assets	**2,013,800,938**	1,531,283,756	**77,301,641**	60,811,855	**307,466,473**	275,927,951	**761,205,488**	938,389,622	**2,544,841,594**	2,254,557,282
Segment liabilities	**560,426,293**	304,797,995	**326,188,822**	290,406,381	**307,466,473**	275,927,951			**579,148,642**	319,276,425
Unallocated corporate liabilities							**44,938,583**	30,041,590	**44,938,583**	30,041,590
Income tax liabilities							**7,193,185**	4,909,635	**7,193,185**	4,909,635
Total liabilities	**560,426,293**	304,797,995	**326,188,822**	290,406,381	**307,466,473**	275,927,951	**52,131,768**	34,951,225	**631,280,410**	354,227,650
Capital expenditures	**27,539,792**	31,167,724	**1,481,536**	546,216					**29,021,328**	31,713,940
Depreciation and amortisation	**76,765,383**	74,925,239	**11,358,538**	11,340,042					**88,123,921**	86,265,281
Provision for diminution in value of long term investments	**-**	1,850,305	**-**	-					**-**	1,850,305
Other non-cash expenses	**41,141,826**	31,151,570	**6,032,914**	3,696,713					**47,174,740**	34,848,283

Geographical segments:

The Company reports secondary segment information on the basis of the geographical location of the customers / assets. The management views the domestic and export markets as distinct geographical segments.

The following is the distribution of the Company's revenue by geographical area in which customers are located:

	For the year ended December 31,	
	2011	2010
	Rs.	Rs.
India	**221,095,052**	216,758,609
USA	**1,121,059,105**	1,039,220,726
South East Asia	**86,306,953**	118,285,372
Europe	**391,182,968**	335,574,099
Others	**97,216,795**	76,128,100
Total	**1,916,860,873**	1,785,966,906

Assets and additions to tangible and intangible fixed assets by geographical area:

The following table shows the carrying amount of assets and additions to fixed assets and intangible assets by geographical area in which assets are located:

	Carrying amount of assets as at December 31,		Additions to fixed assets and intangible assets for the year ended December 31,	
	2011	2010	**2011**	2010
	Rs.	Rs.	**Rs.**	Rs.
India	**1,188,481,716**	1,467,075,756	**28,819,951**	31,713,940
USA	**560,230,301**	468,781,905	**154,099**	-
South East Asia	**166,697,778**	164,912,628	**47,278**	-
Europe	**605,074,296**	107,656,182	**-**	-
Others	**24,357,503**	46,130,811	**-**	-
Total	**2,544,841,594**	2,254,557,282	**29,021,328**	31,713,940

4. RELATED PARTY DISCLOSURES

(i) Names of related parties:

Names of related parties where control exists irrespective of whether transactions have occurred or not:

Subsidiaries	R Systems (Singapore) Pte Ltd, Singapore R Systems, Inc., USA Indus Software, Inc., USA R Systems Solutions, Inc., USA R Systems N.V., Belgium R Systems Europe B.V., Netherlands R Systems S.A.S., France ECnet Ltd, Singapore Computaris International Limited, U.K. (date of acquisition January 26, 2011)
	Following are the subsidiaries of ECnet Ltd, Singapore • ECnet (M) Sdn Bhd, Malaysia • ECnet Systems (Thailand) Co. Ltd., Thailand • ECnet (Shanghai) Co. Ltd., People's Republic of China • ECnet (Hong Kong) Ltd., Hong Kong • ECnet, Inc., USA • ECnet Kabushiki Kaisha, Japan
	Following are the subsidiaries of Computaris International Limited, U.K. • Computaris Romania Srl, Romania • Computaris Polska sp z o.o., Poland • Computaris International Srl, Moldova • Computaris Malaysia Sdn. Bhd., Malaysia • Computaris USA, LLC, USA • Computaris Limited, U.K.
Names of other related parties with whom transactions have taken place during the year:	
Key management personnel (directors) and their relatives	Satinder Singh Rekhi, Chairman and Managing Director Lt. Gen. Baldev Singh (Retd.), President and Senior Executive Director Raj Swaminathan, Director and Chief Operating Officer Mandeep Singh Sodhi [related to Lt. Gen. Baldev Singh (Retd.)], Vice President –Sales Amrita Kaur [related to Satinder Singh Rekhi], Assistant Business Manager

(ii) Details of transactions with related parties for year ended December 31, 2011 and December 31, 2010:

(Amount in Rs.)

	Year ended December 31,	
	2011	2010
Software development and IT enabled services rendered to		
ECnet Ltd, Singapore	**24,501,641**	16,368,557
R Systems, Inc., USA	**23,663,540**	17,148,166
R Systems (Singapore) Pte Ltd, Singapore	**1,935,789**	1,857,087
R Systems Europe B.V., Netherlands	**1,215,347**	369,328
Total	**51,316,317**	35,743,138
Software development and IT enabled services received from		
ECnet Ltd, Singapore	**2,433,689**	2,478,527
Computaris International Ltd.	**8,032,812**	-
ECnet Systems (Thailand) Co. Ltd., Thailand	**2,417,778**	-
Total	**12,884,279**	2,478,527

(Amount in Rs.)

	Year ended December 31, 2011	2010
Commission income		
R Systems, Inc., USA	**7,669,751**	6,104,532
Commission on sales and other expenses paid to		
R Systems Solutions, Inc., USA	**8,356,291**	11,305,868
Interest received from		
ECnet Ltd, Singapore	**7,862,658**	7,366,437
Travel and other expenses reimbursed to		
ECnet Ltd, Singapore	**1,613,992**	2,652,873
R Systems, Inc., USA	**74,808,931**	53,342,874
R Systems (Singapore) Pte Ltd, Singapore	**5,598,507**	-
R Systems Europe B.V., Netherlands	**457,677**	305,113
ECnet Systems (Thailand) Co. Ltd., Thailand	**121,597**	-
Total	**82,600,704**	56,300,860
Travel and other expenses paid by the Company on behalf of		
ECnet Ltd, Singapore	**4,668,854**	1,346,601
R Systems, Inc., USA	**6,629,319**	6,557,870
R Systems (Singapore) Pte Ltd, Singapore	**125,740**	-
R Systems Solutions, Inc., USA	**1,238,574**	1,369,120
R Systems Europe B.V., Netherlands	**235,380**	214,844
Total	**12,897,867**	9,488,435
Reimbursement for purchase of assets from		
R Systems, Inc., USA	**-**	721,319
Assets obtained free of cost on returnable basis		
R Systems, Inc., USA	**113,928**	436,490
Loan given to (fully provided for) (refer note 11 (a)		
ECnet Ltd, Singapore	**-**	16,940,380
Remuneration to key management personnel and their relatives		
Satinder Singh Rekhi	**18,113,373**	15,562,573
Lt. Gen. Baldev Singh (Retd.)	**4,643,502**	4,378,564
Raj Swaminathan	**4,706,579**	5,441,817
Mandeep Singh Sodhi	**16,073,251**	15,539,645
Amrita Kaur	**233,331**	402,096
Total	**43,770,036**	41,324,695
Rent		
Satinder Singh Rekhi	**4,248,713**	3,837,680

(Amount in Rs.)

Balance outstanding as at the year end	As at December 31, 2011	2010
Receivable-trade		
ECnet Ltd, Singapore	**28,431,965**	4,375,487
R Systems, Inc., USA	**11,288,018**	4,621,674
R Systems (Singapore) Pte Ltd, Singapore	**1,917,113**	614,769
R Systems Europe B.V., Netherlands	**420,199**	98,557
Total	**42,057,295**	9,710,487
Receivable-others		
ECnet Ltd, Singapore	**4,087,207**	4,047,191
R Systems, Inc., USA	**6,495,382**	1,957,295
R Systems (Singapore) Pte Ltd, Singapore	**4,008**	4,035
R Systems Solutions, Inc., USA	**1,219,519**	238,783
R Systems Europe B.V., Netherlands	**72,116**	-
Total	**11,878,232**	6,247,304
Payable		
ECnet Ltd, Singapore	**3,236,750**	1,194,721
R Systems, Inc., USA	**14,442,004**	6,268,597
R Systems Solutions, Inc. USA	**690,365**	1,452,102
R Systems (Singapore) Pte Ltd, Singapore	**50,282**	72,412
R Systems Europe B.V., Netherlands	**5,224**	137,052
Computaris International Ltd.	**2,390,592**	-
ECnet Systems (Thailand) Co. Ltd., Thailand	**1,707,309**	-
Total	**22,522,526**	9,124,884
Assets obtained free of cost on returnable basis		
R Systems, Inc., USA	**18,996,028**	18,882,100
R Systems (Singapore) Pte Ltd, Singapore	**157,573**	157,573
Total	**19,153,601**	19,039,673
Loan given (fully provided for) (refer note 11 (a)		
ECnet Ltd, Singapore	**-**	131,974,000

5. CAPITAL COMMITMENTS

	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
For purchase of fixed assets	**2,752,785**	3,807,754

6. CONTINGENT LIABILITIES NOT PROVIDED FOR:

	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
Performance guarantees given to Department of Telecommunication for Domestic and International 'Other Service Provider' licenses	**20,000,000**	51,000,000
Performance bank guarantee issued to a customer	**13,010,725**	10,998,050
Claims not acknowledged as debts	**15,751,926**	-
Total	**48,762,651**	61,998,050

Also refer below note 11 (a) and 11 (b) towards support extended to subsidiaries.

7. LEASES - IN CASE OF ASSETS TAKEN ON LEASE

The Company has operating leases for office premises, etc. The future minimum payments required under non-cancelable operating leases at year-end are as follows:

	Year ended December 31, 2011 Rs.	Year ended December 31, 2010 Rs.
Lease payments for the year	**32,112,110**	32,992,685
Minimum Lease Payments:		
Not later than one year	**22,572,601**	24,172,700
Later than one year but not later than five years	**4,442,713**	14,656,606
Later than five years	**-**	-

The operating lease arrangements extend for a maximum of 3 years from their respective dates of inception. Most of the operating lease arrangements do not have price escalation clause.

8. SUPPLEMENTARY STATUTORY INFORMATION

		Year ended December 31, 2011 Rs.	Year ended December 31, 2010 Rs.
8.1(a)	**Directors' Remuneration**	**27,293,294**	25,218,794
	Salaries, wages and bonus (including non-separation fess of Rs. 296,658)		
	Contribution to provident fund	**170,160**	164,160
	Total	**27,463,454**	25,382,954

Note:

As the future liability for gratuity and long term compensated absences is provided on an actuarial basis for the Company as a whole, the amount pertaining to the directors is not ascertainable and, therefore, not included above.

8.1 (b) Computation of net profit under Section 349 of the Companies Act, 1956 for calculation of managerial remuneration under Section 198 of the Companies Act, 1956.

(Amount in Rs.)

Sl. No.	Particulars	Year ended December 31, 2011	Year ended December 31, 2010
	Profit after tax and before appropriation	**64,651,348**	167,536,880
	Add:		
(i)	Loss on fixed assets sold / discarded	**617,990**	2,068,370
(ii)	Provision for doubtful debts / advances	**37,471,078**	32,735,853
(iii)	Tax for the year	**14,383,407**	(24,505,844)
(iv)	Depreciation and amortisation as per books of accounts	**88,123,921**	86,265,281
(v)	Provision for diminution in value of long term investments	**-**	1,850,305
	Less:		
(i)	Depreciation and amortisation as envisaged under Section 350 of the Companies Act*	**88,123,921**	86,265,281
	Net Profit as per Section 349 of the Companies Act, 1956	**117,123,823**	179,685,564
	Add:		
	Remuneration paid to the whole time directors	**27,166,797**	24,492,954
	Net Profit for the purpose of managerial remuneration as per Section 198 of the Companies Act, 1956	**144,290,620**	204,178,518
	Overall maximum remuneration to all managerial personnel at 10% of the net profits as calculated above	**14,429,062**	20,417,852
	Overall maximum remuneration to individual managerial personnel at 5% of the net profits as calculated above	**7,214,531**	10,208,926

* The Company depreciates fixed assets based on estimated useful lives that are lower than those implicit in Schedule XIV of the Companies Act, 1956. Accordingly, the rates of depreciation used by the Company are higher than the minimum prescribed under Schedule XIV.

8.1 (c) The remuneration paid in excess of the limits specified in 8.1 (b) above has been approved by the Central Government.

8.2 Earnings in foreign currency (on accrual basis)

	Year ended December 31, 2011 Rs.	Year ended December 31, 2010 Rs.
Exports at F.O.B. Value (sale of product and services)	**1,699,494,032**	1,569,208,302
Interest on loan	**7,862,658**	7,366,437
Reimbursement of travel / communication costs*	**47,666,274**	57,353,052
Commission income	**7,669,751**	6,104,532
Total	**1,762,692,715**	1,640,032,323

* These costs have been netted off from the respective expenses in the Profit and Loss Account.

8.3 Expenditure in foreign currency (on accrual basis)

	Year ended December 31, 2011 Rs.	Year ended December 31, 2010 Rs.
Traveling and conveyance	**133,191,072**	130,117,573
Commission-others	**8,316,386**	9,092,933
Salaries, wages and bonus	**144,648,766**	132,778,622
Communication expenses	**21,528,482**	22,086,647
Cost of third party hardware and software	**-**	24,368,572
Other miscellaneous expenses	**56,112,624**	28,388,185
Total	**363,797,330**	346,832,532

8.4 Value of imports calculated on CIF basis

	Year ended December 31, 2011 Rs.	Year ended December 31, 2010 Rs.
Capital goods	**14,330,738**	7,631,442
Equipments received free of cost on returnable basis	**1,488,667**	4,163,754
Total	**15,819,405**	11,795,196

8.5 Remittance in foreign currency on account of dividend

Sl. No.	Particulars	Year ended December 31, 2011	Year ended December 31, 2010
	Year to which dividend relates	**December 31, 2010**	December 31, 2009
(a)	Number of non-resident shareholders where direct remittance have been made by the Company	**26**	26
(b)	Number of shares on which dividend is remitted	**4,652,272**	4,702,272
(c)	Amount remitted (Rs.)	**11,165,453**	11,285,453
(d)	Amount remitted (USD)	**245,711**	237,589

8.6 The Company is engaged in the business of development of Software and Business Process Outsourcing, which is not capable of being expressed in any generic unit. Hence, other information pursuant to the provisions of paragraphs 3, 4C and 4D of Part II of Schedule VI to the Companies Act, 1956 are not applicable to the Company.

9. During the year ended December 31, 2006, Government of India has promulgated an Act namely The Micro, Small and Medium Enterprises Development Act, 2006 which comes into force with effect from October 2, 2006. As per the Act, the Company is required to identify the Micro, Small and Medium suppliers and pay interest to micro and small enterprises on overdue beyond the specified period irrespective of the terms agreed with the suppliers. For the purpose of identification of such suppliers, the Company has sent confirmations to all its suppliers. Based upon the confirmations received so far and the supplier profile available with the Company, the management believes that there are no dues to such suppliers.

Details of dues to Micro, Small and Medium Enterprises as per MSMED Act, 2006	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year	**Nil**	Nil
The amount of interest paid by the buyer in terms of Section 16 of the Micro Small and Medium Enterprise Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	**Nil**	Nil
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro Small and Medium Enterprise Development Act, 2006.	**Nil**	Nil
The amount of interest accrued and remaining unpaid at the end of each accounting year; and	**Nil**	Nil
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under Section 23 of the Micro Small and Medium Enterprise Development Act, 2006	**Nil**	Nil

10.(a) The Issued, subscribed and paid up equity share capital of the Company as on December 31, 2011 and December 31, 2010, includes the following:

- 67,000 equity shares of Rs. 10 each, allotted at a premium of Rs. 10,838 (approx) per equity share pursuant to a contract for share swap with existing shareholders of R Systems, Inc., USA after obtaining necessary regulatory approvals on January 2, 2001.
- 3,600,000 equity shares of Rs. 10 each, allotted as fully paid up bonus shares by way of capitalisation of accumulated profits on January 5, 2001.

Note:

The Company had sub divided each of its equity shares of Rs. 10 each into 5 equity shares of Rs. 2 each and accordingly all the aforementioned shares had been sub divided on January 5, 2001.

- 3,596,869 equity shares of Rs. 2 each, allotted on March 4, 2002 at a premium of Rs. 113.42 per equity share pursuant to a "Share Purchase Agreement" resulting in share swap with specific shareholders of Indus Software Private Limited (or 'Indus') after obtaining necessary regulatory approvals.
- 1,281,364 equity shares of Rs. 2 each, allotted on December 28, 2002 at a premium of Rs. 113.42 per equity share to the remaining shareholders of Indus, pursuant to the approval of "Scheme of Amalgamation" relating to the amalgamation of Indus with the Company by the High Courts of Delhi and Mumbai.
- 495,667 equity shares of Rs. 2 each issued in January 2006 upon conversion of warrants under the Shareholders Agreement dated February 16, 2002.

Note:

The Company had consolidated each of its five equity shares of Rs. 2 each into one equity share of Rs. 10 each and accordingly the aforementioned shares had been consolidated on January 30, 2006.

- 5,355,255 equity shares of Rs. 10 each had been allotted on January 30, 2006 as fully paid up bonus shares by utilisation of Securities Premium Account in terms of the provisions of Section 78 of the Companies Act, 1956.

(b) Buy back of equity shares:

Prior to the year 2004, the Company had advanced Rs. 115,131,450 to R Systems Employee Stock Option Trust, and allotted 997,500 equity shares at the rate of Rs. 115.42. During the year ended December 31, 2004, the Company bought back these shares at the rate of Rs. 115.42 per equity share.

Further the Board of Directors of the Company at its meeting held on September 07, 2008, had approved the Buy-back of the equity shares of Rs. 10 each, not exceeding 1,306,941 number of equity shares from the existing owners, at a maximum price of Rs. 150 per equity share, for an aggregate amount not exceeding Rs. 80,000,000 from the open market through stock exchange(s) in terms of the SEBI (Buy Back of Securities) Regulations, 1998 pursuant to the first proviso to clause (b) of sub-section (2) of Section 77A of the Companies Act, 1956. Consequently, the Company made a public announcement dated October 15, 2008 regarding Buy-back of equity shares.

Under the Buy-back programme, the Company had bought back 1,265,820 equity shares up to August 27, 2009 inclusive of payout formalities (including 146,346 equity shares up to December 31, 2008) at an average price of Rs. 63.20 per share for an aggregate amount of Rs. 80,000,000 by utilising the Securities Premium Account to the extent of Rs. 67,341,773 and General Reserve to the extent of Rs. 12,658,200. The Capital Redemption Reserve has been created out of General Reserve for Rs. 12,658,200 being the nominal value of equity shares bought back in terms of Section 77AA of the Companies Act, 1956. The Offer for Buy-back has been successfully completed on August 27, 2009.

(c) For the year ended December 31, 2011, the Board of Directors have recommended a dividend of Rs. 3.60 per share, subject to the approval of the shareholders at the forthcoming Annual General Meeting.

11.(a) During earlier years, the Company had acquired 98.59% shares in ECnet Limited, a Company incorporated in Singapore at total consideration of Rs. 34,938,958. During the year ended December 31, 2005, the Company had based upon an order of High Court of Delhi written down the investment value to Rs. 10,443,237 and adjusted the write off of Rs. 24,495,721 against the Securities Premium Account as this had not been represented by available assets.

During the year ended December 31, 2007 the Company had settled the liabilities towards certain erstwhile shareholders. As a result thereof, the deferred payment compensation of Rs. 14,452,222 was released, as considered appropriate by the management. Out of above, 10,442,237 had been adjusted against the value of the investment. The reassessed amount payable Rs. 11,068,991 (reinstated as at December 31, 2011) [Previous year Rs. 9,352,294 (reinstated as at December 31, 2010)] is shown under 'current liabilities'. The management will extend its continual financial support to enable the subsidiary to meet its working capital and other financing requirements and is pursuing its business plan.

During the year ended December 31, 2010, the Board of Directors had approved a Scheme for corporate restructuring of its two subsidiaries based in Singapore viz ECnet Limited and R Systems (Singapore) Pte Limited subject to applicable corporate and other regulatory approvals in India and Singapore. The proposed corporate restructuring involves conversion of loan by the Company to ECnet Limited into equity investment and thereafter amalgamation of both these subsidiaries.

During the year ended December 31, 2011, pursuant to the above restructuring plan, the loan to ECnet Limited amounting to Rs. 152,000,000 (SGD 3,800,000) has been converted into equity investment at the fair value of Rs Nil. Post conversion the shareholding of the Company in ECnet Limited has increased from 98.59% to 99.55% (38,306,451 number of shares issued post conversion). The Company is in the process of obtaining relevant regulatory approvals for the amalgamation of both the subsidiaries.

(b) R Systems, Inc, USA has net book value of Rs. 146,188,995 as at December 31, 2011, as against the investment value of Rs. 223,358,532. The management based on an external valuation of the business, future business plans of the subsidiary as well as its continuing financial support does not consider there to be diminution other than temporary.

(c) During the year ended December 31, 2011, the Company had acquired 100% shares of Computaris International Limited, UK (Computaris) on January 26, 2011 for a maximum consideration of GBP 9 million out of which GBP 4.25 million is the initial payout and balance is based on earn outs as well as fulfillment of certain condition by the erstwhile shareholders of Computaris over the next two years.

Computaris is having subsidiaries in U.K., Romania, Poland, Moldova, Malaysia and USA. Computaris provides services and solutions to telecom industry and specialises in real-time rating and convergent billing solutions.

The management on the date of acquisition has assessed investment value at Rs. 509,220,450 which represents the consideration assessed as probable to be paid over the period. Out of this total investment value, Rs. 319,043,900 has been paid at time of acquisition and balance Rs. 190,176,550 is payable based on earn outs as well as fulfillment of certain condition by the erstwhile shareholders of Computaris over the next two years.

Subsequently on further reassessment of the conditions the Company increased the investment value by Rs. 25,557,432 during the quarter ended June 30, 2011 and reduced the investment value by Rs. 50,194,378 during the quarter ended December 31, 2011 on the basis of assessment as at respective dates. Accordingly, the investment value as at December 31, 2011 amounts to Rs. 484,583,504.

As at December 31, 2011 amount payable within one year from the year-end is shown under 'current liabilities' of Rs. 116,232,952 (reinstated as at December 31, 2011) and balance amount is payable after one year which has been disclosed separately as 'deferred payment liabilities' of Rs. 70,994,905 (reinstated as at December 31, 2011).

(d) The Board of Directors of the Company and R Systems NV, Belgium (wholly owned subsidiary of the Company) had approved the liquidation of R Systems NV, Belgium subject to the required statutory and corporate approvals in India and Belgium. The Company is in the process of obtaining relevant regulatory approvals.

12.(a) <u>R Systems International Limited - Year 2004 Employee Stock Option Plan ('the plan')</u>

During the year 2004, the Company had instituted the plan for all eligible employees as specified in the rules in pursuance of the special resolution duly approved by the shareholders. The plan provides for the issuance of 997,500 options to eligible employees as recommended by the Compensation Committee constituted for this purpose.

The plan is administered by a Compensation Committee and exercise price is "1.60 times the Book Value of the Share as per the audited balance sheet as on December 31, 2003 i.e. Rs. 42 per Share or 1.60 times of the book value as per immediate previous accounting year audited balance sheet rounded off to nearest rupee as on the date of Exercise whichever is higher".

During the year ended December 31, 2006, the Company had consolidated each of its five equity shares of Rs. 2 each into one equity share of Rs. 10 each and then issued 1:1 bonus share to each of the then existing shareholder (excluding the option holders) by utilisation of Securities Premium Account in terms of the provisions of Section 78 of the Companies Act, 1956. Considering these changes in the capital structure, the management had adjusted the number of options vesting to its employees and exercise price to preserve the benefits intended to be made available under the plan i.e. instead of five options of Rs. 2 per share, the employees' entitlement had been adjusted to one option of Rs. 10 per share and instead of earlier exercise price of Rs. 42 per share for each Rs. 2 share, the exercise price had been accordingly adjusted to Rs. 105 per equity share. During the year ended December 31, 2008, the Company had obtained a legal opinion confirming that the adjustments undertaken to the number of options vesting to its employees and exercise price, pursuant to the consolidation and subsequent bonus issue during the year ended December 31, 2006, does not tantamount to modification and no additional benefit was offered to the existing option holders.

The vesting period is 4 years (25% in each year) commencing from the date of grant under the plan. The eligible employees have an option to exercise it over a period of 10 years from the date of grant under the plan. The movement in the options during the year ended December 31, 2011 and year ended

December 31, 2010 is set out below:

	Year ended December 31, 2011 (Nos.)	Year ended December 31, 2010 (Nos.)
At the beginning		
- Grants outstanding under the plan (Rs. 10 per share)	**73,380**	79,500
- Grants pending determination by the Compensation Committee (Rs. 10 per share)	**71,285**	65,165
During the year		
- Options granted (Rs. 10 per share)	**-**	-
- Options exercised (Rs. 10 per share)	**-**	-
- Options lapsed or surrendered (Rs. 10 per share)	**11,455**	6,120
At the end		
- Grants outstanding under the plan (Rs. 10 per share)	**61,925**	73,380
- Grants pending determination by the Compensation Committee (Rs. 10 per share)	**82,740**	71,285

(b) Indus Software Employees Stock Option Plan – Year 2001 ('the plan'):

Indus Software Private Limited ('Indus') had outstanding options aggregating 21,967 equity shares as on March 31, 2002, to be issued to the eligible employees under the Indus Software Employees Stock Option Plan – Year 2001 under various vesting periods as specified in the said Plan, duly approved by the erstwhile shareholders. Indus had established "Indus Software Employees Welfare Trust" ('the Indus Trust') to administer the plan, as approved by the members, for the benefits of the Company's employees and had provided an interest free loan of Rs. 3,382,792. Consequently, Indus had allotted 21,967 equity shares of Rs. 10 each at a premium of Rs. 144 per equity share to the Indus Trust to be further issued to the Indus' eligible employees on the exercise of the underlying options granted to them.

As a result of the merger of Indus with the Company, all employees had surrendered their options in favour of the Indus Trust to enable them to obtain options for shares in R Systems International Limited after the merger. Also, the Company had issued 206,822 equity shares of Rs. 2 each at a premium of Rs. 113.42 per share to the Indus Trust in exchange of 21,967 equity shares of Indus, apropos to the agreed swap ratio. During the earlier years out of the said 206,822 shares 22,079 shares were issued to the employees on exercise of options.

The Company had consolidated each of its five equity shares of Rs. 2 each into one equity share of Rs. 10 each on January 30, 2006 and then issued 1:1 bonus share to each of the then existing shareholder by utilisation of Securities Premium Account in terms of the provisions of Section 78 of the Companies Act, 1956, consequently total number of shares issued are now 73,898 equity shares of Rs. 10 each. Accordingly an amount of Rs. 738,980 and Rs. 2,282,728 is shown as deduction from Issued, subscribed and paid-up capital and Securities Premium Account respectively as suggested by the "Guidance Note on Accounting for Employee Share-based Payments" issued by The Institute of Chartered Accountants of India.

The movement in the options (in equivalent number of shares of the Company) held by the Trust during the year ended December 31, 2011 and the year ended December 31, 2010 is set out below:

	Year ended December 31, 2011 (Nos.)	Year ended December 31, 2010 (Nos.)
At the beginning		
- Grants outstanding under the plan (Rs. 10 per share)	**-**	-
- Grants pending determination by the Compensation Committee (Rs. 10 per share)	**73,898**	73,898
During the year		
- Options granted (Rs. 10 per share)	**-**	-
- Options exercised (Rs. 10 per share)	**-**	-
- Options lapsed or surrendered (Rs. 10 per share)	**-**	-
At the end		
- Grants outstanding under the plan (Rs. 10 per share)	**-**	-
- Grants pending determination by the Compensation Committee (Rs. 10 per share)	**73,898**	73,898

(c) R Systems International Limited – Year 2004 Employees Stock Option Plan ECnet ('the plan')

The Company had instituted the plan for all eligible employees in pursuance of the special resolution duly approved by the shareholders. The plan provides for the issuance of 1,000,000 options to eligible employees as recommended by the Compensation Committee constituted for this purpose.

The plan is administered by a Compensation Committee and exercise price is "Book Value of the Share as per the audited Balance Sheet as on 31st December 2003 i.e. Rs. 26 or as on the date of Exercise, the book value as per immediate previous accounting year audited balance sheet rounded off to nearest rupee whichever is higher".

During the year ended December 31, 2006, the Company had consolidated each of its five equity shares of Rs. 2 each into one equity share of Rs. 10 each and then issued 1:1 bonus share to each of the then existing shareholder (excluding the option holders) by utilisation of Securities Premium Account in terms of the provisions of Section 78 of the Companies Act, 1956. Considering these changes in the capital structure, the management had adjusted the number of options vesting to its employees and exercise price to preserve the benefits intended to be made available under the plan i.e. instead of five options of Rs. 2 per share, the employees' entitlement had been adjusted to one option of Rs. 10 per share and instead of earlier exercise price of Rs. 26 per share for each Rs. 2 share, the exercise price had been accordingly adjusted to Rs. 65 per equity share. During the year ended December 31, 2008, the Company had obtained a legal opinion confirming that the adjustments undertaken to the number of options vesting to its employees and exercise price, pursuant to the consolidation and subsequent bonus issue during the year ended December 31, 2006, does not tantamount to modification and no additional benefit was offered to the existing option holders.

The vesting period is 4 years (40% in 1st year & 20% in 2nd, 3rd & 4th year) commencing from the date of grant under the plan. The eligible employees have an option to exercise it over a period of 10 years from the date of grant under the plan. The movement in the options during the year ended December 31, 2011 and year ended December 31, 2010 is set out below:

	Year ended December 31, 2011 (Nos.)	Year ended December 31, 2010 (Nos.)
At the beginning		
- Grants outstanding under the plan (Rs. 10 per share)	**6,800**	6,800
- Grants pending determination by the Compensation Committee (Rs. 10 per share)	**123,241**	123,241
During the year		
- Options granted (Rs. 10 per share)	**-**	-
- Options exercised (Rs. 10 per share)	**-**	-
- Options lapsed or surrendered (Rs. 10 per share)	**-**	-
At the end		
- Grants outstanding under the plan (Rs. 10 per share)	**6,800**	6,800
- Grants pending determination by the Compensation Committee (Rs. 10 per share)	**123,241**	123,241

(d) R Systems International Limited Employee Stock Option Scheme 2007 ('the plan')

During the year 2007, the Company had instituted the plan for all eligible employees as specified in the rules in pursuance of the special resolution duly approved by the shareholders. The plan provides for the issuance of 650,000 options to eligible employees as recommended by the Compensation Committee constituted for this purpose.

The plan is administered by a Compensation Committee and exercise price is Rs. 120.70 being the latest available closing price, prior to the date of the meeting of the Board of Directors / Compensation Committee held on July 11, 2007 in which options are granted, on the stock exchange on which the shares of the Company are listed. Accordingly, the intrinsic value of Employee Stock Option is taken as Rs. Nil.

The vesting period is 4 years (25% in each year) commencing from the date of grant under the plan. The eligible employees have an option to exercise it over a period of 10 years from the date of grant under the plan. The movement in the options during the year ended December 31, 2011 and year ended December 31, 2010 is set out below:

	Year ended December 31, 2011 (Nos.)	Year ended December 31, 2010 (Nos.)
At the beginning		
- Grants outstanding under the plan (Rs. 10 per share)	**503,000**	530,000
- Grants pending determination by the Compensation Committee (Rs. 10 per share)	**147,000**	120,000
During the year		
- Options granted (Rs. 10 per share)	**-**	-
- Options exercised (Rs. 10 per share)	**-**	-
- Options lapsed or surrendered (Rs. 10 per share)	**28,000**	27,000
At the end		
- Grants outstanding under the plan (Rs. 10 per share)	**475,000**	503,000
- Grants pending determination by the Compensation Committee (Rs. 10 per share)	**175,000**	147,000

(e) For the purpose of valuation of the options granted during earlier years, the management obtained fair value of the options at the date of grant under respective schemes from a firm of Chartered Accountants to determine accounting impact, if any, of options granted over the periods. In the considered opinion of the valuer, the fair value of option determined using 'Black Scholes Valuation Model' under each of above schemes (except R Systems International Limited Employee Stock Option Scheme 2007 refer 12 (d) above) is "Nil" and thus no accounting thereof is required.

The assumptions used for the purpose of determination of fair value are stated below:

Assumptions	Unit	Scheme (a) *	Scheme (b) **	Scheme (c)***	Comments by the valuer
Strike price	Rs.	42	154	26	
Current share price	Rs.	16	140	16	Taken on the basis of NAV and PECV method of valuation.
Expected option life	No. of Years	5	2.5	5	Being half of the maximum option life.
Volatility	%	1	0.5	1	In case of unlisted shares, the volatility may be taken as zero. Verma committee also recommends this.
Risk free return	%	7	11.3	7	Zero coupon rate estimated from trading government securities for a maturity corresponding to expected life of option - taken from sites of NSE and / or BSE.
Expected dividend Yield	%	-	15	-	Company has no set policy so dividend taken as zero. In case of Indus plan, as the dividend had been paid by the erstwhile company, it has been assumed at 15%.

*: R Systems International Ltd. - Year 2004 Employee Stock Option Plan under which the price was based on Rs. 2 per share.

**: Indus Software Employees Stock Option Plan - Year 2001 under which originally the price was based on Rs. 10 per share for 21,967 shares. As a result of amalgamation of Indus Software Private Limited into R Systems, R Systems had issued 206,822 equity shares of Rs. 2 each pursuant to the swap ratio approved by Hon'ble High Courts of Delhi and Mumbai.

***: R Systems International Ltd. - Year 2004 Employee Stock Option Plan - ECnet under which the price was based on Rs. 2 per share.

The above information is based on Rs. 2 per share prior to consolidation of 5 equity shares of Rs. 2 each into one equity share of Rs. 10 each and subsequent allotment of bonus shares in the ratio of 1 : 1. For further details refer note 10(a).

Further, for the purpose of valuation of the options granted during the year 2005 under R Systems International Limited-Year 2004 Employee Stock Option Plan, the management obtained fair value of the options at the date of grant from a firm of Chartered Accountants, to determine accounting impact, if any, of options granted. In the considered opinion of the valuer, the fair value of these option determined using 'Black Scholes Valuation Model' is "Nil" and thus no accounting thereof is required.

The assumptions used by the valuer for the purpose of determination of fair value are stated below:

Assumptions	Unit	Scheme	Comments by the valuer
Strike price	Rs.	42	
Current share price	Rs.	13.58	Taken on the basis of NAV and PECV method of valuation.
Expected option life	No. of Years	5	Being half of the maximum option life.
Volatility	%	1	In case of unlisted shares, the volatility may be taken as zero. Verma committee also recommends this.
Risk free return	%	7.42	Zero coupon rate estimated from trading government securities for a maturity corresponding to expected life of option - taken from sites of NSE.
Expected dividend Yield	%	-	Company has no set policy so dividend taken as zero.

The above information is based on Rs. 2 per share prior to consolidation of 5 equity shares of Rs. 2 each into one equity share of Rs. 10 each and subsequent allotment of bonus shares in the ratio of 1 : 1.

(f) For the purpose of valuation of the options granted during the year ended December 31, 2007 under R Systems International Limited Employee Stock Option Scheme – 2007, the compensation cost relating to Employee Stock Options, calculated as per the intrinsic value method is Nil.

The management obtained fair value of the options at the date of grant from a firm of Chartered Accountants. In the considered opinion of the valuer, the fair value of these options determined using 'Black Scholes Valuation Model' is "Rs. 50.73" per option.

The assumptions used by the valuer for the purpose of determination of fair value are stated below:

Assumptions	Unit	Scheme	Comments by the valuer
Strike price	Rs.	120.70	
Current share price	Rs.	118.50	Price on the date of grant by Board of Directors i.e. closing price on July 11, 2007
Expected option life	No. of Years	4	Being the vesting period.
Volatility	%	44	On the basis of industry average.
Risk free return	%	7	Zero coupon rate estimated from trading government securities for a maturity corresponding to expected life of option – taken from sites of NSE.
Expected dividend Yield	%	0.86	Company has declared Dividends of 12% in the past. Assuming that it will continue declaring similar dividends in future.

In March 2005 the ICAI has issued a guidance note on "Accounting for Employees Share Based Payments" applicable to 'employee share based plan' the grant date in respect of which falls on or after April 1, 2005. The said guidance note requires the Proforma disclosures of the impact of the fair value method of accounting of employee stock compensation in the financial statements. Since the Company used the intrinsic value method the impact on the reported net profit and earnings per share by applying the fair value based method is as follows:

(Amount in Rs.)

Particulars	Year ended December 31, 2011	Year ended December 31, 2010
Profit after tax	**64,651,348**	167,536,880
Add: Intrinsic Value Compensation Cost	**-**	-
Less: Fair Value Compensation Cost	**(585,874)**	1,527,947
Adjusted Pro-forma Profit after tax	**65,237,222**	166,008,933
Earnings Per Share		
Basic		
- As reported	**5.25**	13.60
- Pro-forma	**5.30**	13.48
Diluted		
- As reported	**5.19**	13.44
- Pro-forma	**5.24**	13.32

13. EARNINGS PER SHARE*

Particulars	Year ended December 31, 2011	Year ended December 31, 2010
Net profit after tax (Rs.)	**64,651,348**	167,536,880
Weighted average number of equity shares for calculating Basic EPS	**12,316,886**	12,316,886
Add : Equity shares for no consideration arising on grant of stock options under ESOP	**140,561**	148,847
Weighted average number of equity shares for calculating Diluted EPS	**12,457,447**	12,465,733
Basic [Nominal value of shares Rs. 10 (Previous year: Rs. 10)] (Rs.)	**5.25**	13.60
Diluted [Nominal value of shares Rs. 10 (Previous year: Rs. 10)] (Rs.)	**5.19**	13.44

** Refer note no. 12 (f) above.*

14. POST-EMPLOYMENT BENEFITS

The Company has an unfunded defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on separation equal to 15 days salary (last drawn salary) for each completed year of continuous service or part thereof in excess of six months subject to a maximum of Rs. 1,000,000.

The following table summarises the components of net benefit expense recognised in the Profit and Loss Account.

Net employee benefit expense recognised under Salary, wages and bonus

(Amount in Rs.)

Particulars	Year ended December 31, 2011	Year ended December 31, 2010
Current service cost	**11,149,442**	9,840,390
Interest cost on benefit obligation	**3,910,824**	3,821,864
Expected return on plan assets	**-**	-
Net actuarial (gain) / loss recognised in the year	**(3,832,184)**	(3,834,501)
Past service cost	**-**	9,548,619
Net employee benefit expense	**11,228,082**	19,376 ,372

Details of defined benefit gratuity plan

(Amount in Rs.)

Particulars	As at December 31, 2011	As at December 31, 2010
Defined benefit obligation	**62,937,379**	57,825,653
Fair value of plan assets	**-**	-
Present value of unfunded obligations	**62,937,379**	57,825,653
Less: Unrecognised past service cost	**-**	-
Plan liability / (asset)	**62,937,379**	57,825,653

Changes in the present value of the defined benefit gratuity plan are as follows:

(Amount in Rs.)

Particulars	Year ended December 31, 2011	Year ended December 31, 2010
Opening defined benefit obligation	**57,825,653**	42,199,151
Interest cost	**3,910,824**	3,821,864
Current service cost	**11,149,442**	9,840,390
Benefits paid	**(6,116,356)**	(3,749,870)
Actuarial (gains) / losses on obligation	**(3,832,184)**	(3,834,501)
Past service cost	**-**	9,548,619
Closing defined benefit obligation	**62,937,379**	57,825,653

The principal assumptions used in determining defined benefit gratuity plan obligations is shown below:

Particulars	Year ended December 31, 2011	Year ended December 31, 2010
Discount rate	**8.75% p.a.**	7.95% p.a.
Expected rate of return on plan assets	**Not applicable**	Not applicable
Salary Escalation Rate	**10% p.a. for first year and 7% p.a. thereafter**	10% p.a. for first year and 7% p.a. thereafter
Attrition rate:	**As per table below**	As per table below

Attrition rate used for the year ended December 31, 2011 and year ended December 31, 2010 are as per the table below:

Age (Years)	Rates
21 – 30	15%
31 – 34	10%
35 – 44	5%
45 – 50	3%
51 – 54	2%
55 – 59	1%

The estimates of future salary increases takes into account the inflation, seniority, promotion and other relevant factors.

Amounts for the current and previous four years are as follows:

(Amount in Rs.)

	Gratuity				
	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008	December 31, 2007
Defined benefit obligation	**62,937,379**	57,825,653	42,199,151	46,466,537	23,306,788
Plan assets	**-**	-	-	-	-
Surplus / (deficit)	**(62,937,379)**	(57,825,653)	(42,199,151)	(46,466,537)	(23,306,788)
Experience adjustments on plan liabilities	**1,934,614**	(2,914,547)	(6,981,759)	116,082	461,423
Experience adjustments on plan assets	**-**	-	-	-	-

15. PARTICULARS OF DERIVATIVE INSTRUMENTS AND UNHEDGED FOREIGN CURRENCY EXPOSURE AS AT DECEMBER 31, 2011 AND DECEMBER 31, 2010:

As of December 31, 2011, the Company had derivative financial instruments to sell USD 10,950,000 (Previous year USD 4,050,000), EURO 700,000 (Previous year EURO 200,000) and buy GBP 500,000 (Previous year GBP Nil). The Company has not applied hedge accounting as these instruments do not qualify for hedge accounting. The Company has recognised mark-to-market loss of Rs. 56,376,099 (Previous year gain of Rs. 6,372,744) relating to such derivative financial instruments in the Profit and Loss Account for the year ended December 31, 2011.

	Currency	Foreign Currency amount		Closing foreign exchange rate		Amount (Rs.)	
		December 31,		December 31,		December 31,	
		2011	2010	**2011**	2010	**2011**	2010
LIABILITIES							
Deferred compensation to erstwhile shareholders of ECnet Limited	SGD	**269,285**	269,285	**41.11**	34.73	**11,068,991**	9,352,294
Computaris International Limited – Short term	GBP	**1,415,059**	-	**82.14**	-	**116,232,952**	-
Computaris International Limited – Long term	GBP	**864,316**	-	**82.14**	-	**70,994,905**	-
Creditors							
	USD	**471,741**	743,046	**53.11**	44.89	**25,051,824**	33,355,347
	EURO	**34,894**	2,303	**68.66**	59.52	**2,395,815**	137,052
	SGD	**45,860**	21,886	**41.11**	34.73	**1,885,060**	760,101
ASSETS							
Investments* (Gross)							
	USD	**7,660,707**	9,062,639	**53.11**	44.89	**406,821,860**	406,821,860
	EURO	**1,137,761**	1,312,588	**68.66**	59.52	**78,118,681**	78,118,681
	GBP	**5,899,483**	-	**82.14**	-	**484,583,504**	-
	SGD	**6,828,130**	3,704,874	**41.11**	34.73	**280,670,291**	128,670,291
Debtors (Gross)							
	USD	**9,062,390**	7,893,784	**53.11**	44.89	**481,258,230**	354,351,955
	EURO	**974,541**	930,866	**68.66**	59.52	**66,911,951**	55,400,518
	GBP	**16,981**	774	**82.14**	69.48	**1,394,847**	53,797
	JPY	**2,134,531**	5,597,109	**0.69**	0.55	**1,462,154**	3,072,813
	SGD	**21,411**	-	**41.11**	-	**880,085**	-
	AUD	**5,000**	34,500	**53.95**	45.48	**269,760**	1,568,888
	CHF	**81,211**	100,742	**56.49**	48.05	**4,587,448**	4,840,653
	THB	**1,761,706**	-	**1.68**	-	**2,957,904**	-
Bank balances							
	USD	**1,095,845**	1,705,955	**53.11**	44.89	**58,194,856**	76,580,313
	EURO	**155,437**	364,318	**68.66**	59.52	**10,672,318**	21,682,411
	GBP	**303**	1,977	**82.14**	69.48	**24,894**	137,370
	JPY	**1,663,420**	15,601,676	**0.69**	0.55	**1,139,443**	8,565,320
	CHF	**122,583**	-	**56.49**	-	**6,924,454**	-
Loans and advances							
	USD	**146,710**	49,011	**53.11**	44.89	**7,791,025**	2,200,113
	SGD	**99,433**	116,533	**41.11**	34.73	**4,087,207**	4,047,191
Unbilled revenue							
	USD	**546,741**	879,061	**53.11**	44.89	**29,034,661**	39,461,036
	EURO	**249,410**	236,299	**68.66**	59.52	**17,124,503**	14,063,335
	SGD	**-**	6,797	**-**	34.73	**-**	236,060
	JPY	**882,000**	-	**0.69**	-	**604,170**	-
	THB	**16,589,000**	16,823,637	**1.68**	1.49	**27,852,931**	25,060,490
	CHF	**643**	-	**56.49**	-	**36,333**	-
Loans to subsidiary company							
	SGD	**-**	3,800,000	**-**	34.73	**-**	131,974,000

* Foreign currency amounts represent the balances derived using closing foreign exchange rate.

16. Details of loans given to subsidiary-ECnet Limited, Singapore (fully provided for)

Balance as at December 31, 2011 is Rs. Nil (SGD Nil) [Previous year Rs. 131,974,000 (SGD 3,800,000)]. Maximum amount outstanding during the year is Rs. 154,660,000 (SGD 3,800,000) [Previous year Rs. 131,974,000 (SGD 3,800,000)]. This loan has been converted into equity investment during the year.

** Refer note 11 (a) above.*

17. As of December 31, 2011 there is uncertainty regarding ultimate realisation relating to some of the customers due to their current financial position, therefore revenue aggregating Rs. 39,626,845 (Previous year Rs. 11,915,759) has been deferred till the time the realisation becomes reasonably certain.

18. During the year ended December 31, 2006:

(a) The Company had made Initial Public Offering (IPO) of 4,408,361 equity shares of Rs. 10 each for cash at premium of Rs. 240 per share comprising of fresh issue of 2,825,006 equity shares by the Company and 1,583,355 equity shares offered for sale by the selling shareholders.

(b) Expenses of Rs. 101,895,339 net of recovery from certain selling shareholders Rs. 2,795,944 incurred in connection with the public issue of the Company had been adjusted against Securities Premium Account in terms of Section 78 of the Companies Act, 1956.

(c) Pursuant to initial public offer the Company gathered Rs. 706,250,000 (net of selling shareholders' proceeds), details of utilisation of IPO proceeds till December 31, 2011 and December 31, 2010 are as follows:

(Amount in Rs.)

Objects	Total Estimated Project Cost*	Amount incurred till December 31, 2011	Amount incurred till December 31, 2010
Upgrading and expansion of existing infrastructure*	229,993,200	229,993,200	229,993,200
Repayment of outstanding loans	36,550,000	36,550,000	36,550,000
Financing general working capital requirements	179,510,000	179,510,000	179,510,000
General corporate purposes*	159,059,625	159,059,625	58,619,823
Meeting offer expenses*	101,137,175	101,137,175	101,137,175
Total	**706,250,000**	**706,250,000**	**605,810,198**

* The Company had obtained approval from its shareholders at the Annual General Meeting held on May 2, 2008 for reallocation in the estimated project cost among above mentioned heads.

Further, the Company had also obtained approval from its shareholders at the Annual General Meeting held on May 20, 2010 for extension of time up to June 30, 2012 for utilisation of balance IPO proceeds.

During the year ended December 31, 2011, the Company has utilised the balance IPO proceeds amounting to Rs. 100,439,802 under General corporate purposes towards the initial payout for the acquisition of 100% shares of Computaris International Limited, U.K. With this the Company has utilised the entire IPO proceeds and complete details relating to utilisation are incorporated in the above table.

19. CASH AND BANK BALANCES

Details of balances as on balance sheet dates:

(Amount in Rs.)

Sl. No.	Particulars	As at December 31, 2011	As at December 31, 2010
	Cash on hand (A)	**131,910**	143,715
	Cheques on hand (B)	**132,440**	51,070
	Balance with scheduled banks		
	On current accounts		
1	ICICI Bank Limited	**3,900,977**	27,184,904
2	HDFC Bank Limited	**471,504**	475,691
3	Oriental Bank of Commerce	**31,947**	721,435
4	Vijaya Bank	**24,383**	50,264
5	State Bank of India	**1,812,269**	3,674,222
6	Canara Bank	**57,952**	104,744
7	Axis Bank Limited	**7,954,128**	776,613
8	Citibank N.A.	-	26,644
9	State Bank of Bikaner & Jaipur	**39,994**	496,612
10	ABN Amro Bank N.V.	**344,689**	366,729
	Total (C)	**14,637,843**	33,877,858
	On cash credit / overdraft accounts		
1	State Bank of India	**26,956,142**	7,320,939
2	State Bank of Bikaner & Jaipur	**1,937**	487
3	Axis Bank Limited	**95,947**	-
	Total (D)	**27,054,026**	7,321,426
	On EEFC accounts		
1	ICICI Bank Limited - USD	**3,317,299**	3,272,829
2	HDFC Bank Limited - USD	**10,846**	9,168
3	State Bank of India - USD	**575,750**	29,308,473
4	State Bank of India - EURO	**394,725**	21,370,861
5	Citibank, N.A. - USD	-	3,367
6	Axis Bank Limited - USD	**20,926,722**	26,379,257
7	Axis Bank Limited - EURO	**9,770,661**	-
8	Axis Bank Limited - CHF	**6,924,454**	-
	Total (E)	**41,920,457**	80,343,955
	On deposit accounts		
1	Oriental Bank of Commerce	**140,616,710**	124,368,536
2	Vijaya Bank	**3,291,894**	107,620,265
3	State Bank of India	**88,792,506**	5,757,666
4	ICICI Bank Limited	**130,607,028**	171,669,839
5	State Bank of Bikaner & Jaipur	**75,650,000**	202,733,450
6	Axis Bank Ltd.	**10,100,000**	33,126,825
7	HDFC Bank Limited	**55,000,000**	20,200,000
8	Canara Bank	**64,715**	64,715
9	State Bank of Indore	-	5,000,000
	Total (F)	**504,122,853**	670,541,296
	On unclaimed dividend accounts		
1	HDFC Bank Limited	**597,793**	481,063
	Total (G)	**597,793**	481,063
	Balance with other banks		
	On current accounts		
1	Fortis Bank (Netherland) N.V., Netherlands	**506,932**	311,550
2	California Bank & Trust, USA	**33,364,239**	17,607,220
3	Sumitomo Mitsui Banking Company, Japan	**1,139,443**	8,565,320
	Total (H)	**35,010,614**	26,484,090
	Total as per Balance Sheet	**623,607,936**	819,244,473

20. The Company has a policy of recognising deferred tax assets only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Accordingly, on the basis of such evaluation, the Company had recognised incremental deferred tax asset of Rs. 31,806,316 during the year ended December 31, 2010.

21. Prior period expense for the year ended December 31, 2010 amounting to Rs. 1,729,293 represents communication cost related to prior year.

22. Previous year figures have been regrouped / reclassified where necessary to make them comparable to the current year classification.

As per our report of even date.

For S.R. BATLIBOI & CO.
Firm registration number: 301003E
Chartered Accountants

For and on behalf of the Board of Directors of R Systems International Limited

Sd/-	**Sd/-**	**Sd/-**	**Sd/-**	**Sd/-**	**Sd/-**
per Yogender Seth	**Satinder Singh Rekhi**	**Lt. Gen. Baldev Singh (Retd.)**	**Raj Swaminathan**	**Nand Sardana**	**Vikash Kumar Tiwari**
Partner Membership No. 94524	[Chairman & Managing Director]	[President & Senior Executive Director]	[Director & Chief Operating Officer]	[Chief Financial Officer]	[Company Secretary & Compliance Officer]
Place : NOIDA Date : February 9, 2012	Place : NOIDA Date : February 9, 2012	Place : NOIDA Date : February 9, 2012	Place : NOIDA Date : February 9, 2012	Place : NOIDA Date : February 9, 2012	Place : NOIDA Date : February 9, 2012

Balance Sheet Abstract and Company's General Business profile

I. Registration Details

Registration No.	0 5 3 5 7 9	State Code	5 5 (Refer Code List)
Balance Sheet Date	3 1 (Date) 1 2 (Month) 2 0 1 1 (Year)		

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

Public Issues	N I L	Right Issues	N I L
Bonus Issues	N I L	Private Placements	N I L

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

Total Liablities	1 9 9 0 4 6 8	Total Assests	1 9 9 0 4 6 8

SOURCES OF FUND

Paid-up Capital	1 2 2 4 3 0	Reserve & Surplus	1 7 9 1 1 3 2
Secured Loans	5 9 1 1	Unsecured Loans*	7 0 9 9 5

* Unsecured Loans represents deferred payments liability towards the acquisition of a subsidiary

APPLICATION OF FUNDS

Net Fixed Assests#	3 2 7 6 1 6	Investments	8 1 3 7 6 7
Net Current Assests##	8 4 9 0 8 5	Misc. Expenditures	N I L
Accumulated Losses	N I L		

Including intangible assets (net) of Rs. 24,851
Including deferred tax assets (net) of Rs. 55,373

IV. Performance of Company (Amount in Rs. Thousands)

Turnover**	1 9 7 6 8 0 3	Total Expenditure	1 8 9 7 7 6 8

** includes other income

Profit / Loss before Tax	+ √ 7 9 0 3 5	Profit / Loss after Tax	+ √ 6 4 6 5 1

(Please tick Appropriate Box + for Profit – for Loss)

Earning Per Shares in Rs.	5 . 2 5	Dividend Rate %	3 6

The diluted earning per share is Rs. 5.19

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

Item Code No. (ITC Code)	
Product Description	S O F T W A R E D E V E L O P M E N T & I T R E L A T E D S E R V I C E S

For and on behalf of the Board of Directors of R Systems International Limited

Sd/-	Sd/-	Sd/-	Sd/-	Sd/-
Satinder Singh Rekhi	**Lt. Gen. Baldev Singh (Retd.)**	**Raj Swaminathan**	**Nand Sardana**	**Vikash Kumar Tiwari**
[Chairman & Managing Director]	[President & Senior Executive Director]	[Director & Chief Operating Officer]	[Chief Financial Officer]	[Company Secretary & Compliance Officer]
Place : NOIDA	Place : NOIDA	Place : NOIDA	Place : NOIDA	Place : NOIDA
Date : February 9, 2012	Date : February 9, 2012	Date : February 9, 2012	Date : February 9, 2012	Date : February 9, 2012

Auditors' Report

On Consolidated Financial Statements

To,
The Board of Directors,
R Systems International Limited,
B -104A, Greater Kailash – I,
New Delhi- 110048

1. We have audited the attached Consolidated Balance Sheet of R Systems International Limited (the "Company") and its subsidiaries (as per the list appearing at Note 2 under Schedule 18 to the consolidated financial statements) as at December 31, 2011, and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto, prepared in accordance with accounting principles generally accepted in India. These financial statements are the responsibility of Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding subsidiaries. These financial statements of Company's subsidiaries have been prepared in accordance with accounting policies generally accepted in their respective countries and have been audited by other auditors prepared under generally accepted auditing standards of their respective countries. The management has converted these audited financial statements of the Company's subsidiaries to accounting principles generally accepted in India. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. We did not audit the financial statements of certain subsidiaries, whose financial statements reflect:

    (i) in relation to R Systems, Inc., USA subsidiary, total assets of Rs. 268,199,262 (US$ 5,050,358) as at December 31, 2011, the total revenues of Rs. 634,634,773 (US$ 13,606,217) and cash outflows amounting to Rs. 2,732,534 (US$ 58,584) for the year then ended.

    (ii) in relation to Indus Software, Inc., USA subsidiary, total assets of Rs.16,243,120 (US$ 305,868) as at December 31, 2011, the total revenues of Rs. 113,275,819 (US$ 2,428,571) and cash inflows amounting to Rs. 690,643 (US$ 14,807) for the year then ended.

    (iii) in relation to R Systems Solutions, Inc., USA subsidiary, total assets of Rs. 34,775,438 (US$ 654,843) as at December 31, 2011, the total revenues of Rs. 68,380,747 (US$ 1,466,045) and cash outflows amounting to Rs. 4,532,953 (US$ 97,184) for the year then ended.

    (iv) in relation to ECnet Limited and its subsidiaries, Singapore subsidiary, total assets of Rs. 102,393,213 (Sing $ 2,491,016) as at December 31, 2011, the total revenues of Rs. 213,522,593 (Sing $ 5,757,964) and cash outflows amounting to Rs. 10,867,544 (Sing $ 293,060) for the year then ended.

    (v) in relation to the R System (Singapore) Pte Ltd., Singapore subsidiary, total assets of Rs. 142,285,574 (Sing $ 3,461,515) as at December 31, 2011, the total revenues of Rs. 47,589,680 (Sing $ 1,283,329) and cash outflows amounting to Rs. 3,030,349 (Sing$ 81,718) for the year then ended.

    (vi) in relation to R Systems S.A.S, France subsidiary, total assets of Rs. 63,205,581 (Euro 920,559) as at December 31, 2011 the total revenues of Rs. 79,270,782 (Euro 1,222,051) and cash outflows amounting to Rs. 838,665 (Euro 12,929) for the year then ended.

    (vii) in relation to R Systems Europe B.V., the Netherlands subsidiary, total assets of Rs. 151,826,828 (Euro 2,211,285) as at December 31, 2011 the total revenues of Rs. 392,436,868 (Euro 6,049,869) and cash inflows amounting to Rs. 12,730,797 (Euro 196,260) for the year then ended.

    (viii) in relation to R Systems NV, Belgium subsidiary, total assets of Rs. 1,336,879 (Euro 19,471) as at December 31, 2011 the total revenues of Rs. Nil (Euro Nil) and cash outflows amounting to Rs. 505,703 (Euro 7,796) for the year then ended.

    (ix) in relation to Computaris International Limited and its subsidiaries, U.K subsidiary, total assets of Rs. 634,680,173 (GBP 7,726,810) as at December 31, 2011 the total revenues of Rs. 890,193,526 (GBP 11,873,363) and cash inflows amounting to Rs. 88,170,099 (GBP 1,176,009) for the period January 26, 2011 to December 31, 2011.

The financial statements of these subsidiaries have been prepared in accordance with accounting policies generally accepted in their respective countries and have been audited by other auditors who have submitted their audit opinions, prepared under generally accepted auditing standards of their respective countries, to the shareholders of the respective companies, copies of which have been provided to us by the Company. The management has converted these audited financial statements of the Company's subsidiaries to accounting principles generally accepted in India. Our opinion thus, in so far it relates to amounts included in respect of these subsidiaries, is based solely on the reports of the other auditors under the accounting policies generally accepted in respective countries and our audit of the conversion process followed by management.

4. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the subsidiaries and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements 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 R Systems International Limited and its subsidiaries as at December 31, 2011;

(b) in the case of the Consolidated Profit and Loss Account, of the consolidated profit of R Systems International Limited and its subsidiaries for the year then ended; and

(c) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of R Systems International Limited and its subsidiaries for the year ended on that date.

For S.R. Batliboi & Co.
Firm Registration Number: 301003E
Chartered Accountants

Sd/-
per Yogender Seth
Partner
Membership Number: 94524

Place : Noida
Date : February 9, 2012

SYSTEMS

Consolidated Balance Sheet as at December 31, 2011

	Schedule No.	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	**122,429,880**	122,429,880
Reserves and surplus	2	**1,863,400,687**	1,680,104,032
		1,985,830,567	1,802,533,912
Minority interest	3	**-**	-
Loan funds			
Secured loans	4	**6,881,453**	8,348,828
		6,881,453	8,348,828
Deferred payments liability (refer note 9 (c) under schedule 18)		**70,994,905**	-
TOTAL		**2,063,706,925**	1,810,882,740
APPLICATION OF FUNDS			
Fixed assets	5A		
Gross block		**990,348,922**	859,315,465
Less : Accumulated depreciation		**636,981,229**	494,333,394
Net block		**353,367,693**	364,982,071
Capital work-in-progress including capital advances		**-**	200,000
		353,367,693	365,182,071
Intangible assets (net)	5B	**316,833,983**	79,157,371
Investments	6	**25,000**	25,000
Deferred tax assets (net)	7	**63,432,949**	22,032,582
Current assets, loans and advances			
Sundry debtors	8	**1,053,154,804**	555,689,887
Cash and bank balances	9	**949,553,849**	956,891,550
Other current assets	10	**171,536,942**	182,660,657
Loans and advances	11	**169,998,985**	164,831,851
(A)		**2,344,244,580**	1,860,073,945
Less : Current liabilities and provisions			
Current liabilities	12	**758,723,453**	356,742,173
Provisions	13	**255,473,827**	158,846,056
(B)		**1,014,197,280**	515,588,229
Net current assets (A-B)		**1,330,047,300**	1,344,485,716
TOTAL		**2,063,706,925**	1,810,882,740
Notes to accounts	18		

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

As per our report of even date.

For S.R. BATLIBOI & CO.
Firm registration number: 301003E
Chartered Accountants

For and on behalf of the Board of Directors of R Systems International Limited

Sd/-	Sd/-	Sd/-	Sd/-	Sd/-	Sd/-
per Yogender Seth	**Satinder Singh Rekhi**	**Lt. Gen. Baldev Singh (Retd.)**	**Raj Swaminathan**	**Nand Sardana**	**Vikash Kumar Tiwari**
Partner Membership No. 94524	[Chairman & Managing Director]	[President & Senior Executive Director]	[Director & Chief Operating Officer]	[Chief Financial Officer]	[Company Secretary & Compliance Officer]
Place : NOIDA Date : February 9, 2012	Place : NOIDA Date : February 9, 2012	Place : NOIDA Date : February 9, 2012	Place : NOIDA Date : February 9, 2012	Place : NOIDA Date : February 9, 2012	Place : NOIDA Date : February 9, 2012

Consolidated Profit & Loss Account for the year ended December 31, 2011

	Schedule No.		For the Year ended December 31, 2011 Rs.		For the year ended December 31, 2010 Rs.
INCOME					
Sales and service income			**4,094,658,198**		2,876,331,363
Sale of third party hardware and software			**296,713**		29,135,043
Other income	14		**55,643,454**		56,995,377
TOTAL			**4,150,598,365**		2,962,461,783
EXPENDITURE					
Personnel expenses	15		**2,622,830,331**		1,909,858,903
Operating and other expenses	16		**1,179,085,197**		736,304,422
Cost of third party hardwares and software			**223,250**		28,766,073
Depreciation and amortisation	5A & 5B		**131,184,535**		133,086,341
Financial expenses	17		**8,083,587**		7,136,983
TOTAL			**3,941,406,900**		2,815,152,722
Profit before tax and prior period items			**209,191,465**		147,309,061
Prior period income / (expenses) (refer note 18 under Schedule 18)			**-**		(1,729,293)
Profit for the year before tax and after prior period items			**209,191,465**		145,579,768
Current tax [Including excess provision written back Rs. Nil (Previous year Rs. 5,928,913)]		**92,799,862**		31,169,109	
Less: MAT credit entitlement [Including MAT credit entitlement / (reversal) relating to earlier year Rs. 8,155,877 {Previous year (Rs. 4,042,471)}]		**(7,055,877)**		(10,257,529)	
Net current tax liability			**85,743,985**		20,911,580
Deferred tax credit [Including excess credit related to earlier years Rs. 2,059,841 (Previous year Rs. Nil)] (refer note 17 under Schedule 18)			**(41,677,798)**		(43,095,516)
Total tax expense / (credit)			**44,066,187**		(22,183,936)
Profit available for appropriation			**165,125,278**		167,763,704
Appropriations					
Proposed dividend (refer note 8 (c) under Schedule 18)			**44,340,790**		29,560,527
Tax on proposed dividend (refer note 8 (c) under Schedule 18)			**7,079,006**		4,909,635
Transfer to General Reserve			**6,465,135**		16,753,688
Surplus carried to Balance Sheet			**107,240,347**		116,539,854
Earnings per share (refer note 11 under Schedule 18)					
Basic [Nominal value of shares Rs. 10 (Previous year: Rs. 10)]			**13.41**		13.62
Diluted [Nominal value of shares Rs. 10 (Previous year: Rs. 10)]			**13.26**		13.46
Notes to accounts	18				

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

As per our report of even date.

For S.R. BATLIBOI & CO.
Firm registration number: 301003E
Chartered Accountants

For and on behalf of the Board of Directors of R Systems International Limited

Sd/-
per Yogender Seth
Partner
Membership No. 94524
Place : NOIDA
Date : February 9, 2012

Sd/-
Satinder Singh Rekhi
[Chairman & Managing Director]
Place : NOIDA
Date : February 9, 2012

Sd/-
Lt. Gen. Baldev Singh (Retd.)
[President & Senior Executive Director]
Place : NOIDA
Date : February 9, 2012

Sd/-
Raj Swaminathan
[Director & Chief Operating Officer]
Place : NOIDA
Date : February 9, 2012

Sd/-
Nand Sardana
[Chief Financial Officer]
Place : NOIDA
Date : February 9, 2012

Sd/-
Vikash Kumar Tiwari
[Company Secretary & Compliance Officer]
Place : NOIDA
Date : February 9, 2012

Consolidated Cash Flow Statement for the year ended December 31, 2011

	For the year ended December 31, 2011 Rs.	For the year ended December 31, 2010 Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before taxation	**209,191,465**	145,579,768
Adjustments for:		
Depreciation and amortization	**131,184,535**	133,086,341
Debts and advances provided / written off	**68,563,910**	19,548,017
Loss on sale / discard of fixed assets (net)	**665,066**	2,240,967
Unrealised foreign exchange loss / (gain)	**2,081,075**	(11,637,623)
Unrealised loss / (gain) on derivative instruments	**62,316,291**	12,737,183
Interest income	**(40,930,313)**	(49,515,177)
Other excess provisions written back	**(9,156,429)**	(2,938,999)
Interest expense	**668,488**	663,647
Operating profit before working capital changes	**424,584,088**	249,764,124
Movements in working capital :		
(Increase) / Decrease in sundry debtors	**(321,291,721)**	(71,170,531)
(Increase) / Decrease in other current assets	**24,797,579**	3,824,746
(Increase) / Decrease in loans and advances	**2,715,970**	15,767,133
(Increase) / Decrease in margin money deposits	**93,815,901**	5,337,589
Increase / (Decrease) in current liabilities and provisions	**195,646,749**	14,849,247
Cash generated from operations	**420,268,566**	218,372,308
Direct taxes paid, net of refunds	**(69,533,163)**	(50,183,041)
Net cash from operating activities (A)	**350,735,403**	168,189,267
B. CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of fixed assets	**(78,567,831)**	(79,543,459)
Proceeds from sale of fixed assets	**2,447,308**	868,119
Investment in subsidiary (net of cash and cash equivalents acquired amounting to Rs. 75,260,707 on acquisition of subsidiary)	**(243,783,194)**	-
Interest received	**55,205,276**	42,906,094
Investment in long term fixed deposits with scheduled banks	**(456,496,667)**	(345,267,460)
Proceeds from long term fixed deposits with scheduled banks	**532,009,438**	347,901,778
Net cash used in investing activities (B)	**(189,185,670)**	(33,134,928)
C. CASH FLOWS USED IN FINANCING ACTIVITIES		
Proceeds from borrowings	**2,716,828**	3,762,885
Repayment of borrowings	**(4,536,887)**	(8,840,654)
Proceeds from margin money deposits against short term borrowings	**26,400,000**	-
Interest paid	**(668,455)**	(663,647)
Dividends paid	**(29,443,797)**	(29,463,130)
Tax on dividend paid	**(4,795,456)**	(5,023,813)
Net cash used in financing activities (C)	**(10,327,767)**	(40,228,359)
Net increase in cash and cash equivalents (A + B + C)	**151,221,966**	94,825,980
Cash and cash equivalents at the beginning of the year	**396,936,230**	309,687,974
Exchange rate effects	**25,711,140**	(7,577,724)
Cash and cash equivalents at the end of the year	**573,869,336**	396,936,230

Components of cash and cash equivalents as at	December 31, 2011 Rs.	December 31, 2010 Rs.
Cash on hand	**585,927**	399,890
Cheques on hand	**132,440**	51,070
Balances with scheduled banks		
On current accounts	**14,637,843**	33,877,858
On cash credit / overdraft accounts	**27,054,026**	7,321,426
On EEFC accounts	**41,920,457**	80,343,955
On deposit accounts	**504,122,853**	670,541,296
On unclaimed dividend accounts *	**597,793**	481,063
Balances with other banks		
On current accounts	**332,952,818**	153,043,793
On cash credit / overdraft accounts	**3,437,055**	6,350,134
On deposit accounts	**24,112,637**	4,481,065
Total as per Balance Sheet	**949,553,849**	956,891,550
Less : Margin money deposits	**82,072,249**	202,288,150
Less : Long term deposits	**281,509,604**	357,022,375
Less : Unrealised gain / (loss) on foreign currency cash and cash equivalents	**12,102,660**	644,795
Net cash and cash equivalents	**573,869,336**	396,936,230

* These balances are not available for use by the Company as they represent corresponding unpaid dividend liabilities.

Note:
The cash flow statement has been prepared under the indirect method as set out in the Accounting Standard 3 "Cash Flow Statement" notified under the Companies (Accounting Standards) Rules, 2006, (as amended).

As per our report of even date.

FOR S.R. BATLIBOI & CO.
Firm registration number: 301003E
Chartered Accountants

For and on behalf of the Board of Directors of R Systems International Limited

Sd/-
per Yogender Seth
Partner
Membership No. 94524
Place : NOIDA
Date : February 9, 2012

Sd/-
Satinder Singh Rekhi
[Chairman & Managing Director]
Place : NOIDA
Date : February 9, 2012

Sd/-
Lt. Gen. Baldev Singh (Retd.)
[President & Senior Executive Director]
Place : NOIDA
Date : February 9, 2012

Sd/-
Raj Swaminathan
[Director & Chief Operating Officer]
Place : NOIDA
Date : February 9, 2012

Sd/-
Nand Sardana
[Chief Financial Officer]
Place : NOIDA
Date : February 9, 2012

Sd/-
Vikash Kumar Tiwari
[Company Secretary & Compliance Officer]
Place : NOIDA
Date : February 9, 2012

Consolidated Schedules

	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
SCHEDULE 1: SHARE CAPITAL		
Authorised		
20,000,000 (Previous year 20,000,000) equity shares of Rs. 10 each	**200,000,000**	200,000,000
Issued, subscribed and paid up		
13,782,206 (Previous year 13,782,206) equity shares of Rs. 10 each fully paid-up	**137,822,060**	137,822,060
Less: Equity shares buy-back		
997,500 (Previous year 997,500) equity shares of Rs. 2 each fully paid-up (equivalent to 199,500 (Previous year 199,500) equity shares of Rs. 10 each) (refer note 8 (b) under Schedule 18)	**1,995,000**	1,995,000
13,582,706 (Previous year 13,582,706) equity shares of Rs. 10 each fully paid-up (refer note 8 (a) under Schedule 18)	**135,827,060**	135,827,060
Less: Equity shares buy-back		
1,265,820 (Previous year 1,265,820) equity shares of Rs. 10 each fully paid-up (refer note 8 (b) under Schedule 18)	**12,658,200**	12,658,200
	123,168,860	123,168,860
Less: Advance to Indus Software Employees Welfare Trust (refer note 10 (b) under Schedule 18)	**738,980**	738,980
	122,429,880	122,429,880

Notes:

(1) Refer note 8(a) under Schedule 18 for bonus shares and shares issued for consideration other than cash.

(2) Refer note 10 under Schedule 18 for details of options in respect of equity shares.

	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
SCHEDULE 2: RESERVE AND SURPLUS		
Capital Redemption Reserve	**12,658,200**	12,658,200
Securties Premium Account	**914,345,795**	914,345,795
Less: Advance to Indus Software Employees Welfare Trust (also refer note 10 (b) under Schedule 18)	**2,282,728**	2,282,728
	912,063,067	912,063,067
Capital Reserve	**31,726**	31,726
General Reserve		
Balance as per last account	**54,935,396**	38,181,708
Add: Transferred from current year Profit and Loss Account	**6,465,135**	16,753,688
	61,400,531	54,935,396
Profit and Loss Account		
Balance as per last account	**691,865,157**	575,325,303
Add: Transferred from current year Profit and Loss Account	**107,240,347**	116,539,854
	799,105,504	691,865,157
Foreign currency translation reserve		
Balance as per last account	**8,550,486**	13,239,807
Add: Current year translation differences	**69,591,173**	(4,689,321)
	78,141,659	8,550,486
	1,863,400,687	1,680,104,032

	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
SCHEDULE 3: MINORITY INTEREST		
Minority interest in ECnet Limited at the time of acquisition	**149,585**	149,585
Less: Minority interest in post acquisition losses to the extent allocable	**149,585**	149,585
	-	-

	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
SCHEDULE 4: SECURED LOANS		
- From banks		
For motor vehicles (refer note 1 below)	**-**	88,742
(Secured by hypothecation of underlying motor vehicles)		
-From others		
For motor vehicles (refer note 1 below)	**5,911,412**	4,933,883
(Secured by hypothecation of underlying motor vehicles)		
Finance lease obligation (refer note 2 below)	**970,041**	3,326,203
(Secured by respective assets taken on lease) (refer note 5(b) under Schedule 18)		
	6,881,453	8,348,828

Notes:

(1) Included in secured loans above, the amount payable within one year is Rs. 2,072,463 (Previous year Rs. 1,588,762).

(2) In case of finance lease obligation, amount repayable within one year is Rs. 970,041 (Previous year Rs. 2,485,366).

SCHEDULE 5A: FIXED ASSETS

(Amount in Rs.)

	Land - freehold	Land- leasehold	Building- freehold	Building leasehold (1)	Leasehold improvements	Computers (2)	Office and electrical equipment (2)	Furniture and fittings	Vehicle (3)	Total	Previous Year
Gross block											
As at January 1, 2011	4,765,674	10,005,968	31,198,298	88,983,201	43,876,511	368,898,672	139,632,269	135,643,383	36,311,489	**859,315,465**	882,780,632
Acquisition of Computaris International Limited (refer note 9 (c) under Schedule 18)	-	-	-	-	1,620,034	37,514,572	1,993,196	1,899,030	-	**43,026,832**	-
Additions	-	-	-	30,000	575,740	32,435,910	5,369,989	2,422,560	4,902,594	**45,736,793**	23,546,583
Deletions / adjustments	-	-	-	-	(6,835,163)	(21,404,345)	(6,516,453)	(6,805,225)	(708,646)	**(42,269,832)**	47,011,750
At December 31, 2011	**4,765,674**	**10,005,968**	**31,198,298**	**89,013,201**	**52,907,448**	**460,253,499**	**153,511,907**	**146,770,198**	**41,922,729**	**990,348,922**	859,315,465
Accumulated depreciation											
As at January 1, 2011	-	1,094,305	4,707,256	8,701,745	36,926,509	275,706,176	72,249,987	80,790,409	14,157,007	**494,333,394**	446,618,825
Acquisition of Computaris International Limited (refer note 9 (c) under Schedule 18)			-		584,574	21,171,821	1,104,616	981,600	-	**23,842,611**	-
For the year	-	157,818	513,504	1,450,718	4,876,831	49,157,873	11,148,055	8,132,174	3,769,442	**79,206,415**	87,658,421
Deletions / adjustments	-	-	-	-	(5,982,794)	(20,090,145)	(6,110,530)	(6,429,832)	(985,508)	**(39,598,809)**	39,943,852
At December 31, 2011	**-**	**1,252,123**	**5,220,760**	**10,152,463**	**48,370,708**	**366,126,015**	**90,613,188**	**96,334,015**	**18,911,957**	**636,981,229**	494,333,394
Net block											
At December 31, 2011	**4,765,674**	**8,753,845**	**25,977,538**	**78,860,738**	**4,536,740**	**94,127,484**	**62,898,719**	**50,436,183**	**23,010,772**	**353,367,693**	364,982,071
At December 31, 2010	4,765,674	8,911,663	26,491,042	80,281,456	6,950,002	93,192,496	67,382,282	54,852,974	22,154,482		
Capital work in progress [including capital advances of Rs. Nil (Previous year Rs. 200,000)]										-	200,000
										353,367,693	365,182,071

Notes:

(1) Includes Rs. 21,155,390 (Previous year Rs. 21,155,390) paid towards land and building under a composite lease taken for which no separate values are assignable.

(2) Refer note 5 (b) under Schedule 18 for assets obtained on finance lease included in gross book value and net book value.

(3) Vehicles amounting to Rs. 11,206,796 (Previous year Rs. 9,160,270) are hypothecated against terms loans for vehicle finance from banks & others.

(Amount in Rs.)

	Software	Product development cost (Internally generated software)	Goodwill	Total	Previous Year
SCHEDULE 5B : INTANGIBLE ASSETS					
Gross block					
As at January 1, 2011	202,858,108	34,580,899	-	**237,439,007**	212,223,616
Acquisition of Computaris International Limited (refer note 9 (c) under Schedule 18)	9,148,654	-	270,101,036	**279,249,690**	-
Additions	13,573,794	-	-	**13,573,794**	48,799,740
Deletions / adjustments	(12,532,667)	-	-	**(12,532,667)**	23,584,349
At December 31, 2011	**238,113,223**	**34,580,899**	**270,101,036**	**542,795,158**	237,439,007
Accumulated amortisation					
As at January 1, 2011	139,776,459	18,505,177	-	**158,281,636**	135,718,425
Acquisition of Computaris International Limited (refer note 9 (c) under Schedule 18)	5,327,593	-	-	**5,327,593**	-
For the year	44,347,191	7,630,929	-	**51,978,120**	45,427,920
Deletions / adjustments	(10,373,826)	-	-	**(10,373,826)**	22,864,709
At December 31, 2011	**199,825,069**	**26,136,106**	**-**	**225,961,175**	158,281,636
Net block					
At December 31, 2011	**38,288,154**	**8,444,793**	**270,101,036**	**316,833,983**	
At December 31, 2010	63,081,649	16,075,722	-	79,157,371	

Note:

The goodwill arising on acquisition of ECnet Limited has been written off during the year ended December 31, 2005 against Securities Premium Account (refer note 9 (a) under Schedule 18).

	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
SCHEDULE 6: INVESTMENTS		
Long term investments (at cost)		
Other than trade, unquoted		
Equity Shares, fully paid up		
2,500 (Previous year 2,500) equity shares of Rs. 10 each fully paid up in The Saraswat Co-operative Bank Limited	**25,000**	25,000
	25,000	25,000
Aggregate amount of unquoted investments	**25,000**	25,000
Aggregate amount of quoted investments	**-**	-

	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
SCHEDULE 7: DEFERRED TAX ASSETS (NET)		
Deferred tax assets		
Provision for gratuity	**20,420,033**	18,555,113
Provision for long term compensated absences	**18,705,235**	15,466,872
Provision for doubtful debts and advances	**46,559,618**	29,545,166
Other timing differences	**5,995,456**	4,219,444
Other timing differences of subsidiaries	**8,520,707**	-
Gross deferred tax assets	**100,201,049**	67,786,595
Deferred tax liability		
Differences in depreciation / amortisation and other differences in block of fixed assets as per tax books and financial books	**36,307,074**	45,754,013
Other timing differences of subsidiaries	**461,026**	-
Gross deferred tax liability	**36,768,100**	45,754,013
Deferred tax assets (net)	**63,432,949**	22,032,582

Note:

1) Also refer note 17 under Schedule 18

	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
SCHEDULE 8: SUNDRY DEBTORS		
Debts outstanding for a period more than six months		
Unsecured, considered good	**15,040,592**	26,858,211
Unsecured, considered doubtful	**180,057,308**	120,122,367
Other debts		
Unsecured, considered good	**1,038,114,212**	528,831,676
Unsecured, considered doubtful	**21,348,307**	5,089,522
	1,254,560,419	680,901,776
Less : Provision for doubtful debts	**201,405,615**	125,211,889
	1,053,154,804	555,689,887

	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
SCHEDULE 9: CASH AND BANK BALANCES		
Cash on hand	**585,927**	399,890
Cheques on hand	**132,440**	51,070
Balances with scheduled banks		
On current accounts	**14,637,843**	33,877,858
On cash credit / overdraft accounts (refer note 3 below)	**27,054,026**	7,321,426
On EEFC accounts	**41,920,457**	80,343,955
On deposit accounts	**504,122,853**	670,541,296
On unclaimed dividend accounts	**597,793**	481,063
Balances with other banks		
On current accounts	**332,952,818**	153,043,793
On cash credit / overdraft accounts (refer note 4 below)	**3,437,055**	6,350,134
On deposit accounts	**24,112,637**	4,481,065
	949,553,849	956,891,550

Notes:

(1) Balances with scheduled banks - on deposit accounts include receipts lien marked with banks against guarantees issued in favour of various Government departments Rs. 23,122,552 (Previous year Rs. 114,555,707), against credit / derivative facilities taken Rs. 49,014,587 (Previous year Rs. 84,376,825) and performance guarantees given to customers Rs. 13,000,000 (Previous year Rs. 3,355,618)

(2) Also refer note 16 under Schedule 18 for details of cash and bank balances.

(3) Cash credit limit / Bank guarantee / Loan equivalent risk / Letter of credit is secured by first charge by way of hypothecation of entire current assets and collateral over the immovable property situated in Pune.

(4) Cash credit facilities with other banks are secured by pledge of account receivables that have been created or will be created in ordinary course of business.

	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
SCHEDULE 10: OTHER CURRENT ASSETS		
Interest accrued on deposits	**11,132,557**	25,419,797
Interest accrued on staff advances	**100,271**	128,215
Unbilled revenue	**160,304,114**	157,112,645
	171,536,942	182,660,657

	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
SCHEDULE 11: LOANS AND ADVANCES		
(Unsecured, considered good, except where otherwise stated)		
Advances recoverable in cash or in kind or for value to be received	**93,607,161**	62,225,256
[including Rs. 8,302,603 (Previous year Rs. 7,037,160) considered doubtful]		
Mark-to-market on forward contracts (also refer schedule 12 below)	**-**	6,372,744
MAT credit receivables	**44,661,282**	69,619,398
Balances with customs, excise, etc.	**784,022**	1,016,225
Deposits - others	**24,938,575**	31,990,990
Advance fringe benefit tax [net of provisions amounting to Rs. 7,082,336 (Previous year Rs. 7,082,336)]	**167,664**	167,664
Advance income taxes [net of provisions amounting to Rs. 188,981,213 (Previous year Rs. 167,402,579)]	**14,142,884**	476,734
	178,301,588	171,869,011
Less: Provision for doubtful loans and advances	**8,302,603**	7,037,160
	169,998,985	164,831,851

	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
SCHEDULE 12: CURRENT LIABILITIES		
Sundry creditors	**386,739,604**	274,006,480
Mark-to-market on forward contracts (also refer schedule 11 above)	**55,943,547**	-
Deferred payment compensation to the erstwhile shareholders of ECnet Limited (refer note 9 (a) under Schedule 18)	**11,068,991**	9,352,294
Deferred payment compensation to the erstwhile shareholders of Computaris International Limited (refer note 9 (c) under schedule 18)	**116,232,952**	-
Book overdraft	**1,061,463**	894,729
Deferred revenue	**90,845,891**	44,345,037
Investor education and protection fund (not due) - Unclaimed dividend	**597,793**	481,063
Security deposits	**3,132,741**	2,554,885
Other liabilities	**93,100,471**	25,107,685
	758,723,453	356,742,173

	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
SCHEDULE 13: PROVISIONS		
Employee bonus	**8,239,200**	-
Income tax [net of advance taxes amounting to Rs. 3,545,132 (Previous year Rs. Nil)]	**46,626,725**	-
Proposed dividend (refer note 8 (c) under Schedule 18)	**44,340,790**	29,560,527
Tax on proposed dividend (refer note 8 (c) under Schedule 18)	**7,193,185**	4,909,635
Gratuity (refer note 12 under Schedule 18)	**62,937,379**	57,825,653
Long term compensated absences	**86,136,548**	66,550,241
	255,473,827	158,846,056

	For the Year ended December 31, 2011 Rs.	For the Year ended December 31, 2010 Rs.
SCHEDULE 14: OTHER INCOME		
Interest on bank deposits [Gross of tax deducted at source Rs. 4,515,570 (Previous year Rs. 5,611,354)]	**40,930,313**	49,515,177
Other excess provisions written back, as no longer required	**9,156,429**	2,938,999
Miscellaneous income	**5,556,712**	4,541,201
	55,643,454	56,995,377

	For the Year ended December 31, 2011 Rs.	For the Year ended December 31, 2010 Rs.
SCHEDULE 15: PERSONNEL EXPENSES		
Salaries, wages and bonus	**2,373,204,854**	1,752,861,109
Gratuity (refer note 12 under Schedule 18)	**11,228,082**	19,376,372
Contribution to provident fund and other payments	**212,718,111**	113,533,982
Staff welfare expenses	**25,679,284**	24,087,440
	2,622,830,331	1,909,858,903

		For the year ended December 31, 2011 Rs.		For the year ended December 31, 2010 Rs.
SCHEDULE 16: OPERATING AND OTHER EXPENSES				
Contract cost		**85,557,999**		-
Power and fuel		**40,102,094**		40,471,981
Rent - premises		**110,814,084**		76,569,204
Rent - equipment		**6,082,357**		5,857,558
Rates and taxes		**7,218,332**		8,048,543
Insurance		**14,284,020**		11,185,192
Repair and maintenance		**68,497,019**		56,801,208
Advertising and sales promotion		**19,294,392**		4,602,432
Commission - others		**7,855,276**		4,941,349
Travelling and conveyance		**272,062,622**		194,563,668
Communication costs		**65,858,360**		58,629,493
Printing and stationery		**6,366,514**		6,448,132
Legal and professional fees		**322,270,170**		220,162,867
Directors' sitting fee		**300,000**		270,000
Auditor's remuneration				
As auditor:				
- Audit fee				
- Statutory audit fee	**1,350,000**		1,350,000	
- Quarterly audit fee	**1,950,000**		1,900,000	
- Limited review	**525,000**		500,000	
- Out-of-pocket expenses	**369,750**		214,250	
In other manner:				
- Certification	**800,000**		362,500	
- Other services	**250,000**	**5,244,750**	250,000	4,576,750
Foreign exchange fluctuation (net)		**37,393,202**		(6,199,255)
Provision for doubtful debts and advances [net of Rs. 19,026,373 (previous year 12,132,912) written back]		**57,923,784**		19,358,535
Bad debts and advances written off		**10,640,126**		189,482
Loss on sale / discard of fixed assets (net)		**665,066**		2,240,967
Recruitment and training expenses		**20,820,333**		14,038,913
Watch and ward expenses		**5,543,671**		5,166,310
Membership and subscription		**6,941,502**		5,427,958
Miscellaneous expenses		**7,349,524**		2,953,135
		1,179,085,197		736,304,422

	For the year ended December 31, 2011 Rs.	For the year ended December 31, 2010 Rs.
SCHEDULE 17: FINANCIAL EXPENSES		
Interest on loans	**668,488**	663,647
Bank charges	**7,415,099**	6,473,336
	8,083,587	7,136,983

Schedule 18: Notes to accounts

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The consolidated financial statements of R Systems International Limited (the 'Company') and its subsidiaries (collectively referred to as 'R Systems Group' or the 'Group') have been prepared to comply in all material respects with the Accounting Standards notified by Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual and going concern basis, except for derivative financial instruments that have been measured at fair value. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

All figures are in Rupees except where expressly stated.

(b) Principles of consolidation

The consolidated financial statements are prepared in accordance with the principles and procedures for the preparation and presentation of consolidated financial statements as laid down under Accounting Standard 21 notified by Companies (Accounting Standards) Rules, 2006, (as amended).

The consolidated financial statements include the financial statements of R Systems International Limited and its subsidiaries (as explained in note 2 below). These accounts do not include enterprises, which are set-up for the benefit of employees like ESOP trusts (explained in note 10(b) below) as not required to be consolidated as per Accounting Standard 21 notified under the Companies (Accounting Standards) Rules, 2006, (as amended).

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented, to the extent possible, in the same manner as the Company's standalone financial statements. Differences in accounting policies, if any, are disclosed separately.

The financial statements of the Parent Company and its subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances / transactions.

Minority Interest's share in the net income of consolidated subsidiaries for the year is identified and adjusted against the income of the group in order to arrive at the net income attributable to shareholders of the Company. In case the losses applicable to consolidated minority are in excess of minority interest in the equity of the subsidiary, the excess, and any further losses applicable to the minority are adjusted against majority interest except to the extent minority has a binding obligation to, and is able to, make good losses. If the subsidiary subsequently reports profit, all such profits are allocated to the majority interest until the minority's share of losses previously absorbed by the majority has been recovered.

(c) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

(d) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

(e) Depreciation

Depreciation is provided on Straight Line method over the estimated useful lives of the fixed assets which result in depreciation rates being greater than or equal to the corresponding rates prescribed in Schedule XIV of the Companies Act, 1956.

The useful lives of the fixed assets have been estimated giving due consideration to environment in respective countries by the Group management as below:

Category of fixed assets	Estimated useful life
Land leasehold	Lease period
Building- freehold	61 years
Building – leasehold	Lower of lease period or 61 years
Leasehold improvements	Lower of lease period or useful life
Plant and machinery - office and electrical equipments other than (i) UPS systems, (ii) standalone air conditioners and (iii) telephone instruments	3-20 years
UPS systems	3-12 years
Standalone air conditioners and telephone instruments	3- 6 years
Computer hardware and network installations	3-6 years
Furniture and fittings	5-15 years
Vehicles	7 –10 years

Individual assets costing up to Rs. 5,000 in the parent company and US $ 250 in its US companies are considered fully depreciated in the year of purchase.

(f) Intangibles

Product development costs (Internally generated software)

Product development cost represents direct cost incurred by the Company for developing new product.

Research costs are expensed as incurred.

Development expenditure incurred on an individual project is recognised as an intangible asset when the Company can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the asset and use or sell it;
- its ability to use or sell the asset;
- how the asset will generate probable future economic benefits;
- the availability of adequate resources to complete the development and to use or sell the asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during development.

Any expenditure so capitalised is amortised over the period of expected useful life of product as estimated by the management at 48 months beginning in the month when revenue from the products starts accruing.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, and otherwise when events or changes in circumstances indicate that the carrying value may not be recoverable.

Computer software

Costs relating to acquired software are capitalised and amortised on a straight-line basis over their useful lives as estimated by the management at 3 to 5 years or below in specific cases.

(g) Expenditure on new projects

Expenditure directly relating to construction activity is capitalised. Indirect expenditure incurred during construction period is capitalised to the extent allocable. Other indirect expenditure incurred during the construction period which is not related to the construction activity nor is incidental thereto is charged to the Profit and Loss Account.

(h) Goodwill / capital reserve

Goodwill / capital reserve represents the cost to the parent of its investment in subsidiaries over / under the parent's portion of equity of the subsidiary, at the date on which the investment in the subsidiaries is made.

(i) Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal / external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

After impairment, fixed assets / intangibles are depreciated / amortised on the revised carrying amount over its remaining useful life.

The Group evaluates the carrying value of its goodwill whenever events or changes in circumstances indicate that its carrying value may be impaired. Impairment is recognised in the year / period of such determination. Management also ascertains the future revenue and earnings of the acquired entities and analyses sustainability thereof to determine impairment. For ascertaining impairment, consideration is given to fair value of the acquired entities.

(j) Leases

Where the Group is the lessee

Finance leases, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalised.

If there is no reasonable certainty that the Group will obtain the ownership by the end of the lease term, capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased term, are classified as operating leases. Operating lease payments are recognised as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

(k) Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of the long term investments.

(l) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Sale of products

Revenue from the sale of product (software and hardware) is recognised when the sale has been completed with the transfer of title.

Rendering of services

Revenue from software development and maintenance services projects comprise income from time-and-material and fixed-price contracts.

Revenue associated with software development and maintenance services / customisation of products and business process outsourcing services rendered on time and materials basis is recognised when services are rendered. The same is calculated based on man-hours incurred for rendering services.

Fixed-price contracts vary in duration depending on the terms of the work being performed. Revenue from fixed price contracts (including maintenance and support contracts) is recognised using the percentage of completion method, when reasonable progress has been made on the milestones achieved as specified in the contracts. The stage of completion of project is determined by the proportion that contract efforts incurred for work performed up to the balance sheet date bear to the estimated total contract effort. Changes in contract performance, estimated profitability and final contract settlements may result in revision to costs and revenue and are recognised in the period in which the revisions are determined. If a loss is projected on any contract in process, the entire projected loss is recognised immediately.

In terms of contracts excess / shortfall of revenue over the billed as at the year-end is carried in financial statement as unbilled revenue / deferred revenue separately.

Management fees from the customers for managing projects are being recognised on time basis over the estimated life of the project.

Revenue from subscription services is recognised over the term of subscription period.

Interest

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

(m) Foreign currency translation

Foreign currency transactions

(i) Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

(iii) Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting Group monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expense in the year in which they arise except those arising from investments in non-integral operations.

(iv) Forward exchange contracts not intended for trading or speculation purposes

The premium or discount arising at the inception of forward exchange contracts (except outstanding against firm commitments and highly probable forecast transaction) is amortised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

(v) Translation of non-integral foreign operations

In translating the financial statements of a non-integral foreign operation for incorporation in consolidated financial statements, the assets and liabilities, both monetary and non-monetary, of the non-integral foreign operation are translated at the closing rate; income and expense items of the non- integral foreign operations are translated at yearly average exchange rates; and all resulting exchange differences are accumulated in a foreign currency translation reserve until the disposal of net investment. On the disposal of a non-integral foreign operation, the cumulative amount of the exchange differences which have been deferred and which relate to that operation are recognised as income or as expenses in the same period in which the gain or loss on disposal is recognised.

For translating income, expense and cash flows items, except cash and cash equivalents, during the year ended December 31, 2011, the rates used were US $ 1= Rs. 46.64, Euro € 1= Rs. 64.87, GBP £ 1= Rs. 74.97 and Singapore $ 1 = Rs. 37.08. For translating assets and liabilities at the year-end, the rates used were US $ 1= Rs. 53.11, Euro € 1= Rs. 68.66, GBP £ 1= Rs. 82.14 and Singapore $ 1 = Rs. 41.11.

For translating income, expense and cash flows items, except cash and cash equivalents, during the year ended December 31, 2010, the rates used were US $ 1= Rs. 45.68, Euro € 1= Rs. 60.57 and Singapore $ 1 = Rs. 33.55. For translating assets and liabilities at the year-end, the rates used were US $ 1= Rs. 44.89, Euro € 1= Rs. 59.52 and Singapore $ 1= Rs. 34.73.

(vi) Translation of Integral foreign operation

The financial statements of an integral foreign operation are translated as if the transactions of the foreign operation have been those of the Company itself.

(n) Employee benefits

(i) Retirement benefits in the form of defined contribution schemes are charged to the Profit and Loss Account of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective funds.

(ii) Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation made at the end of each financial year for the employees of the Company on projected unit credit method. The gratuity plan is not funded.

(iii) Long term compensated absences are provided for based on actuarial valuation done. The actuarial valuation is done as per projected unit credit method.

(iv) Actuarial gains / losses are immediately taken to Profit and Loss Account and are not deferred.

(o) Income taxes

Tax expense comprises of current and deferred tax.

Current income tax expense comprises of taxes on income from operations in India and in foreign jurisdictions. Income tax payable in India is determined in accordance with the provisions of the Income Tax Act, 1961. Tax expense relating to overseas operations is determined in accordance with tax laws applicable in countries where such operations are domiciled.

Deferred income tax reflects the impact of current year timing differences between taxable income and accounting income and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities across various countries of operation are not set off against each other as the Group does not have a legal right to do so. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

If the Group has unabsorbed depreciation or carry forward tax losses, deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realised against future taxable profits.

The Company claims exemption under Section 10A of the Income Tax Act, 1961 in respect of taxable income up to March

31, 2011. Deferred tax is recognised after eliminating timing differences, which reverse during the tax holiday period.

At each balance sheet date the Group re-assesses unrecognised deferred tax assets. It recognises the unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Group writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain, that sufficient future taxable income will be available.

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified year. In the year in which the Minimum Alternative Tax (MAT) credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal income tax during the specified period.

The companies in the Group are subject to tax legislation as applicable in the respective country of incorporation. Accordingly, the calculations does not represent tax liability / income attributable to Group results, if these were to be analysed under the local legislation of the parent company.

(p) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs incurred in connection with the borrowing of funds.

(q) Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement on balance sheet date comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

(r) Government grants and subsidies

Grants and subsidies from the government are recognised when there is reasonable assurance that the grant / subsidy will be received and all attaching conditions will be complied with.

When the grant or subsidy relates to an expense item, it is deducted in reporting the related expenses over the periods necessary to match them on a systematic basis to the costs, which it is intended to compensate.

(s) Provisions

A provision is recognised when the Group has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on the best estimate required to settle the obligation at the each Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the management's current estimates.

(t) Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The weighted average numbers of equity shares outstanding during the year are adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders, share split and reverse share split (consolidation of shares).

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

(u) Segment reporting policies

Identification of segments :

The Group's operating businesses are organised and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which the major customers of the Group operate and / or the area in which the assets are located

Inter segment transfers :

The Group generally accounts for inter segment sales and transfers as if the sales or transfers were to third parties at current market prices.

Allocation of common costs :

Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

Unallocated items :

The corporate and other segment includes general corporate income and expense items which are not allocated to any business segment.

Segment Policies :

The Group prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group as a whole.

(v) Employee stock compensation cost

Measurement and disclosure of the employee share-based payment plans is done in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India. The Company measures compensation cost relating to employee stock options using the intrinsic value method. Compensation expense is amortised over the vesting period of the option on a straight line basis.

(w) Accounting for derivatives

The Company uses foreign exchange forward contracts (derivative financial instrument) to hedge its exposure to movements in foreign exchange rates against firm commitment or highly probable forecast transactions. The use of these foreign exchange forward contracts reduces the risk or cost to the Company and the Company does not use the foreign exchange forward contracts or options for trading or speculation purposes.

Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value on a mark-to-market basis at each balance sheet date. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting and the ineffective portion of an effective hedge, are taken directly to the Profit and Loss Account.

The mark-to-market is the difference between the forward exchange rate and the contract rate. The forward exchange rate is referenced to current forward exchange rates for contracts with similar maturity profiles.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (except for foreign currency risk); or
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges

The change in the fair value of a hedging derivative is recognised in the Profit and Loss Account. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is also recognised in the Profit and Loss Account.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while any ineffective portion is recognised immediately in the Profit and Loss Account. Amounts taken to equity are transferred to the Profit and Loss Account when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in equity are transferred to the Profit and Loss Account. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction or firm commitment occurs.

2. DESCRIPTION OF THE GROUP

R Systems International Limited (the 'Company') and its subsidiaries (collectively referred to as 'R Systems Group' or the 'Group') is a leading global provider of IT solutions and Business Process Outsourcing ("BPO") services. R Systems Group' primary focus is to provide full service IT solutions, software engineering, technical support, customer care and other IT enabled services to the high technology sector, independent software vendors (ISV's), banks, financial services companies, telecom and digital media technology companies and services providers, insurance and the health care sector. R Systems Group' develops and markets a suite of applications under the brand name "Indus" for the retail lending sector and undertakes software projects in the banking and financial services and telecom segment. R Systems Group' through its subsidiary ECnet Ltd develops and markets its proprietary supply chain solution under the brand name "ECnet", primarily to the high technology sector. R Systems Group' services are provided out of its thirteen global development and service centres in India, USA, Europe and Singapore.

The parent Company, R Systems International Limited is registered under the Companies Act, 1956 with its Registered Office at New Delhi.

Subsidiary	Holding	Country of incorporation and other particulars
R Systems, Inc. , USA	100% (Previous year 100%)	A company registered under the laws of California, USA in 1993 and subsidiary of the Company since January 2, 2001.
R Systems (Singapore) Pte Limited, Singapore	100% (Previous year 100%)	A company registered under the laws of Singapore in 1997 and subsidiary of the Company since September 19, 2000.
Indus Software, Inc., USA	100% (Previous year 100%)	A company registered under the laws of Delaware, USA in 1996 and subsidiary of the Company since April 1, 2002.
R Systems Solution, Inc., USA	100% (Previous year 100%)	A company registered under the laws of California, USA in 2000 and subsidiary of the Company since August 24, 2006.
R Systems N.V., Belgium	100% (Previous year 100%)	A company registered under the laws of Belgium in 2007 and subsidiary of the Company since August 28, 2007.
R Systems Europe B.V.,, Netherlands	100% (Previous year 100%)	A company registered under the laws of Netherlands in 1999 and subsidiary of the Company since January 23, 2008.
R Systems S.A.S, France	100% (Previous year 100%)	A company registered under the laws of France in 2000 and subsidiary of the Company since January 23, 2008.
ECnet Limited, Singapore	99.55% (Previous year 98.59%)	A company registered under the laws of Singapore in 1996. The Company has acquired majority share on January 8, 2004. ECnet Limited, Singapore has subsidiaries in Malaysia, Thailand, China, Hong Kong, USA and Japan.
Computaris International Limited (refer note 9 (c) under Schedule 18)	100% (Previous year Nil)	A company registered under the laws of England and Wales in 2006 and subsidiary of the Company since January 26, 2011. Computaris International Limited, UK has subsidiaries in U.K., Romania, Poland, Moldova, Malaysia and USA.

ECnet Limited, Singapore has following wholly owned subsidiaries:

Name	Holding	Country of incorporation
ECnet (M) Sdn Bhd	100 %	Malaysia
ECnet Systems (Thailand) Co. Ltd.	100 %	Thailand
ECnet (Shanghai) Co. Ltd.	100 %	People's Republic of China
ECnet (Hong Kong) Ltd.	100 %	Hong Kong
ECnet, Inc.	100 %	United States of America
ECnet Kabushiki Kaisha	100 %	Japan

Computaris International Limited, UK has following wholly owned subsidiaries:

Name	Holding	Country of incorporation
Computaris International Srl	100 %	Moldova
Computaris Malaysia Sdn. Bhd.	100 %	Malaysia
Computaris Polska sp z o.o.	100 %	Poland
Computaris Romania SRL	100 %	Romania
Computaris USA, LLC	100 %	United States of America
Computaris Limited	100 %	United Kingdom

Certain subsidiaries of the Company have significant losses at the year- end. These subsidiaries are meeting their short term funding requirement through parent and fellow subsidiaries loans. The management will extend its continual financial support during the financial year 2012 to enable these subsidiaries to meet its working capital and other financing requirements and considers it appropriate to prepare these accounts on going concern basis.

3. SEGMENT INFORMATION

Business segments :

R Systems Group is a leading global provider of IT solutions and Business Process Outsourcing (BPO) services. The Group considers business segment as the basis for primary segmental reporting. The Group is organised into two business segments – software development and customisation services and BPO services. Costs and expenses which cannot be allocated to any business segment are reflected in the column 'corporate and others'. Segments have been identified and reported based on the nature of the services, the risks and returns, the organisation structure and the internal financial reporting system.

Geographical segments :

The Group reports secondary segment information on the basis of the geographical location of the customers / assets. Although the Group's major operating divisions are managed on a worldwide basis, they operate in five principal geographical areas of the world which are: India, United States of America, South East Asian countries, Europe and Other areas.

The following table provides required information for the primary segments for the year ended December 31, 2011 and December 31, 2010:

(Amount in Rs.)

Particulars	Software development & customisation services		Business process outsourcing services		Eliminations		Corporate and others		Total	
	Year ended December 31,		Year ended December 31,		Year ended December 31,		Year ended December 31,		Year ended December 31,	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
REVENUE										
External sales	**3,409,928,627**	2,326,289,776	**685,026,284**	579,176,630					**4,094,954,911**	2,905,466,406
Inter-segment sales			**12,456,681**	9,853,031	**12,456,681**	9,853,031	**-**	-	**-**	-
Total revenue	**3,409,928,627**	2,326,289,776	**697,482,965**	589,029,661	**12,456,681**	9,853,031	**-**	-	**4,094,954,911**	2,905,466,406
RESULT										
Segment result	**192,668,243**	150,362,226	**13,525,589**	(18,067,274)					**206,193,832**	132,294,952
Unallocated corporate expenses							**51,977,333**	41,898,422	**51,977,333**	41,898,422
Operating profit									**154,216,499**	90,396,530
Interest expenses							**(668,488)**	(663,647)	**(668,488)**	(663,647)
Interest income							**40,930,313**	49,515,177	**40,930,313**	49,515,177
Other income							**14,713,141**	6,331,708	**14,713,141**	6,331,708
Income taxes expense / (credit)							**(44,066,187)**	22,183,936	**(44,066,187)**	22,183,936
Net profit									**165,125,278**	167,763,704

The following table provides required information for the primary segments as at December 31, 2011 and December 31, 2010:

(Amount in Rs.)

Particulars	Software development & customisation services		Business process outsourcing services		Eliminations		Corporate and others		Total	
	December 31,		December 31,		December 31,		December 31,		December 31,	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
OTHER INFORMATION										
Segment assets	**2,364,591,028**	1,475,543,855	**255,402,315**	203,997,622	**342,149,936**	301,354,893	**-**	-	**2,277,843,407**	1,378,186,584
Unallocated corporate assets							**677,656,019**	855,988,007	**677,656,019**	855,988,007
Income tax assets							**122,404,779**	92,296,378	**122,404,779**	92,296,378
Total assets	**2,364,591,028**	1,475,543,855	**255,402,315**	203,997,622	**342,149,936**	301,354,893	**800,060,798**	948,284,385	**3,077,904,205**	2,326,470,969
Segment liabilities	**888,600,209**	384,488,934	**446,864,872**	405,851,791	**342,149,936**	301,354,893			**993,315,145**	488,985,832
Unallocated corporate liabilities							**44,938,583**	30,041,590	**44,938,583**	30,041,590
Income tax liabilities							**53,819,910**	4,909,635	**53,819,910**	4,909,635
Total liabilities	**888,600,209**	384,488,934	**446,864,872**	405,851,791	**342,149,936**	301,354,893	**98,758,493**	34,951,225	**1,092,073,638**	523,937,057
Capital expenditures	**48,929,016**	49,257,836	**10,181,571**	5,684,173					**59,110,587**	54,942,009
Depreciation and amortisation	**105,453,712**	88,676,732	**25,730,823**	44,409,609					**131,184,535**	133,086,341
Other non-cash expenses	**63,196,062**	18,092,271	**6,032,914**	3,696,713					**69,228,976**	21,788,984

Geographical segments:

The Group reports secondary segment information on the basis of the geographical location of the customers / assets. The management views the domestic and export markets as distinct geographical segments.

The following is the distribution of the Group's revenue by geographical market:

	For the year ended December 31,	
	2011	2010
	Rs.	Rs.
India	**221,095,052**	216,758,609
USA	**1,946,505,788**	1,715,246,749
South East Asia	**300,044,227**	282,110,014
Europe	**1,485,701,631**	577,383,992
Others	**141,608,213**	113,967,042
Total	**4,094,954,911**	2,905,466,406

Assets and additions to tangible and intangible fixed assets by geographical area:

The following table shows the carrying amount of assets and additions to fixed assets and intangible assets by geographical area in which assets are located:

	Carrying amount of assets as at December 31,		Additions to fixed assets and intangible assets for the year ended December 31,	
	2011	2010	**2011**	2010
	Rs.	Rs.	**Rs.**	Rs.
India	**1,188,481,716**	1,467,075,756	**28,819,951**	31,713,940
USA	**584,926,565**	444,454,653	**10,137,465**	3,752,795
South East Asia	**127,655,620**	130,904,330	**1,647,346**	14,667,272
Europe	**1,131,982,939**	216,706,432	**18,505,825**	4,808,002
Others	**44,857,365**	67,329,798	**-**	-
Total	**3,077,904,205**	2,326,470,969	**59,110,587**	54,942,009

4. RELATED PARTY DISCLOSURE

(i) Names of related parties (Also refer note 2 for 'R Systems Group')

Key management personnel

Sl. No.	Name of person	Designation	Company
1	Satinder Singh Rekhi	Chairman and Managing Director Director Director Director Director Director Director	R Systems International Limited R Systems, Inc., USA R Systems (Singapore) Pte Ltd, Singapore Indus Software, Inc., USA R Systems Solution, Inc, USA R Systems, NV, Belgium R Systems Europe B.V., Netherlands
		Director	Computaris International Limited, UK
2	Lt. Gen. Baldev Singh (Retd.)	President and Senior Executive Director	R Systems International Limited
3	Raj Swaminathan	Director and Chief Operating Officer	R Systems International Limited
4	Tarun Shankar Mathur (Resigned in 2011)	Director Director	ECnet Ltd, Singapore R Systems (Singapore) Pte Ltd, Singapore
5	Sartaj Singh Rekhi	Director Director Director Executive Manager	R Systems Solution, Inc., USA R Systems Europe B.V., Netherlands R Systems, NV, Belgium R Systems, Inc., USA
6	Bart V Eunen	Director Director	R Systems Europe B.V., Netherlands R Systems S.A.S ,France
7	Vinay Narjit Singh Behl	Director	R Systems, Inc., USA
8	Cai Li Ting	Director Director	ECnet Ltd, Singapore R Systems (Singapore) Pte Ltd, Singapore
9	Chan Kum Ming	Director Director	ECnet Ltd, Singapore R Systems (Singapore) Pte Ltd, Singapore
10	Ian Adrian Tidder	Director	Computaris International Limited, UK
11	Irina Arsene	Director	Computaris International Limited, UK
12	Bogdan Mihai Danila	Director	Computaris International Limited, UK
13	Raluca Marina Rusu	Director	Computaris International Limited, UK
14	Michal Misiaszek	Director	Computaris International Limited, UK

Relatives of Key management personnel

Sl. No.	Name of person	Related to	Designation
1	Mandeep Singh Sodhi	Lt. Gen. Baldev Singh (Retd.)	Vice President – Sales (R Systems International Limited)
2	Amrita Kaur	Satinder Singh Rekhi	Assistant Business Manager (R Systems International Limited)

Enterprises owned or significantly influenced by key management personnel or their relatives

Sl. No.	Name of Enterprises	Related to	Relationship
1	Euro IT Limited	Ian Adrian Tidder	Sole shareholder of Euro IT Limited

(ii) Details of transactions with related parties for the years ended December 31, 2011 and December 31, 2010:

(Amount in Rs.)

	For the year ended December 31, 2011	For the year ended December 31, 2010
Remuneration to key management personnel and their relatives		
Satinder Singh Rekhi	**18,113,373**	15,562,573
Lt. Gen. Baldev Singh (Retd.)	**4,643,502**	4,378,564
Raj Swaminathan	**4,706,579**	5,441,817
Bart V Eunen	**9,638,829**	7,606,212
Tarun Shankar Mathur	**8,852,761**	10,425,594
Cai Li Ting	**4,370,761**	2,975,899
Sartaj Singh Rekhi	**3,828,422**	3,110,674
Vinay Narjit Singh Behl	**1,399,275**	114,027
Mandeep Singh Sodhi	**16,073,251**	15,539,645
Amrita Kaur	**233,331**	402,096
Chan Kum Ming	**985,850**	-
Ian Adrian Tidder	**1,949,324**	-
Irina Arsene	**5,887,493**	-
Bogdan Mihai Danila	**5,892,341**	-
Raluca Marina Rusu	**5,891,341**	-
Michal Misiaszek	**5,661,377**	-
Services received		
Euro IT Limited	**11,388,026**	-
Rent		
Satinder Singh Rekhi	**6,487,554**	6,030,512

5. LEASES - IN CASE OF ASSETS TAKEN ON LEASE

(a) The Group has operating leases for office premises, office equipment, vehicle etc. The future minimum payments required under non-cancelable operating leases at year -end are as follows

	Year ended December 31, 2011 Rs.	Year ended December 31, 2010 Rs.
Lease payments for the year	**115,119,890**	80,320,488
Minimum Lease Payments:		
Not later than one year	**94,821,021**	67,862,631
Later than one year but not later than five years	**82,878,156**	113,581,456
Later than five years	**Nil**	Nil

The operating lease arrangements extend for a maximum of 5 years from their respective dates of inception. Most of the operating lease arrangements do not have price escalation clause.

(b) The Group has finance leases for computers hardware and office and electrical equipment. The lease term is from 3 to 5 years and after the expiry of initial lease term, the Group has an option to buy the assets under finance lease at a nominal value. Gross block & net block includes assets obtained on finance lease as per the details given below:-

	Gross block As at December 31,		Net block As at December 31,	
	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
Computers	-	941,170	-	31,370
Office and electrical equipment	**5,820,245**	25,726,002	**2,910,123**	4,565,569
Total	**5,820,245**	26,667,172	**2,910,123**	4,596,939

Minimum lease payments and present values for assets obtained on finance lease are as follows:-

	Year ended December 31, 2011 Rs.	Year ended December 31, 2010 Rs.
Total minimum lease payments during the year	**2,713,942**	7,110,776
Less : Amount representing finance charges	**5,060**	163,824
Present value of minimum lease payments	**2,708,882**	6,946,952
Minimum Lease Payments: Not later than one year [Present value Rs. 970,041 as on December 31, 2011 (Rs. 2,485,366 as on December 31, 2010)]	**970,041**	2,490,008
Later than one year but not later than five years [Present value Rs. Nil as on December 31, 2011 (Rs. 840,837 as on December 31, 2010)]	**Nil**	840,837
Later than five years [Present value Rs. Nil as on December 31, 2011 (Rs. Nil as on December 31, 2010)]	**Nil**	Nil

6. CAPITAL COMMITMENTS

	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
Commitments for purchase of fixed assets	**2,752,785**	3,807,754

7. CONTINGENT LIABILITIES NOT PROVIDED FOR:

	As at December 31, 2011 Rs.	As at December 31, 2010 Rs.
Performance guarantees given to Department of Telecommunication for Domestic and International 'Other Service Provider' licenses	**20,000,000**	51,000,000
Performance bank guarantee issued to a customer	**13,010,725**	10,998,050
Claims not acknowledged as debts	**15,751,926**	-
Total	**48,762,651**	61,998,050

8. (a) The Issued, subscribed and paid up equity share capital of the Company as on December 31, 2011 and December 31, 2010, includes the following:

- 67,000 equity shares of Rs. 10 each, allotted at a premium of Rs. 10,838 (approx) per equity share pursuant to a contract for share swap with existing shareholders of R Systems, Inc., USA after obtaining necessary regulatory approvals on January 2, 2001.

- 3,600,000 equity shares of Rs. 10 each, allotted as fully paid up bonus shares by way of capitalisation of accumulated profits on January 5, 2001.

Note:

The Company had sub divided each of its equity shares of Rs. 10 each into 5 equity shares of Rs. 2 each and accordingly all the aforementioned shares had been sub divided on January 5, 2001.

- 3,596,869 equity shares of Rs. 2 each, allotted on March 4, 2002 at a premium of Rs. 113.42 per equity share pursuant to a "Share Purchase Agreement" resulting in share swap with specific shareholders of Indus Software Private Limited (or 'Indus') after obtaining necessary regulatory approvals.

- 1,281,364 equity shares of Rs. 2 each, allotted on December 28, 2002 at a premium of Rs. 113.42 per equity share to the remaining shareholders of Indus, pursuant to the approval of "Scheme of Amalgamation" relating to the amalgamation of Indus with the Company by the High Courts of Delhi and Mumbai.

- 495,667 equity shares of Rs. 2 each issued in January 2006 upon conversion of warrants under the Shareholders Agreement dated February 16, 2002.

Note:

The Company had consolidated each of its five equity shares of Rs. 2 each into one equity share of Rs. 10 each and accordingly the aforementioned shares had been consolidated on January 30, 2006.

- 5,355,255 equity shares of Rs. 10 each had been allotted on January 30, 2006 as fully paid up bonus shares by utilisation of Securities Premium Account in terms of the provisions of Section 78 of the Companies Act, 1956.

(b) Buy back of equity shares:

Prior to the year 2004, the Company had advanced Rs. 115,131,450 to R Systems Employee Stock Option Trust, and allotted 997,500 equity shares at the rate of Rs. 115.42. During the year ended December 31, 2004, the Company bought back these shares at the rate of Rs. 115.42 per equity share.

Further the Board of Directors of the Company at its meeting held on September 07, 2008, had approved the Buy-back of the equity shares of Rs. 10 each, not exceeding 1,306,941 number of equity shares from the existing owners, at a maximum price of Rs. 150 per equity share, for an aggregate amount not exceeding Rs. 80,000,000 from the open market through stock exchange(s) in terms of the SEBI (Buy Back of Securities) Regulations, 1998 pursuant to the first proviso to clause (b) of sub-section (2) of Section 77A of the Companies Act, 1956. Consequently, the Company made a public announcement dated October 15, 2008 regarding Buy-back of equity shares.

Under the Buy-back programme, the Company had bought back 1,265,820 equity shares up to August 27, 2009 inclusive of payout formalities (including 146,346 equity shares up to December 31, 2008) at an average price of Rs. 63.20 per share for an aggregate amount of Rs. 80,000,000 by utilising the Securities Premium Account to the extent of Rs. 67,341,773 and General Reserve to the extent of Rs. 12,658,200. The Capital Redemption Reserve has been created out of General Reserve for Rs. 12,658,200 being the nominal value of equity shares bought back in terms of Section 77AA of the Companies Act, 1956. The Offer for Buy Back has been successfully completed on August 27, 2009.

(c) For the year ended December 31, 2011, the Board of Directors have recommended a dividend of Rs. 3.60 per share, subject to the approval of the shareholders at the forthcoming Annual General Meeting.

9. (a) During earlier years, the Company had acquired 98.59% shares in ECnet Limited, a Company incorporated in Singapore at total consideration of Rs. 34,938,958. During the year ended December 31, 2005, the Company had based upon an order of High Court of Delhi written down the goodwill value to Rs. Nil and adjusted the write off of Rs. 24,495,721 against the Securities Premium Account as this had not been represented by available assets.

During the year ended December 31, 2007 the Company had settled the liabilities towards certain erstwhile shareholders. As a result thereof, the deferred payment compensation of Rs. 14,452,222 was released, as considered appropriate by the management. The reassessed amount payable Rs. 11,068,991 (reinstated as at December 31, 2011) [Previous year Rs. 9,352,294 (reinstated as at December 31, 2010)] is shown under 'current liabilities'

During the year ended December 31, 2010 the Board of Directors had approved a Scheme for corporate restructuring of its two subsidiaries based in Singapore viz ECnet Limited and R Systems (Singapore) Pte Limited subject to applicable corporate and other regulatory approvals in India and Singapore. The proposed corporate restructuring involves conversion of loan by the Company to ECnet Limited into equity investment and thereafter amalgamation of both these subsidiaries.

During the year ended December 31, 2011, pursuant to the above restructuring plan, the loan to ECnet Limited amounting to Rs. 152,000,000 (SGD 3,800,000) has been converted into equity investment at the fair value of Rs. Nil. Post conversion the shareholding of the Company in ECnet Limited has increased from 98.59% to 99.55% (38,306,451 number of shares issued post conversion). The Company is in the process of obtaining relevant regulatory approvals for the amalgamation of both the subsidiaries.

(b) The Board of Directors of the Company and R Systems NV, Belgium (wholly owned subsidiary of the Company) has approved the liquidation of R Systems NV, Belgium subject to the required statutory and corporate approvals in India and Belgium. The Company is in the process of obtaining relevant regulatory approvals.

(c) During the year ended December 31, 2011, the Company had acquired 100% shares of Computaris International Limited, UK (Computaris) on January 26, 2011 for a maximum consideration of GBP 9 million out of which GBP 4.25 million is the initial payout and balance is based on earn outs as well as fulfillment of certain condition by the erstwhile shareholders of Computaris over the next two years.

Computaris is having subsidiaries in U.K., Romania, Poland, Moldova, Malaysia and USA. Computaris provides services and solutions to telecom industry and specialises in real-time rating and convergent billing solutions.

The management on the date of acquisition has assessed investment value at Rs. 509,220,450 which represents the consideration assessed as probable to be paid over the period and accordingly recorded the goodwill on acquisition amounting to Rs. 309,582,459. Out of this total investment value, Rs. 319,043,900 has been paid at time of acquisition and balance Rs. 190,176,550 is payable based on earn outs as well as fulfillment of certain condition by the erstwhile shareholders of Computaris over the next two years.

Breakup of assets and liabilities acquired on acquisition of the Computaris International Limited as noted above :

(Amount in Rs.)

Assets	
Cash and bank balances	75,260,707
Sundry debtors	147,132,803
Loans and Advances	6,908,453
Fixed assets	
Gross block	43,026,832
Less : Accumulated depreciation	23,842,611
Net block	19,184,221
Capital work-in-progress including capital advances	315,265
Intangibles assets	3,821,061
Total assets	**252,622,510**
Liabilities	
Current liabilities and provisions	52,984,519
Total liability	**52,984,519**
Net assets (A)	**199,637,991**
To be discharged by:	
Cash already paid	319,043,900
Future amount assessed as probable to be paid	190,176,550
Total Consideration (B)	**509,220,450**
Goodwill arising on acquisition (B-A)	**309,582,459**

The details of fixed assets and intangible assets acquired on acquisition of Computaris International Limited are as under:

(Amount in Rs.)

Fixed assets	Gross Block	Accumulated depreciation
Lease hold improvement	1,620,034	584,574
Computers	37,514,572	21,171,821
Furniture and fittings	1,899,030	981,600
Office and electric equipment	1,993,196	1,104,616
Total	**43,026,832**	**23,842,611**

Intangible assets	Gross Block	Accumulated amortisation
Software	9,148,654	5,327,593

Subsequently on further reassessment of the conditions the Company increased the investment and goodwill value by Rs. 25,557,432 and 10,426,747 respectively during the quarter ended June 30, 2011 and reduced the investment and goodwill value by Rs. 50,194,378 and 49,908,170 respectively during the quarter ended December 31, 2011 on the basis of assessment as at respective dates. Accordingly, the goodwill on account of acquisition as at December 31, 2011 is Rs. 270,101,036.

As at December 31, 2011 amount payable within one year from the year-end is shown under 'current liabilities' of Rs. 116,232,952 (reinstated as at December 31, 2011) and balance amount is payable after one year which has been disclosed separately as 'deferred payment liabilities' of Rs. 70,994,905 (reinstated as at December 31, 2011).

(d) All profits / losses relating to Computaris International Limited subsequent to the date of acquisition are included in these consolidated financial statements. Accordingly, profit for the period from January 26, 2011 to December 31, 2011 is incorporated in the Profit and Loss Account. Further, goodwill, as mentioned above, has been computed on the basis of accounts of the subsidiary as on January 26, 2011. For the purpose of above computation, the amounts in foreign currencies have been translated at the applicable rates on the acquisition date, i.e., GBP 1= Rs. 72.63.

10. (a) R Systems International Limited - Year 2004 Employee Stock Option Plan ('the plan')

During the year 2004, the Company had instituted the plan for all eligible employees as specified in the rules in pursuance of the special resolution duly approved by the shareholders. The plan provides for the issuance of 997,500 options to eligible employees as recommended by the Compensation Committee constituted for this purpose.

The plan is administered by a Compensation Committee and exercise price is "1.60 times the Book Value of the Share as per the audited balance sheet as on December 31, 2003 i.e. Rs. 42 per Share or 1.60 times of the book value as per immediate previous accounting year audited balance sheet rounded off to nearest rupee as on the date of Exercise whichever is higher".

During the year ended December 31, 2006, the Company had consolidated each of its five equity shares of Rs. 2 each into one equity share of Rs. 10 each and then issued 1:1 bonus share to each of the then existing shareholder (excluding the option holders) by utilisation of Securities Premium Account in terms of the provisions of Section 78 of the Companies Act, 1956. Considering these changes in the capital structure, the management had adjusted the number of options vesting to its employees and exercise price to preserve the benefits intended to be made available under the plan i.e. instead of five options of Rs. 2 per share, the employees' entitlement had been adjusted to one option of Rs. 10 per share and instead of earlier exercise price of Rs. 42 per share for each Rs. 2 share, the exercise price had been accordingly adjusted to Rs. 105 per equity share. During the year ended December 31, 2008, the Company had obtained a legal opinion confirming that the adjustments undertaken to the number of options vesting to its employees and exercise price, pursuant to the consolidation and subsequent bonus issue during the year ended December 31, 2006, does not tantamount to modification and no additional benefit was offered to the existing option holders.

The vesting period is 4 years (25% in each year) commencing from the date of grant under the plan. The eligible employees have an option to exercise it over a period of 10 years from the date of grant under the plan. The movement in the options during the year ended December 31, 2011 and year ended December 31, 2010 is set out below:

	Year ended December 31, 2011 (Nos.)	Year ended December 31, 2010 (Nos.)
At the beginning		
- Grants outstanding under the plan (Rs. 10 per share)	**73,380**	79,500
- Grants pending determination by the Compensation Committee (Rs. 10 per share)	**71,285**	65,165
During the year		
- Options granted (Rs. 10 per share)	**-**	-
- Options exercised (Rs. 10 per share)	**-**	-
- Options lapsed or surrendered (Rs. 10 per share)	**11,455**	6,120
At the end		
- Grants outstanding under the plan (Rs. 10 per share)	**61,925**	73,380
- Grants pending determination by the Compensation Committee (Rs. 10 per share)	**82,740**	71,285

(b) Indus Software Employees Stock Option Plan – Year 2001 ('the plan'):

Indus Software Private Limited ('Indus') had outstanding options aggregating 21,967 equity shares as on March 31, 2002, to be issued to the eligible employees under the Indus Software Employees Stock Option Plan – Year 2001 under various vesting periods as specified in the said Plan, duly approved by the erstwhile shareholders. Indus had established "Indus Software Employees Welfare Trust" ('the Indus Trust') to administer the plan, as approved by the members, for the benefits of the Company's employees and had provided an interest free loan of Rs. 3,382,792. Consequently, Indus had allotted 21,967 equity shares of Rs. 10 each at a premium of Rs. 144 per equity share to the Indus Trust to be further issued to the Indus' eligible employees on the exercise of the underlying options granted to them.

As a result of the merger of Indus with the Company, all employees had surrendered their options in favour of the Indus Trust to enable them to obtain options for shares in R Systems

International Limited after the merger. Also, the Company had issued 206,822 equity shares of Rs. 2 each at a premium of Rs. 113.42 per share to the Indus Trust in exchange of 21,967 equity shares of Indus, apropos to the agreed swap ratio. During the earlier years out of the said 206,822 shares 22,079 shares were issued to the employees on exercise of options.

The Company had consolidated each of its five equity shares of Rs. 2 each into one equity share of Rs. 10 each on January 30, 2006 and then issued 1:1 bonus share to each of the then existing shareholder by utilisation of Securities Premium Account in terms of the provisions of Section 78 of the Companies Act, 1956, consequently total number of shares issued are now 73,898 equity shares of Rs. 10 each. Accordingly an amount of Rs. 738,980 and Rs. 2,282,728 is shown as deduction from Issued, subscribed and paid-up capital and Securities Premium Account respectively as suggested by the "Guidance Note on Accounting for Employee Share-based Payments" issued by The Institute of Chartered Accountants of India.

The movement in the options (in equivalent number of shares of the Company) held by the Trust during the year ended December 31, 2011 and the year ended December 31, 2010 is set out below:

	Year ended December 31, 2011 (Nos.)	Year ended December 31, 2010 (Nos.)
At the beginning		
- Grants outstanding under the plan (Rs. 10 per share)	**-**	-
- Grants pending determination by the Compensation Committee (Rs. 10 per share)	**73,898**	73,898
During the year		
- Options granted (Rs. 10 per share)	**-**	-
- Options exercised (Rs. 10 per share)	**-**	-
- Options lapsed or surrendered (Rs. 10 per share)	**-**	-
At the end		
- Grants outstanding under the plan (Rs. 10 per share)	**-**	-
- Grants pending determination by the Compensation Committee (Rs. 10 per share)	**73,898**	73,898

(c) R Systems International Limited – Year 2004 Employees Stock Option Plan ECnet ('the plan')

The Company had instituted the plan for all eligible employees in pursuance of the special resolution duly approved by the shareholders. The plan provides for the issuance of 1,000,000 options to eligible employees as recommended by the Compensation Committee constituted for this purpose.

The plan is administered by a Compensation Committee and exercise price is "Book Value of the Share as per the audited Balance Sheet as on 31st December 2003 i.e. Rs. 26 or as on the date of Exercise, the book value as per immediate previous accounting year audited balance sheet rounded off to nearest rupee whichever is higher".

During the year ended December 31, 2006, the Company had consolidated each of its five equity shares of Rs. 2 each into one equity share of Rs. 10 each and then issued 1:1 bonus share to each of the then existing shareholder (excluding the option holders) by utilisation of Securities Premium Account in terms of the provisions of Section 78 of the Companies Act, 1956. Considering these changes in the capital structure, the management had adjusted the number of options vesting to its employees and exercise price to preserve the benefits intended to be made available under the plan i.e. instead of five options of Rs. 2 per share, the employees' entitlement had been adjusted to one option of Rs. 10 per share and instead of earlier exercise price of Rs. 26 per share for each Rs. 2 share, the exercise price had been accordingly adjusted to Rs. 65 per equity share. During the year ended December 31, 2008, the Company had obtained a legal opinion confirming that the adjustments undertaken to the number of options vesting to its employees and exercise price, pursuant to the consolidation and subsequent bonus issue during the year ended December 31, 2006, does not tantamount to modification and no additional benefit was offered to the existing option holders.

The vesting period is 4 years (40% in 1st year & 20% in 2nd, 3rd & 4th year) commencing from the date of grant under the plan. The eligible employees have an option to exercise it over a period of 10 years from the date of grant under the plan. The movement in the options during the year ended December 31, 2011 and year ended December 31, 2010 is set out below:

	Year ended December 31, 2011 (Nos.)	Year ended December 31, 2010 (Nos.)
At the beginning		
- Grants outstanding under the plan (Rs. 10 per share)	**6,800**	6,800
- Grants pending determination by the Compensation Committee (Rs. 10 per share)	**123,241**	123,241
During the year		
- Options granted (Rs. 10 per share)	**-**	-
- Options exercised (Rs. 10 per share)	**-**	-
- Options lapsed or surrendered (Rs. 10 per share)	**-**	-

	Year ended December 31, 2011 (Nos.)	Year ended December 31, 2010 (Nos.)
At the end		
- Grants outstanding under the plan (Rs. 10 per share)	**6,800**	6,800
- Grants pending determination by the Compensation Committee (Rs. 10 per share)	**123,241**	123,241

(d) R Systems International Limited Employee Stock Option Scheme 2007 ('the plan')

During the year 2007, the Company had instituted the plan for all eligible employees as specified in the rules in pursuance of the special resolution duly approved by the shareholders. The plan provides for the issuance of 650,000 options to eligible employees as recommended by the Compensation Committee constituted for this purpose.

The plan is administered by a Compensation Committee and exercise price is Rs. 120.70 being the latest available closing price, prior to the date of the meeting of the Board of Directors / Compensation Committee held on July 11, 2007 in which options are granted, on the stock exchange on which the shares of the Company are listed. Accordingly, the intrinsic value of Employee Stock Option is taken as Rs. Nil.

The vesting period is 4 years (25% in each year) commencing from the date of grant under the plan. The eligible employees have an option to exercise it over a period of 10 years from the date of grant under the plan. The movement in the options during the year ended December 31, 2011 and year ended December 31, 2010 is set out below:

	Year ended December 31, 2011 (Nos.)	Year ended December 31, 2010 (Nos.)
At the beginning		
- Grants outstanding under the plan (Rs. 10 per share)	**503,000**	530,000
- Grants pending determination by the Compensation Committee (Rs. 10 per share)	**147,000**	120,000
During the year		
- Options granted (Rs. 10 per share)	**-**	-
- Options exercised (Rs. 10 per share)	**-**	-
- Options lapsed or surrendered (Rs. 10 per share)	**28,000**	27,000

	Year ended December 31, 2011 (Nos.)	Year ended December 31, 2010 (Nos.)
At the end		
- Grants outstanding under the plan (Rs. 10 per share)	**475,000**	503,000
- Grants pending determination by the Compensation Committee (Rs. 10 per share)	**175,000**	147,000

(e) For the purpose of valuation of the options granted during earlier years, the management obtained fair value of the options at the date of grant under respective schemes from a firm of Chartered Accountants to determine accounting impact, if any, of options granted over the periods. In the considered opinion of the valuer, the fair value of option determined using 'Black Scholes Valuation Model' under each of above schemes (except R Systems International Limited Employee Stock Option Scheme 2007 refer 10 (d) above) is "Nil" and thus no accounting thereof is required.

The assumptions used for the purpose of determination of fair value are stated below:

Assumptions	Unit	Scheme (a) *	Scheme (b) **	Scheme (c)***	Comments by the valuer
Strike price	Rs.	42	154	26	
Current share price	Rs.	16	140	16	Taken on the basis of NAV and PECV method of valuation.
Expected option life	No. of Years	5	2.5	5	Being half of the maximum option life.
Volatility	%	1	0.5	1	In case of unlisted shares, the volatility may be taken as zero. Verma committee also recommends this.
Risk free return	%	7	11.3	7	Zero coupon rate estimated from trading government securities for a maturity corresponding to expected life of option - taken from sites of NSE and / or BSE.
Expected dividend Yield	%	-	15	-	Company has no set policy so dividend taken as zero. In case of Indus plan, as the dividend had been paid by the erstwhile company, it has been assumed at 15%.

*: R Systems International Ltd. - Year 2004 Employee Stock Option Plan under which the price was based on Rs. 2 per share.

**: Indus Software Employees Stock Option Plan - Year 2001 under which originally the price was based on Rs. 10 per share for 21,967 shares. As a result of amalgamation of Indus Software Private Limited into R Systems, R Systems had issued 206,822 equity shares of Rs. 2 each pursuant to the swap ratio approved by Hon'ble High Courts of Delhi and Mumbai.

***: R Systems International Ltd. - Year 2004 Employee Stock Option Plan - ECnet under which the price was based on Rs. 2 per share.

The above information is based on Rs. 2 per share prior to consolidation of 5 equity shares of Rs. 2 each into one equity share of Rs. 10 each and subsequent allotment of bonus shares in the ratio of 1 : 1. For further details refer note 8 (a).

Further, for the purpose of valuation of the options granted during the year 2005 under R Systems International Limited-Year 2004 Employee Stock Option Plan, the management obtained fair value of the options at the date of grant from a firm of Chartered Accountants, to determine accounting impact, if any, of options granted. In the considered opinion of the valuer, the fair value of these option determined using 'Black Scholes Valuation Model' is "Nil" and thus no accounting thereof is required.

The assumptions used by the valuer for the purpose of determination of fair value are stated below:

Assumptions	Unit	Scheme	Comments by the valuer
Strike price	Rs.	42	
Current share price	Rs.	13.58	Taken on the basis of NAV and PECV method of valuation.
Expected option life	No. of Years	5	Being half of the maximum option life.
Volatility	%	1	In case of unlisted shares, the volatility may be taken as zero. Verma committee also recommends this.
Risk free return	%	7.42	Zero coupon rate estimated from trading government securities for a maturity corresponding to expected life of option - taken from sites of NSE.
Expected dividend Yield	%	-	Company has no set policy so dividend taken as zero.

The above information is based on Rs. 2 per share prior to consolidation of 5 equity shares of Rs. 2 each into one equity share of Rs. 10 each and subsequent allotment of bonus shares in the ratio of 1 : 1.

(f) For the purpose of valuation of the options granted during the year ended December 31, 2007 under R Systems International Limited Employee Stock Option Scheme – 2007, the compensation cost relating to Employee Stock Options, calculated as per the intrinsic value method is Nil.

The management obtained fair value of the options at the date of grant from a firm of Chartered Accountants. In the considered opinion of the valuer, the fair value of these options determined using 'Black Scholes Valuation Model' is "Rs. 50.73" per option.

The assumptions used by the valuer for the purpose of determination of fair value are stated below:

Assumptions	Unit	Scheme	Comments by the valuer
Strike price	Rs.	120.70	
Current share price	Rs.	118.50	Price on the date of grant by Board of Directors i.e. closing price on July 11, 2007
Expected option life	No. of Years	4	Being the vesting period.
Volatility	%	44	On the basis of industry average.
Risk free return	%	7	Zero coupon rate estimated from trading government securities for a maturity corresponding to expected life of option – taken from sites of NSE.
Expected dividend Yield	%	0.86	Company has declared Dividends of 12% in the past. Assuming that it will continue declaring similar dividends in future.

In March 2005 the ICAI has issued a guidance note on "Accounting for Employees Share Based Payments" applicable to 'employee share based plan' the grant date in respect of which falls on or after April 1, 2005. The said guidance note requires the Proforma disclosures of the impact of the fair value method of accounting of employee stock compensation in the financial statements. Since the Company used the intrinsic value method the impact on the reported net profit and earnings per share by applying the fair value based method is as follows:

(Amount in Rs.)

Particulars	Year ended December 31, 2011	Year ended December 31, 2010
Profit after tax	**165,125,278**	167,763,704
Add: Intrinsic Value Compensation Cost	**-**	-
Less:- Fair Value Compensation Cost	**(585,874)**	1,527,947
Adjusted Pro-forma Profit after tax	**165,711,152**	166,235,757
Earnings Per Share		
Basic		
- As reported	**13.41**	13.62
- Pro-forma	**13.45**	13.50
Diluted		
- As reported	**13.26**	13.46
- Pro-forma	**13.30**	13.34

11. EARNINGS PER SHARE*

Particulars	Year ended December 31, 2011	Year ended December 31, 2010
Net profit after tax (Rs.)	**165,125,278**	167,763,704
Weighted average number of equity shares for calculating Basic EPS	**12,316,886**	12,316,886
Add: Equity shares for no consideration arising on grant of stock options under ESOP.	**140,561**	148,847
Weighted average number of equity shares for calculating Diluted EPS	**12,457,447**	12,465,733
Basic [Nominal value of shares Rs. 10 (Previous year: Rs. 10)] (Rs.)	**13.41**	13.62
Diluted [Nominal value of shares Rs. 10 (Previous year: Rs. 10)] (Rs.)	**13.26**	13.46

**Refer note no. 10 (f) above.*

12. POST EMPLOYMENT BENEFITS

The Company has an unfunded defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on separation equal to 15 days salary (last drawn salary) for each completed year of continuous service or part thereof in excess of six months subject to a maximum of Rs. 1,000,000.

The following table summaries the components of net benefit expense recognised in the Profit and Loss Account.

Net employee benefits expense recognised under Salary, wages and bonus.

(Amount in Rs.)

Particulars	Year ended December 31, 2011	Year ended December 31, 2010
Current service cost	**11,149,442**	9,840,390
Interest cost on benefit obligation	**3,910,824**	3,821,864
Expected return on plan assets	**-**	-
Net actuarial (gain) / loss recognised in the year	**(3,832,184)**	(3,834,501)
Past service cost	**-**	9,548,619
Net employee benefit expense	**11,228,082**	19,376 ,372

Details of defined benefit gratuity plan

(Amount in Rs.)

Particulars	As at December 31, 2011	As at December 31, 2010
Defined benefit obligation	**62,937,379**	57,825,653
Fair value of plan assets	**-**	-
Present value of unfunded obligations	**62,937,379**	57,825,653
Less: Unrecognised past service cost	**-**	-
Plan liability / (asset)	**62,937,379**	57,825,653

Changes in the present value of the defined benefit gratuity plan are as follows:

(Amount in Rs.)

Particulars	Year ended December 31, 2011	Year ended December 31, 2010
Opening defined benefit obligation	**57,825,653**	42,199,151
Interest cost	**3,910,824**	3,821,864
Current service cost	**11,149,442**	9,840,390
Benefits paid	**(6,116,356)**	(3,749,870)
Actuarial (gains) / losses on obligation	**(3,832,184)**	(3,834,501)
Past service cost	**-**	9,548,619
Closing defined benefit obligation	**62,937,379**	57,825,653

The principal assumptions used in determining defined benefit gratuity plan obligations is shown below:

Particulars	Year ended December 31, 2011 %	Year ended December 31, 2010 %
Discount rate	**8.75% p.a.**	7.95% p.a.
Expected rate of return on plan assets	**Not applicable**	Not applicable
Salary Escalation Rate	**10% p.a. for first year and 7% p.a. thereafter**	10% p.a. for first year and 7% p.a. thereafter
Attrition rate:	**As per table below**	As per table below

Attrition rate used for the year ended December 31, 2011 and year ended December 31, 2010 are as per the table below:

Age (Years)	Rates
21 – 30	15%
31 – 34	10%
35 – 44	5%
45 – 50	3%
51 – 54	2%
55 – 59	1%

The estimates of future salary increases takes into account the inflation, seniority, promotion and other relevant factors.

Amounts for the current and previous four years are as follows:

(Amount in Rs.)

	Gratuity				
	December 31, 2011	December 31, 2010	December 31, 2009	December 31, 2008	December 31, 2007
Defined benefit obligation	**62,937,379**	57,825,653	42,199,151	46,466,537	23,306,788
Plan assets	**-**	-	-	-	-
Surplus / (deficit)	**(62,937,379)**	(57,825,653)	(42,199,151)	(46,466,537)	(23,306,788)
Experience adjustments on plan liabilities	**1,934,614**	(2,914,547)	(6,981,759)	116,082	461,423
Experience adjustments on plan assets	**-**	-	-	-	-

13. PARTICULARS OF DERIVATIVE INSTRUMENTS AND UNHEDGED FOREIGN CURRENCY EXPOSURE AS AT DECEMBER 31, 2011 AND DECEMBER 31, 2010:

As of December 31, 2011, the Company had derivative financial instruments to sell USD 10,950,000 (Previous year USD 4,050,000), sell EURO 2,509,365 (Previous year EURO 200,000), buy EURO 225,000 (Previous year Euro Nil) and buy GBP 500,000 (Previous year GBP Nil). The Company has not applied hedge accounting as these instruments do not qualify for hedge accounting. The Company has recognised mark-to-market loss of Rs. 55,943,547 (Previous year gain of Rs. 6,372,744) relating to such derivative financial instruments in the Profit and Loss Account for the year ended December 31, 2011.

	Currency	Foreign Currency amount		Closing foreign exchange rate		Amount (Rs.)	
		December 31,		December 31,		December 31,	
		2011	2010	**2011**	2010	**2011**	2010
LIABILITIES							
Deferred compensation to erstwhile shareholders							
ECnet Limited	SGD	**269,285**	269,285	**41.11**	34.73	**11,068,991**	9,352,294
Computaris International Limited – Short term	GBP	**1,415,059**	-	**82.14**	-	**116,232,952**	-
Computaris International Limited – Long term	GBP	**864,316**	-	**82.14**	-	**70,994,905**	-
Creditors							
	USD	**131,789**	559,760	**53.11**	44.89	**6,998,644**	25,127,616
	EURO	**1,013,220**	-	**68.66**	-	**69,567,685**	-
ASSETS							
Debtors (Gross)							
	USD	**8,347,176**	7,759,424	**53.11**	44.89	**443,276,784**	348,320,543
	EURO	**1,807,305**	931,502	**68.66**	59.52	**124,089,588**	55,438,364
	GBP	**16,981**	774	**82.14**	69.48	**1,394,847**	53,797
	JPY	**2,134,531**	5,597,109	**0.69**	0.55	**1,462,154**	3,072,813
	AUD	**5,000**	34,500	**53.95**	45.48	**269,760**	1,568,888
	CHF	**1,284,733**	100,742	**56.49**	48.05	**72,571,999**	4,840,653
	THB	**1,761,706**	-	**1.68**	-	**2,957,904**	-
Bank balances							
	USD	**1,190,520**	1,776,958	**53.11**	44.89	**63,222,581**	79,767,657
	EURO	**1,999,081**	364,318	**68.66**	59.52	**137,256,915**	21,682,411
	GBP	**303**	1,977	**82.14**	69.48	**24,894**	137,370
	JPY	**1,663,420**	15,601,676	**0.69**	0.55	**1,139,443**	8,565,320
	CHF	**261,759**	-	**56.49**	-	**14,786,228**	-
Unbilled revenue							
	USD	**554,733**	879,061	**53.11**	44.89	**29,459,076**	39,461,036
	EURO	**359,613**	236,299	**68.66**	59.52	**24,691,041**	14,063,335
	THB	**16,589,000**	16,823,637	**1.68**	1.49	**27,852,931**	25,067,220
	CHF	**593,180**	-	**56.49**	-	**33,507,563**	-
	JPY	**882,000**	-	**0.69**	-	**604,170**	-

14. As of December 31, 2011 there is uncertainty regarding ultimate realisation relating to some of the customers due to their current financial position, therefore revenue aggregating Rs. 39,626,845 (Previous year Rs. 11,915,759) has been deferred till the time the realisation becomes reasonably certain.

15. During the year ended December 31, 2006:

(a) The Company had made Initial Public Offering (IPO) of 4,408,361 equity shares of Rs. 10 each for cash at premium of Rs. 240 per share comprising of fresh issue of 2,825,006 equity shares by the Company and 1,583,355 equity shares offered for sale by the selling shareholders.

(b) Expenses of Rs. 101,895,339 net of recovery from certain selling shareholders Rs. 2,795,944 incurred in connection with the public issue of the Company had been adjusted against Securities Premium Account in terms of Section 78 of the Companies Act, 1956.

(c) Pursuant to initial public offer the Company gathered Rs. 706,250,000 (net of selling shareholders' proceeds), details of utilisation of IPO proceeds till December 31, 2011 and December 31, 2010 are as follows:

(Amount in Rs.)

Objects	Total Estimated Project Cost*	Amount incurred till December 31, 2011	Amount incurred till December 31, 2010
Upgrading and expansion of existing infrastructure*	229,993,200	229,993,200	229,993,200
Repayment of outstanding loans	36,550,000	36,550,000	36,550,000
Financing general working capital requirements	179,510,000	179,510,000	179,510,000
General corporate purposes*	159,059,625	159,059,625	58,619,823
Meeting offer expenses *	101,137,175	101,137,175	101,137,175
Total	**706,250,000**	**706,250,000**	**605,810,198**

* The Company had obtained approval from its shareholders at the Annual General Meeting held on May 2, 2008 for reallocation in the estimated project cost among above mentioned heads.

Further, the Company had also obtained approval from its shareholders at the Annual General Meeting held on May 20, 2010 for extension of time up to June 30, 2012 for utilisation of balance IPO proceeds.

During the year ended December 31, 2011, The Company has utilised the balance IPO proceeds amounting to Rs. 100,439,802 under General corporate purposes towards the initial payout for the acquisition of 100% shares of Computaris International Limited, U.K. With this the Company has utilised the entire IPO proceeds and complete details relating to utilisation are incorporated in the above table.

16. CASH AND BANK BALANCES

Details of balances as on balance sheet dates:

(Amount in Rs.)

Sl. No.	Particulars	As at December 31, 2011	As at December 31, 2010
	Cash on hand (A)	**585,927**	399,890
	Cheques on hand (B)	**132,440**	51,070
	Balance with scheduled banks		
	On current accounts		
1	ICICI Bank Limited	**3,900,977**	27,184,904
2	HDFC Bank Limited	**471,504**	475,691
3	Oriental Bank of Commerce	**31,947**	721,435
4	Vijaya Bank	**24,383**	50,264
5	State Bank of India	**1,812,269**	3,674,222
6	Canara Bank	**57,952**	104,744
7	Axis Bank Limited	**7,954,128**	776,613
8	Citibank N.A.	**-**	26,644
9	State Bank of Bikaner & Jaipur	**39,994**	496,612
10	ABN Amro Bank N. V.	**344,689**	366,729
	Total (C)	**14,637,843**	33,877,858
	On cash credit / overdraft accounts		
1	State Bank of India	**26,956,142**	7,320,939
2	State Bank of Bikaner & Jaipur	**1,937**	487
3	Axis Bank Limited	**95,947**	-
	Total (D)	**27,054,026**	7,321,426
	On EEFC accounts		
1	ICICI Bank Limited - USD	**3,317,299**	3,272,829
2	HDFC Bank Limited - USD	**10,846**	9,168
3	State Bank of India - USD	**575,750**	29,308,473
4	State Bank of India - EURO	**394,725**	21,370,861
5	Citibank, N.A. - USD	**-**	3,367
6	Axis Bank Limited - USD	**20,926,722**	26,379,257
7	Axis Bank Limited - EURO	**9,770,661**	-
8	Axis Bank Limited - CHF	**6,924,454**	-
	Total (E)	**41,920,457**	80,343,955
	On deposit accounts		
1	Oriental Bank of Commerce	**140,616,710**	124,368,536
2	Vijaya Bank	**3,291,894**	107,620,265
3	State Bank of India	**88,792,506**	5,757,666
4	ICICI Bank Limited	**130,607,028**	171,669,839
5	State Bank of Bikaner & Jaipur	**75,650,000**	202,733,450
6	HDFC Bank Limited	**55,000,000**	20,200,000
7	Canara Bank	**64,715**	64,715
8	State Bank of Indore	**-**	5,000,000
9	Axis Bank Ltd.	**10,100,000**	33,126,825
	Total (F)	**504,122,853**	670,541,296

Sl. No.	Particulars	As at December 31, 2011	As at December 31, 2010
	On unclaimed dividend accounts		
1	HDFC Bank Limited	**597,793**	481,063
	Total (G)	**597,793**	481,063
	Balance with other banks		
	On current accounts		
1	California Bank Trust, USA	**86,877,765**	65,182,000
2	Citibank Singapore Ltd, Singapore	**5,512,537**	10,800,122
3	DBS Bank Ltd, Singapore	**1,026,839**	1,318,372
4	Malayan Banking Berhad, Malaysia	**8,907,323**	6,499,954
5	Hang Seng Bank Limited, Hong Kong	**299,739**	584,797
6	Citibank NA, Thailand	**2,618,810**	10,085,185
7	Bank of China, China	**13,031,717**	10,965,597
8	Industrial and Commercial Bank of China Ltd, China	**1,179,119**	715,798
9	Sumitomo Mitsui Banking Corporation, Japan	**1,182,955**	8,826,308
10	Mizuho Bank Ltd, Japan	**245,144**	219,406
11	The Bank of Tokyo-Mitsubishi UFJ, Ltd., Japan	**175,303**	166,100
12	ING Belgium NV, Belgium	**1,335,186**	1,621,335
13	Fortis Bank (Netherland) N.V., Netherlands	**49,397,212**	34,000,246
14	ABN Amro Bank, Netherlands	**8,727,172**	957,639
15	ABN Amro Bank, France	**389,746**	1,100,934
16	Natwest Bank	**104,516,397**	-
17	Bank Zachodni WBK SA	**20,396,680**	-
18	Mobiasbanca - Groupe Societe Generale SA	**11,271,805**	-
19	BRD Groupe Societe Generale SA	**4,433,442**	-
20	Banca Comerciala Romania SA	**392,455**	-
21	CIMB Bank BHD	**317,670**	-
22	Branch Banking and Trust Company	**10,717,802**	-
	Total (H)	**332,952,818**	153,043,793
	On cash credit / overdraft account		
1	Fortis Bank N.V., Netherlands (Fortis FCF)	**3,437,055**	6,350,134
	Total (I)	**3,437,055**	6,350,134
	On deposit accounts		
1	California Bank Trust, USA	**265,525**	224,450
2	ABN Amro Bank, Netherland	**4,784,524**	4,256,615
3	Banca Comerciala Romania SA	**3,033,463**	-
4	Bank Zachodni WBK SA	**2,841,875**	-
5	BRD Groupe Societe Generale SA	**10,122,325**	-
6	Bank Zachodni WBK SA	**3,064,925**	-
	Total (J)	**24,112,637**	4,481,065
	Total as per Balance Sheet	**949,553,849**	956,891,550

17. The Company has a policy of recognising deferred tax assets only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Accordingly, on the basis of such evaluation, the Company had recognised incremental deferred tax asset of Rs. 31,806,316 during the year ended December 31, 2010.

18. Prior period expense for the year ended December 31, 2010 amounting to Rs. 1,729,293 represents communication cost related to prior year.

19. **(a)** Previous year figures have been regrouped / reclassified where necessary to make them comparable to the current year classification.

(b) Figures pertaining to Subsidiaries companies have been reclassified wherever considered necessary to bring them in line with the holding company's financial statements. Further, as indicated in note 2 above, certain changes had taken place in the group structure. Accordingly, the current year figures are not strictly comparable with previous year figures.

As per our report of even date.

For S.R. BATLIBOI & CO.
Firm registration number: 301003E
Chartered Accountants

For and on behalf of the Board of Directors of R Systems International Limited

Sd/-	**Sd/-**	**Sd/-**	**Sd/-**	**Sd/-**	**Sd/-**
per Yogender Seth	**Satinder Singh Rekhi**	**Lt. Gen. Baldev Singh (Retd.)**	**Raj Swaminathan**	**Nand Sardana**	**Vikash Kumar Tiwari**
Partner	[Chairman & Managing Director]	[President & Senior Executive Director]	[Director & Chief Operating Officer]	[Chief Financial Officer]	[Company Secretary & Compliance Officer]
Membership No. 94524					
Place : NOIDA	Place : NOIDA	Place : NOIDA	Place : NOIDA	Place : NOIDA	Place : NOIDA
Date : February 9, 2012	Date : February 9, 2012	Date : February 9, 2012	Date : February 9, 2012	Date : February 9, 2012	Date : February 9, 2012

Statement Pursuant to Section 212

SYSTEMS

Statement Pursuant to Section 212 of the Companies Act, 1956, relating to Subsidiary Companies

S.No.	Name of the Subsidiary	The financial year of the subsidiary ended on	Date from which it become Subsidiary Company	Shares held by the holding company in the subsidiary (including its nominees in the subsidiary)
1	R Systems (Singapore) Pte Limited, Singapore	December 31, 2011	September 19 , 2000	4,070,000 ordinary shares of no par value
2	R Systems, Inc., USA	December 31, 2011	January 2, 2001	2,000 common shares of no par value
3	Indus Software, Inc., USA	December 31, 2011	April 1, 2002	243,750 common shares of no par value
4	R Systems Solutions, Inc., USA	December 31, 2011	August 24, 2006	11,335,833 common shares of no par value and 8,666,884 series A preferred stock of no par value
5	R Systems NV, Belgium	December 31, 2011	August 28, 2007	200 common shares of Euro 310 each
6	R Systems Europe B.V, Netherlands	December 31, 2011	January 23, 2008	3,170 ordinary shares of Euro 100 each
7	R Systems S.A.S, France	December 31, 2011	January 23, 2008	10,000 ordinary shares of Euro 15.24 each
8	ECnet Limited, Singapore	December 31, 2011	January 8, 2004	99.55% of 56,210,788 ordinary shares of no par value
9	ECnet (M) Sdn. Bhd, Malaysia	December 31, 2011	January 8, 2004	99.55% of 500,000 ordinary shares of RM 1 each
10	ECnet, Inc., USA	December 31, 2011	January 8, 2004	99.55% of 1,000 shares of US$ 2 each
11	ECnet (Hong Kong) Limited, Hong Kong	December 31, 2011	January 8, 2004	99.55% of 2 ordinary shares of HK $1 each
12	ECnet Systems (Thailand) Co. Limited, Thailand	December 31, 2011	January 8, 2004	99.55% of 400,000 ordinary shares of 5 THB each
13	ECnet Kabushiki Kaisha, Japan	December 31, 2011	January 8, 2004	99.55% of 200 shares of 50,000 Yen each
14	ECnet (Shanghai) Co. Limited, China	December 31, 2011	January 8, 2004	99.55% of shares of no par value
15	Computaris International limited, UK	December 31, 2011	January 26, 2011	80,000 shares of GBP 0.01 each
16	Computaris limited, UK	December 31, 2011	January 26, 2011	80,000 shares of GBP 0.01 each
17	Computaris Romania Srl, Romania	December 31, 2011	January 26, 2011	100 shares of RON 16 each
18	Computaris Polska sp zoo, Poland	December 31, 2011	January 26, 2011	100 shares of PLN 500 each
19	Computaris International Srl, Moldova	December 31, 2011	January 26, 2011	Shares of no par value
20	Computaris Malaysia Sdn. Bhd., Malaysia	December 31, 2011	January 26, 2011	1,000 ordinary shares of RM 1 each
21	Computaris USA LLC, USA	December 31, 2011	January 26, 2011	100 shares of USD 1 each

For and on behalf of the Board of Directors of R Systems International Limited

Sd/-
Satinder Singh Rekhi
[Chairman & Managing Director]

Place : NOIDA
Date : February 9, 2012

Sd/-
Lt. Gen. Baldev Singh (Retd.)
[President & Senior Executive Director]

Place : NOIDA
Date : February 9, 2012

Sd/-
Raj Swaminathan
[Director & Chief Operating Officer]

Place : NOIDA
Date : February 9, 2012

Sd/-
Nand Sardana
[Chief Financial Officer]

Place : NOIDA
Date : February 9, 2012

Sd/-
Vikash Kumar Tiwari
[Company Secretary & Compliance Officer]

Place : NOIDA
Date : February 9, 2012

Extent of interest of holding company at the end of the financial year of the Subsidiary Company	The net aggregate amount of the Subsidiary Company Profit/(Loss) so far as it concerns the members of the Holding Company			
	Not dealt with in the Holding Company's accounts		Dealt with in Holding Company's accounts	
	For the financial year ended December 31, 2011	For the previous financial years of the Subsidiary Company since it became the Holding Company 's Subsidiary	For the financial year ended December 31, 2011	For the previous financial years of the Subsidiary Company since it became the Holding Company 's Subsidiary
100.00%	Loss Rs. 32.20 lakhs	Loss Rs. 158.93 lakhs	NIL	NIL
100.00%	Profit Rs. 169.09 lakhs	Loss Rs. 1,141.12 lakhs	NIL	NIL
100.00%	Profit Rs. 30.77 lakhs	Loss Rs. 160.24 lakhs	NIL	NIL
100.00%	Profit Rs. 46.22 lakhs	Loss Rs. 1,708.79 lakhs	NIL	NIL
100.00%	Loss Rs. 8.53 lakhs	Loss Rs. 20.65 lakhs	NIL	NIL
100.00%	Profit Rs. 156.33 lakhs	Profit Rs. 418.64 lakhs	NIL	NIL
100.00%	Profit Rs. 21.58 lakhs	Profit Rs. 80.41 lakhs	NIL	NIL
99.55%	Loss Rs. 171.18 lakhs	Loss Rs. 2,062.37 lakhs	NIL	NIL
99.55%	Profit Rs. 32.01 lakhs	Profit Rs. 142.77 lakhs	NIL	NIL
99.55%	Loss Rs. 0.20 lakhs	Profit Rs. 1.94 lakhs	NIL	NIL
99.55%	Profit Rs. 9.32 lakhs	Profit Rs. 110.08 lakhs	NIL	NIL
99.55%	Loss Rs. 31.97 lakhs	Profit Rs. 88.04 lakhs	NIL	NIL
99.55%	Profit Rs. 39.27 lakhs	Profit Rs. 145.17 lakhs	NIL	NIL
99.55%	Loss Rs. 17.25 lakhs	Loss Rs. 118.08 lakhs	NIL	NIL
100.00%	Profit Rs. 367.88 lakhs	Not applicable	NIL	Not applicable
100.00%	NIL	Not applicable	NIL	Not applicable
100.00%	Profit Rs. 134.59 lakhs	Not applicable	NIL	Not applicable
100.00%	Profit Rs. 284.05 lakhs	Not applicable	NIL	Not applicable
100.00%	Profit Rs. 71.33 lakhs	Not applicable	NIL	Not applicable
100.00%	Profit Rs. 1.14 lakhs	Not applicable	NIL	Not applicable
100.00%	Loss Rs. 17.01 lakhs	Not applicable	NIL	Not applicable

Information of Subsidiary Companies disclosed as per terms of exemption under Section 212 (8) of the Companies Act,1956

S.No.	Name of the Subsidiary	The financial year of the subsidiary ended on	Holding company's Interest	Shares held by the holding company in the subsidiary (including its nominees in the subsidiary)
1	R Systems (Singapore) Pte Limited, Singapore	December 31, 2011	100.00%	4,070,000 ordinary shares of no par value
2	R Systems, Inc., USA	December 31, 2011	100.00%	2,000 common shares of no par value
3	Indus Software, Inc., USA	December 31, 2011	100.00%	243,750 common shares of no par value
4	R Systems Solutions, Inc., USA	December 31, 2011	100.00%	11,335,833 common shares of no par value and 8,666,884 series A preferred stock of no par value
5	R Systems NV, Belgium	December 31, 2011	100.00%	200 common shares of Euro 310 each
6	R Systems Europe B.V, Netherlands	December 31, 2011	100.00%	3,170 ordinary shares of Euro 100 each
7	R Systems S.A.S, France	December 31, 2011	100.00%	10,000 ordinary shares of Euro 15.24 each
8	ECnet Limited, Singapore	December 31, 2011	99.55%	99.55% of 56,210,788 ordinary shares of no par value
9	ECnet (M) Sdn. Bhd, Malaysia	December 31, 2011	99.55%	99.55% of 500,000 ordinary shares of RM 1 each
10	ECnet, Inc., USA	December 31, 2011	99.55%	99.55% of 1,000 shares of US$ 2 each
11	ECnet (Hong Kong) Limited, Hong Kong (1)	December 31, 2011	99.55%	99.55% of 2 ordinary shares of HK $1 each
12	ECnet Systems (Thailand) Co. Limited, Thailand	December 31, 2011	99.55%	99.55% of 400,000 ordinary shares of 5 THB each
13	ECnet Kabushiki Kaisha, Japan	December 31, 2011	99.55%	99.55% of 200 shares of 50,000 Yen each
14	ECnet (Shanghai) Co. Limited, China	December 31, 2011	99.55%	99.55% of shares of no par value
15	Computaris International limited, UK (2)	December 31, 2011	100.00%	80,000 shares of GBP 0.01 each
16	Computaris limited, UK (2)	December 31, 2011	100.00%	80,000 shares of GBP 0.01 each
17	Computaris Romania Srl, Romania (2)	December 31, 2011	100.00%	100 shares of RON 16 each
18	Computaris Polska sp zoo, Poland (2)	December 31, 2011	100.00%	100 shares of PLN 500 each
19	Computaris International Srl, Moldova (2)	December 31, 2011	100.00%	Shares of no par value
20	Computaris Malaysia Sdn. Bhd., Malaysia (2)	December 31, 2011	100.00%	1,000 ordinary shares of RM 1 each
21	Computaris USA LLC, USA (2)	December 31, 2011	100.00%	100 shares of USD 1 each

Note:

(1) The absolute amount of share capital in ECnet (Hong Kong) Limited, Hong Kong is Rs. 12 /- (2 ordinary shares of HKD 1 each).

(2) During the year ended December 31, 2011, the Company had acquired 100% shares of Computaris International Limited and its subsidiaries, on January 26, 2011.

For and on behalf of the Board of Directors of R Systems International Limited

Sd/-
Satinder Singh Rekhi
[Chairman & Managing Director]

Place : NOIDA
Date : February 9, 2012

Sd/-
Lt. Gen. Baldev Singh (Retd.)
[President & Senior Executive Director]

Place : NOIDA
Date : February 9, 2012

Sd/-
Raj Swaminathan
[Director & Chief Operating Officer]

Place : NOIDA
Date : February 9, 2012

Sd/-
Nand Sardana
[Chief Financial Officer]

Place : NOIDA
Date : February 9, 2012

Sd/-
Vikash Kumar Tiwari
[Company Secretary & Compliance Officer]

Place : NOIDA
Date : February 9, 2012

Capital	Reserves	Total assets	Total liabilities	Details of investments (except in case of investment in subsidiaries)	Turnover	Profit / (loss) before taxation	Provisions for taxation / (benefit)	Profit / (loss) after taxation	Proposed dividend
1,059.30	270.21	1,409.20	79.69	-	475.90	(32.20)	-	(32.20)	Nil
278.00	1,183.89	2,455.86	993.97	-	6,346.35	198.55	29.46	169.09	Nil
107.86	(309.80)	164.22	366.16	-	1,132.76	31.03	0.26	30.77	Nil
827.27	(978.75)	351.21	502.69	-	683.81	46.78	0.56	46.22	Nil
34.75	(24.27)	13.37	2.89	-	-	(8.53)	-	(8.53)	Nil
182.14	135.65	1,428.45	1,110.66	-	3,924.37	156.33	-	156.33	Nil
87.59	383.04	800.03	329.40	-	792.71	33.24	11.66	21.58	Nil
22,802.91	(23,145.86)	991.82	1,334.77	-	1,015.29	(171.18)	-	(171.18)	Nil
73.53	(26.52)	324.12	277.11	-	560.34	55.54	23.53	32.01	Nil
0.91	(1,683.01)	7.67	1,689.77	-	-	(0.20)	-	(0.20)	Nil
0.00	33.01	38.63	5.62	-	29.61	11.16	1.84	9.32	Nil
23.40	100.70	144.03	19.93	-	272.15	(31.97)	-	(31.97)	Nil
42.88	(280.31)	5.35	242.78	-	33.02	39.27	-	39.27	Nil
91.22	(220.62)	165.02	294.42	-	221.40	(17.25)	-	(17.25)	Nil
0.58	2,322.60	2,927.35	604.17	-	7,118.53	488.05	120.17	367.88	Nil
0.58	(0.58)	-	-	-	-	-	-	-	Nil
0.23	380.24	584.95	204.48	-	4,296.99	176.16	41.57	134.59	Nil
8.04	425.30	2,883.32	2,449.98	-	2,350.20	334.73	50.68	284.05	Nil
0.20	198.76	225.03	26.07	-	689.22	71.33	-	71.33	Nil
0.15	5.37	8.21	2.69	-	105.23	2.22	1.08	1.14	Nil
0.04	(27.72)	109.73	137.41	-	131.15	(16.57)	0.44	(17.01)	Nil

Notice

R SYSTEMS INTERNATIONAL LIMITED

NOTICE OF EIGHTEENTH ANNUAL GENERAL MEETING

(Registered Office: B - 104A, Greater Kailash - I, New Delhi - 110 048)
Website: www.rsystems.com; Email: investors@rsystems.com

NOTICE is hereby given that Eighteenth Annual General Meeting of the shareholders of R SYSTEMS INTERNATIONAL LIMITED (the "Company" / "R Systems") will be held on Friday, May 04, 2012 at 9.00 A.M. at Air Force Auditorium, Subroto Park, New Delhi - 110 010 for transacting the following business:

AS ORDINARY BUSINESS

1. To receive, consider and adopt the audited balance sheet as at December 31, 2011 and the profit and loss account for the year ended on that date together with the reports of auditors and directors thereon.

2. To declare dividend on equity shares for the year ended December 31, 2011.

3. To appoint a director in place of Lt. Gen. Baldev Singh (Retd.), who retires by rotation and, being eligible, offers himself for reappointment.

4. To appoint a director in place of Mr. Raj Swaminathan, who retires by rotation and, being eligible, offers himself for reappointment.

5. To appoint Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting and to fix their remuneration. M/s. S. R. Batliboi & Co., Chartered Accountants, the retiring Auditors are eligible for reappointment.

AS SPECIAL BUSINESS

6. Reappointment and payment of remuneration to Lt. Gen. Baldev Singh (Retd.) as President and Senior Executive Director of the Company

   To consider and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution**:

   "RESOLVED THAT pursuant to the provisions of Section 198, 269 read with Schedule XIII, 309 and 311 of the Companies Act, 1956 read with Article 165 and 167 of the Articles of Association of the Company and other applicable provisions, if any, and subject to the approval of the Central Government and other authorities, if required, consent of the members of the Company be and is hereby accorded for the reappointment of and payment of remuneration to Lt. Gen. Baldev Singh (Retd.) as President and Senior Executive Director of the Company for a period of three years i.e. from April 01, 2012 to April 01, 2015 in accordance with the provisions of the Companies Act, 1956 and applicable R Systems policies on the following terms and conditions:

1. Consolidated annual salary of Rs. 36,05,250/- (Rupees Thirty Six Lakhs Five Thousand Two Hundred Fifty only).

2. Periodic bonus as per the incentive scheme of the Company subject to a maximum of Rs. 18 lakhs (Rupees Eighteen Lakhs only) per annum.

3. A chauffeur driven car for official purpose only and reimbursement of fuel and maintenance expenses subject to a maximum of Rs. 150,000 (Rupees One Lakh Fifty Thousand only) per annum.

4. Reimbursement of telephone bills and internet bills for his residence subject to a maximum of Rs. 50,000 (Rupees Fifty Thousand only) per annum.

5. That he will also be eligible for the reimbursement of Medical Expenses incurred, for himself and his family only on actual incurred basis.

6. Leave travel assistance amounting to one economy ticket to USA once in a year. This may be in the form of one US ticket for any person to either accompany him on a business trip or just independent of his business trip.

7. He will be entitled to participate in Company's stock options plan approved by the Board from time to time.

8. He will be entitled for payment of gratuity as per the policy of the Company.

9. He will be entitled to a maximum annual increment of 15% per annum on his Consolidated annual salary of the immediate preceding year at the discretion of the Board w.e.f. January 01, 2013, January 01, 2014 and January 01, 2015.

10. The revised compensation plan replaces all existing compensation plans, benefits and perquisites.

RESOLVED FURTHER THAT in the event of absence or inadequacy of profits in any financial year during the tenure of Lt. Gen. Baldev Singh (Retd.) as President and Senior Executive

Director of the Company, the Company shall pay him the remuneration as specified above as minimum remuneration.

RESOLVED FURTHER THAT Lt. Gen. Baldev Singh (Retd.) shall work under the superintendence and control of the Board of Directors (the "Board") and shall be responsible for the management of all Noida operations and is also empowered to do all such acts, deeds matters and things as deemed necessary and expedient for carrying on the business of the Company, including power to appoint, suspend and dismiss any officer, staff or workmen of the Company, to incur capital or revenue expenditure on behalf of the Company, to sell any old or used assets of the Company in compliance with the applicable internal checks and control systems, entering into contracts, taking suitable legal actions, operating of Bank Accounts, making investments and such other subjects as may be assigned to him by the Board.

RESOLVED FURTHER THAT the board of directors be and is hereby authorised to do all such acts, deeds, matters and things as may be necessary, proper or expedient, to give effect to this resolution and the Board may, by a resolution delegate the aforementioned power to any committee of directors, the managing director, director or any other principal officer of the Company on such conditions as the Board may prescribe."

7. To consider and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to Sub Section (1) of Section 314 of the Companies Act, 1956 and other applicable provisions of the Act, if any read with the Articles of Association of the Company, approval of the shareholders be and is hereby accorded for appointment of Mr. Ramneet Singh Rekhi, son of Mr. Satinder Singh Rekhi, Chairman and Managing Director of the Company, as Assistant Manager - Strategy in R Systems International Limited's wholly owned subsidiary company i.e. R Systems, Inc., U.S.A. with effect from May 10, 2012 on an annual base salary of US$ 55,000 and applicable sales commission plan for supervisors along with a maximum annual increment up to 20% on his base salary each year on 01st January.

RESOLVED FURTHER THAT the board of directors be and is hereby authorised to do all such acts, deeds, matters and things as may be necessary, proper or expedient, to give effect to this resolution and the Board may, by a resolution delegate the aforementioned power to any committee of directors, the managing director, director or any other principal officer of the Company on such conditions as the Board may prescribe."

8. Alteration of Articles of Association

To consider and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modifications or re-enactments thereof, for the time being in force), consent of the members of the Company be and is hereby accorded for alteration of the Articles of Association of the Company by inserting new Article 168A as given hereunder after existing Article 168 of the Articles of Association of the Company:

"168A Important Rights of Management of Affairs by the Promoter and Promoter Group

Notwithstanding anything contained hereinbefore or after, the following provisions relating to management of affairs of the Company shall vest to the Promoter and Promoter Group (as defined hereinafter under Schedule I):

168A (1) Affirmative Vote Rights

Neither the Company nor any of its shareholders, directors, officers, committees, committee members, employees, agents shall, without the prior written consent or approval of the Promoter and Promoter Group Representative, take any of the actions or decisions in relation to any of the matters set forth below:

(a) Mergers, demergers, spin-offs, amalgamations, consolidations, divestments, winding up or liquidation, or sale of assets, or creation or dissolution of joint ventures/partnerships, subsidiaries, or investments in such entities, acquisition or sale of shares or securities or ownership interest in or of any other company or entity.

(b) Capital expenditures or acquisition of assets or businesses over and above the limit of Rs. Ten Crores.

(c) Obtain any debt (including any guarantees), giving or renewing of security for, creating a lien or charge on the assets of the Company being above the value of Rs. Ten Crores.

(d) Providing any loans or guarantees to any person/ entity above Rs. Ten Crores.

(e) Increase, decrease, or other alteration or modification in authorized or issued share capital, or creation or issuance or delisting of securities (including equity shares, preference shares, non-voting shares, warrants, options, etc.), inviting any other entity or person to participate or share in any ownership interest of the Company.

(f) Change in the strength of the Board of the

Company, save as specifically envisaged in these Articles.

(g) Appointment / removal of a whole time director and/or chief executive officer and/or managing director of the Company.

(h) Entry into, amendment, or termination of any agreement or commitment that imposes or is likely to impose obligations on the Company of more than Rs. Twenty Crores, including initiation or settlement of any material litigation.

(i) Change in the nature of Business, and/ or commencement of any new business other than the existing Business of the Company.

(j) Amendments to the memorandum of association or articles of association of the Company.

(k) Approval of any business plan.

(l) Changes to material accounting or tax policies, including change in financial year for preparation of audited accounts.

(m) Any resolution to appoint or re-appoint or remove the statutory and/ or internal auditors for the Company.

(n) Declaration or payment of any dividend.

(o) Delegation of authority or any of the powers of the Board of the Company to any individual or committee.

(p) Entering into any shareholder, joint venture or similar agreement.

(q) Enter into or vary the terms of any agreement or arrangement of value above Rs. Twenty Crores.

(r) Any commitment or agreement to do any of the foregoing.

168A(2) Information Right

The Company shall provide to the Current Promoter Group, (i) within 90 (ninety) calendar days after the end of each Financial Year, the annual audited consolidated Financial Statements of the Company prepared in accordance with Indian GAAP for such Financial Year, (ii) within 45 (forty five) calendar days after the end of each quarter, quarterly financial report, by a person authorised by the Company or the chief financial officer of the Company or the chief executive officer of the Company; (iii) within 30 (thirty) days of the end of each month, detailed monthly business management accounts with respect to each business unit of the Company; and (iv) such other reports as may be reasonably requested for by the Current Promoter Group. The Company shall furnish to the Current Promoter Group and their auditors such financial and other information relating to the business of the Company as any of them may reasonably require.

168A (3) Quorum

Subject to the provisions of Section 287 and other applicable provisions (if any) of the Act, the quorum for a meeting of the Board of Directors shall be one third of the total strength of the Board of Directors (excluding Directors, if any, whose place may be vacant at the time and any fraction contained in that one-third being rounded off as one) or two Directors, whichever is higher; provided however that, the quorum must include at least 1 (one) Promoter Nominee Director; provided further that where at any time the number of interested Directors exceeds or is equal to two-thirds of the total strength, the number of remaining Directors, that is to say, the number of Directors who are not so interested and are present at the meeting not being less than two shall be the quorum during such meeting. A meeting of the Directors for the time being at which quorum is present, shall be competent to exercise all or any of the authorities, powers and directions by or under the Act or the Articles of the Company, for the time being vested in or exercisable by the Board of Directors generally.

168A (4) Directors

The Directors of the Company shall be appointed in accordance with the Act, provided that, other than the independent Directors required to be appointed in accordance with the applicable Law, all other remaining Directors of the Company shall be nominated by the Current Promoter Group ("Promoter Nominee Director").

168A (5) Definitions:

"Business" shall mean IT & ITES business;

"Current Promoter Group" shall mean the Persons listed in **Schedule I**;

"Financial Year" shall mean the period of 12 (Twelve) months commencing on the 1st day of January of a calendar year and ending on the 31st day of December of the same calendar year or any other period adopted by the Company as its accounting year;

"Indian GAAP" shall mean generally accepted accounting principles in India, as amended or replaced from time to time;

"Promoter and Promoter Group Representative" shall mean Mr. Satinder Singh Rekhi;

Schedule I

Promoter and Promoter Group (Current Promoter Group)

S. No.	Name of the Promoter/ Promoter Group	Particulars
1.	Satinder Singh Rekhi	S/o Late Mr. P. S. Rekhi and residing at 2051, Last Chance Court, Gold River, California 95670, U.S.A.
2.	Mrs Harpreet Rekhi	W/o Mr. Satinder Singh Rekhi and residing at 2051, Last Chance Court, Gold River, California 95670, U.S.A.
3.	Satinder & Harpreet Rekhi Family Trust	Trustee: Satinder Singh Rekhi & Harpreet Rekhi and residing at 2051, Last Chance Court, Gold River, California 95670, U.S.A.
4.	RightMatch Holdings Ltd	A company incorporated outside India and having its registered office at IFS Court, Twenty Eight, Cybercity, Ebene, Republic of Mauritius
5.	GMU Infosoft Private Limited	A private limited company having its registered office at B-104A, Greater Kailash – I, New Delhi – 110 048
6.	GM Solutions Private Limited	A private limited company having its registered office at B-104A, Greater Kailash – I, New Delhi – 110 048
7.	U Infosoft Private Limited	A private limited company having its registered office at B-104A, Greater Kailash – I, New Delhi – 110 048
8.	Sartaj Singh Rekhi	S/o Mr. Satinder Singh Rekhi and residing at 2051, Last Chance Court, Gold River, California 95670, U.S.A.
9.	Ramneet Singh Rekhi	S/o Mr. Satinder Singh Rekhi and residing at 2051, Last Chance Court, Gold River, California 95670, U.S.A.
10.	Mrs Kuldeep Baldev Singh	W/o Lt. Gen. Baldev Singh (Retd.) and residing at A-8, Sector 23, NOIDA, Uttar Pradesh - 201 301, India
11.	Mrs Anita Behl	W/o Mr. Narjit Singh Behl and residing at 1704, Sector 29, Brahmaputra Apartments, NOIDA, Uttar Pradesh - 201 301, India
12.	Guru Tegh Bahadur Irrevocable Trust	Trustee: Mandeep S Sodhi and residing at 1116, Kingfisher Circle, Folsom, California 95630, U.S.A.
13.	Guru Harkrishan Irrevocable Trust	Trustee: Mandeep S Sodhi and residing at 1116, Kingfisher Circle, Folsom, California 95630, U.S.A.

RESOLVED FURTHER THAT the board of directors be and is hereby authorised to do all such acts, deeds, matters and things as may be necessary, proper or expedient, to give effect to this resolution and the Board may, by a resolution delegate the aforementioned power to any committee of directors, director or any other principal officer of the Company on such conditions as the Board may prescribe."

By Order of the Board
For R Systems International Limited

Sd/-
Vikash Kumar Tiwari
(Company Secretary & Compliance Officer)

Place : NOIDA
Date : April 03, 2012

NOTES

(i) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY SO APPOINTED NEED NOT BE A MEMBER OF THE COMPANY. THE PROXIES IN ORDER TO BE EFFECTIVE SHOULD BE DULY COMPLETED, STAMPED AND SIGNED AND MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE AFORESAID MEETING.

(ii) Corporate members intending to send their authorised representatives are requested to send a duly certified copy of the board or governing body resolution authorising the representatives to attend and vote at the Annual General Meeting.

(iii) Members / proxies attending the meeting are requested to:

- bring their copies of annual report sent to the members, as copies of the annual report shall not be distributed at the Annual General Meeting;
- note that no gift coupons shall be distributed at the Annual General Meeting; and
- quote their Folio / Client ID and DP ID number in all correspondences.

(iv) The register of members and share transfer books of the Company shall remain closed from April 24, 2012 to May 04, 2012 (both days inclusive).

(v) The dividend of 36% for the year ended December 31, 2011 as recommended by the Board, if declared at the Annual General Meeting, will be payable to those members whose names appear:

- as beneficial owners as per list to be furnished by the depositories in respect of the shares held in demat form; and
- as members on the register of members of the Company in respect of the shares held in physical form

as at opening business hours on April 24, 2012 after giving effect to all valid share transfers which would be received by the Company's registrar and share transfer agent M/s Link Intime India Private Limited up to the end of business hours on April 23, 2012.

(vi) Payment of dividend through NECS / ECS

- Members holding shares in physical form are advised to submit particulars of their bank account, viz. name and address of the branch of the bank, 9 digit MICR code of the branch, type of account and account number to the Company's registrar and share transfer agent M/s Link Intime India Private Limited, A - 40, 2nd Floor, Naraina Industrial Area, Phase - II, Near Batra Banquet Hall, New Delhi - 110 028.
- Members holding shares in demat form are advised to inform the particulars of their bank account to their respective depository participants.

(vii) Shareholders holding shares in electronic form may kindly note that their bank account details as furnished by their depositories to the Company will be printed on their dividend warrants as per applicable regulations of the depositories and the Company will not entertain any direct request from such shareholders for deletion of / change in such bank details. Further instructions, if any, already given by them in respect of shares held in physical form will not be automatically applicable to shares held in electronic mode. Members holding shares in electronic form are advised to notify the changes, if any, in their address / bank details / mandate to their respective depository participants.

(viii) Any query proposed to be raised at the Annual General Meeting may be sent to the Company at its registered office at least seven days prior to the date of the meeting to enable the management to compile the relevant information to respond to the query in the meeting. The envelope may please be superscribed "Attention: Mr. Vikash Kumar Tiwari, Company Secretary & Compliance Officer".

(ix) Members holding shares in physical form, may write to the Company or to the registrar and share transfer agent M/s Link Intime India Private Limited for any change in their addresses and bank mandate. Members holding shares in electronic form may write to their depository participants for immediate updation so as to enable the Company to dispatch the dividend warrants to the correct addresses.

(x) The statutory register maintained under Section 307 of the Companies Act, 1956 and the certificate of the auditors of the Company certifying the implementation of the Company's stock option plans / schemes in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 as amended and the resolutions passed by the members in the general meeting, will be available at the venue of the Annual General Meeting for inspection by members.

(xi) All documents referred to in the Notice and accompanying explanatory statements as well as the annual accounts of the subsidiaries etc., are open for inspection at the registered office of the Company on all working days between 11:00 A.M. and 02:00 P.M. up to the date of the Annual General Meeting.

(xii) Members / proxies are requested to bring the attendance slips duly filled in and signed for attending the Meeting.

(xiii) Pursuant to the provisions of Section 109A of the Companies Act, 1956, shareholders are entitled to make nomination in respect of shares held by them in physical form. Shareholders desirous of making nominations are requested to send their requests in Form 2B (which will be made available on request) to the registrar and share transfer agent M/s Link Intime India Private Limited or can be downloaded from the following URL http://www.rsystems.com/investors/download_index.aspx

(xiv) Pursuant to provisions of Section 205A (5) of the Companies Act, 1956, dividend which remains unpaid or unclaimed for a period of seven years from the date of its transfer to unpaid dividend account, is required to be transferred by the Company to Investor Education and Protection Fund ('IEPF'), established by the Central Government under the provisions of Section 205C of the Companies Act, 1956. Shareholders are advised to claim the unclaimed dividend lying in the unpaid dividend account from the Company's registrar and share transfer agent M/s Link Intime India Private Limited or directly from the Company. It may be noted that once the unclaimed dividend is transferred to IEPF of the Central Government as above, no claim shall lie in respect thereof against the Company or IEPF.

(xv) Additional information, pursuant to Clause 49 of the Listing Agreement entered into with stock exchanges, in respect of directors recommended for approval of appointment / reappointment at the Annual General Meeting and Explanatory Statement as required under Section 173(2) of the Companies

Act, 1956, in respect of special business under item number 6, 7 and 8 of the Notice is appended hereto and forms part of this Notice. Further, disclosures required to be made in terms of Section II Clause C of Part II of Schedule XIII with respect to the proposed resolutions for the reappointment of and payment of remuneration to Lt. Gen. Baldev Singh (Retd.), President and Senior Executive Director under item number 6 is also given in the said Explanatory Statement and form part of this Notice of the Annual General Meeting.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956

ITEM NO. 6

REAPPOINTMENT AND PAYMENT OF REMUNERATION TO LT. GEN. BALDEV SINGH AS PRESIDENT AND SENIOR EXECUTIVE DIRECTOR OF THE COMPANY

Lt. Gen. Baldev Singh (Retd.) aged about 71 years has more than 45 years of experience, including handling top managerial, diplomatic and human resource development related assignments. Mr. Singh has a Masters in Military Sciences from the prestigious Madras University in India and attended two short courses at University of California at Berkeley, in Strategic Account Management and Marketing.

Lt. Gen. Baldev Singh (Retd.) joined the Board of R Systems on September 01, 1997. Since then he is continuously providing his guidance and support on the Board. Presently Mr. Singh is heading the entire Noida IT and BPO Operations and his presence is crucial for the effective and efficient operations of the business. Lt. Gen. Baldev Singh (Retd.) was reappointed as President and Senior Executive Director of the Company for a term of three years i.e. from April 01, 2009 to April 01, 2012. The present term of his appointment has completed and considering continued need of his services for the success of the Company, the Board on the recommendation of the Remuneration Committee and subject to the approval of the Shareholders, Central Government and other authorities, if applicable has reappointed him for a further period of three years i.e. w.e.f. April 01, 2012 to April 01, 2015.

As on the date of this notice, Lt. Gen. Baldev Singh (Retd.) holds 65,000 equity shares of Rs. 10/- each being 0.52% of the total paid up share capital of the Company. Apart from the employment benefits as President and Senior Executive Director of R Systems, he does not have any pecuniary or other relationship with the Company except that 2,770 stock options of Rs. 10 each out of the total options granted to him under R Systems International Ltd. - Year 2004 Employees Stock Options Plan are in force.

Further he does not hold any office of director / member in other company's board / committee.

The board of directors recommends that the shareholders approve the said reappointment and remuneration by way of a special resolution.

None of the directors except Lt. Gen. Baldev Singh (Retd.) and Mr. Satinder Singh Rekhi being the relative of Lt. Gen. Baldev Singh (Retd.) is concerned or interested in the proposed resolution.

Statement containing the prescribed information as required in terms of Section II Clause C of Part II of Schedule XIII of the Companies Act, 1956

I. GENERAL INFORMATION

(1) Nature of Industry:

The Company is engaged in the business of providing software engineering, information technology related services, business process outsourcing services, developing and selling software products for the retail-lending sector and in supply chain execution.

(2) Date or expected date of commencement of commercial production:

The Company is already in existence and is in operation since May 14, 1993.

(3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus:

Not Applicable.

(4) Financial performance based on given indicators:

Financial performance of the Company for last 3 years is as follows:

(Rs. in lakhs)

Particulars	Financial Year ended		
	31.12.2011	31.12.2010	31.12.2009
Total income	**19,768.03**	18,538.13	20,031.17
Profit before depreciation and tax	**1,671.59**	2,311.47	4,189.39
Less : Depreciation	**881.24**	862.65	804.62
Less : Exceptional item (Provision for diminution in value of long term investments)	**-**	18.50	2,473.21
Profit before tax	**790.35**	1,430.31	911.56
Less : Current tax (net of MAT credit)	**477.24**	185.90	204.87
Less : Deferred tax charge / (credit)	**(333.41)**	(430.96)	41.85
Less : Fringe Benefit Tax	**-**	-	9.68
Profit after tax (available for appropriation)	**646.51**	1,675.37	655.16
Proposed final dividend	**443.41**	295.60	288.45
Corporate dividend tax on final dividend	**70.79**	49.10	49.02
Transfer to general reserve	**64.65**	167.54	65.52
Balance carried forward to Balance Sheet	**67.66**	1,163.13	252.17

(5) Export performance and net foreign exchange collaborations:

R Systems has investments from non residents and foreign bodies corporate. Foreign exchange earnings and outgo of the Company for last 3 years is as follows:

(Rs. in lakhs)

Particulars	Financial Year ended		
	31.12.2011	31.12.2010	31.12.2009
(a) Earnings (Accrual Basis)	**17,626.93**	16,400.32	18,192.74
(b) Expenditure (Accrual Basis)	**3,637.97**	3,468.33	3,360.05
(c) CIF value of imports	**158.19**	117.95	973.15

(6) Foreign investments or collaborators, if any:

R Systems has investments from non-residents and foreign bodies corporate and R Systems has made investments outside India. As on date, R Systems has nine subsidiaries, all incorporated and based outside India. Out of the said nine subsidiaries, ECnet Limited, based in Singapore has six subsidiaries and Computaris International Limited, based in United Kingdom also has six subsidiaries. Therefore in terms of the provisions of the Companies Act, 1956 R Systems has an aggregate of twenty one subsidiaries all incorporated and based outside India.

II. INFORMATION ABOUT THE APPOINTEE

(1) Background details:

Lt. Gen. Baldev Singh (Retd.) aged about 71 years has more than 45 years of experience, including handling top managerial, diplomatic and human resource development related assignments. Mr. Singh has a Masters in Military Sciences from the prestigious Madras University in India and attended two short courses at University of California at Berkeley, in Strategic Account Management and Marketing.

Lt. Gen. Baldev Singh (Retd.) joined the Board of R Systems on September 01, 1997. Since then he is continuously providing his guidance and support on the Board. Presently Mr. Singh is heading the entire Noida IT and BPO Operations and his presence is crucial for the effective and efficient operations of the business. Lt. Gen. Baldev Singh (Retd.) is related to Mr. Satinder Singh Rekhi.

(2) Past remuneration:

Income during the last 3 years

	Total Cost to the Company (Rs.)	Per Month (Rs.)
For the year ended December 31, 2011	4,643,502	386,959
For the year ended December 31, 2010	4,378,564	364,880
For the year ended December 31, 2009	5,094,444*	424,537

*Includes an amount of Rs. 744,444/- which was approved by Central Government for the year 2006.

(3) Recognition or awards:

Lt. Gen. Baldev Singh (Retd.) has a Masters in Military Sciences from the prestigious Madras University in India and attended two short courses at University of California at Berkeley, in Strategic Account Management and Marketing.

(4) Job profile and his suitability:

Lt. Gen. Baldev Singh (Retd.), being the President and Senior Executive Director of R Systems is heading the entire Noida IT and BPO Operations. Lt. Gen. Baldev Singh (Retd.) aged about 71 years has more than 45 years of experience, including handling top managerial, diplomatic and human resource development related assignments. Mr. Singh has a Masters in Military Sciences from the prestigious Madras University in India and attended two short courses at University of California at Berkeley, in Strategic Account Management and Marketing. He had joined the Board of R Systems on September 01, 1997. Since then he is continuously providing his guidance and support on the Board and his presence is crucial for the effective and efficient operations of the business. R Systems will benefit from his capabilities and therefore the Board wishes to reappoint him as the President and Senior Executive Director of the Company.

(5) Remuneration proposed:

Lt. Gen. Baldev Singh (Retd.) is proposed to be reappointed on the following remuneration:

1. Consolidated annual salary of Rs. 36,05,250/- (Rupees Thirty Six Lakhs Five Thousand Two Hundred Fifty only).

2. Periodic bonus as per the incentive scheme of the Company subject to a maximum of Rs. 18 lakhs (Rupees Eighteen Lakhs only) per annum.

3. A chauffeur driven car for official purpose only and reimbursement of fuel and maintenance expenses subject to a maximum of Rs. 150,000 (Rupees One Lakh Fifty Thousand only) per annum.

4. Reimbursement of telephone bills and internet bills for his residence subject to a maximum of Rs. 50,000 (Rupees Fifty Thousand only) per annum.

5. That he will also be eligible for the reimbursement of Medical Expenses incurred, for himself and his family only on actual incurred basis.

6. Leave travel assistance amounting to one economy ticket to USA once in a year. This may be in the form of one US ticket for any person to either accompany him on a business trip or just independent of his business trip.

7. He will be entitled to participate in Company's stock options plan approved by the Board from time to time.

8. He will be entitled for payment of gratuity as per the policy of the Company.

9. He will be entitled to a maximum annual increment of 15% per annum on his Consolidated annual salary of the immediate preceding year at the discretion of the Board w.e.f January 01, 2013, January 01, 2014 and January 01, 2015.

10. The revised compensation plan replaces all existing compensation plans, benefits and perquisites.

(6) Comparative remuneration profile with respect to industry, size of the company, profile of the position and person (in case of expatriates the relevant details would be w.r.t. the country of his origin):

The proposed remuneration is reasonably justified in comparison with the general market trends and remuneration package of top-level managerial persons having comparable qualification and experience.

(7) Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any:

As on the date of this notice, Lt. Gen. Baldev Singh (Retd.) holds 65,000 equity shares of Rs. 10/- each being 0.52% of the total paid up share capital in R Systems. Apart from the employment benefits as President and Senior Executive Director of R Systems, he does not have any pecuniary or other relationship with the Company except that 2,770 stock options of Rs. 10 each out of the total options granted to him under R Systems International Ltd. - Year 2004 Employees Stock Options Plan are in force. Lt. Gen. Baldev Singh (Retd.) is related to Mr. Satinder Singh Rekhi, Chairman and Managing Director of the Company.

III. OTHER INFORMATION

(1) Profitability of R Systems:

Reasons for inadequate profits: The Company has made a reasonable profit during the last financial year ended December 31, 2011. R Systems total income increased to Rs. 19,768.03 lakhs as against Rs. 18,538.13 lakhs during the same period in the previous year, a growth of 6.63%. Profit after tax for the year ended December 31, 2011 was Rs. 646.51 lakhs as against Rs. 1,675.37 lakhs during the same period in the previous year, a decline of 61.41%.

(2) Strategy for performance enhancement:

Steps taken or proposed to be taken for improvement: R Systems management process involves taking continuous steps to improve performance through growth in revenues, managing costs and improving productivity. The financial strategy involves maintaining a secure financial position, managing risks and ensuring accurate and timely reporting of performance.

(3) Expected increase in productivity and profits in measurable terms:

Barring unforeseen circumstances, R Systems expects to close the current financial year with improved sales and profitability.

IV. DISCLOSURES

(1) The Members are being informed of the remuneration package by way of explanatory statement as given above.

(2) The details of remuneration etc. of other directors are included in the Directors' Report under the heading Corporate Governance.

ITEM NO. 7

APPOINTMENT AND REMUNERATION OF MR. RAMNEET SINGH REKHI AS ASSISTANT MANAGER, STRATEGY OF COMPANY'S WHOLLY OWNED SUBSIDIARY i.e. R SYSTEMS, INC., U.S.A.

Mr. Ramneet Singh Rekhi, son of Mr. Satinder Singh Rekhi, Chairman and Managing Director of the Company has been appointed by the Board at its meeting held on April 03, 2012 w.e.f. May 10, 2012 as Assistant Manager - Strategy of R Systems International Limited's wholly owned subsidiary company i.e. R Systems, Inc., U.S.A. Mr. Ramneet Singh Rekhi is MBA in Finance & Strategy from Carnegie Mellon University, Tepper School of Business, Pittsburgh and also Master of Arts in Economics from New York University. The Board has appointed him on an annual base salary of US$ 55,000 and applicable sales commission plan for supervisors subject to the approval of the shareholders. Further he is also entitled for a maximum annual increment up to 20% on his base salary, each year on 01st January. Pursuant to the provisions of Section 314(1) of the Companies Act, 1956, the appointment of Mr. Ramneet Singh Rekhi as Assistant Manager – Strategy in Company's wholly owned subsidiary i.e. R Systems, Inc., U.S.A. requires approval from the shareholders by way of passing special resolution in this regard.

The board of directors recommends the resolution set out in Item No. 7 hereinbefore to be approved by shareholders by way of passing it as a special resolution.

None of the directors except Mr. Satinder Singh Rekhi and Lt. Gen Baldev Singh (Retd.) being related to Mr. Ramneet Singh Rekhi is interested in the said appointment.

ITEM NO. 8

ALTERATION OF ARTICLES OF ASSOCIATION

R Systems International Limited was incorporated and promoted by Mr. Satinder Singh Rekhi and his associates in the year 1993. Through his expertise in IT and IT enabled services and because of his constant endeavors and his vision for the Company, he has led the Company to spread its presence at global level and has brought the Company to the current level. Since the Company's business is quite complex being spread over several countries through various subsidiaries and keeping in view the interest of the general stakeholders, the Board believes that the Articles of Association of the Company should provide important provisions as set out in Item No. 8 to ensure better control and management of affairs of the Company by the Current Promoter Group. This would require the alteration of Articles of Association of the Company by inserting new Article 168A as set out in the proposed resolution in Item No. 8.

In terms of Section 31 of the Companies Act, 1956 any amendment to the Articles of Association requires approval of the members by way of special resolution. Accordingly board of directors recommends that the members approve the aforementioned resolution as special resolution in the interest of the Company.

None of the directors except Mr. Satinder Singh Rekhi, Chairman and Managing Director and Lt. Gen. Baldev Singh (Retd.) being related to Mr. Satinder Singh Rekhi, is in any way concerned or interested in the resolution, except to the extent of holding their office as director and shareholding in the Company.

By Order of the Board
For R Systems International Limited

Sd/-
Vikash Kumar Tiwari
(Company Secretary & Compliance Officer)

Place : NOIDA
Date : April 03, 2012

PROFILE OF DIRECTORS SEEKING APPROVAL FOR REAPPOINTMENT AT THE ANNUAL GENERAL MEETING PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT

Particulars	Mr. Raj Swaminathan	Lt. Gen. Baldev Singh (Retd.)
Date of Birth	May 23, 1959	September 21, 1940
Qualification	Bachelor of Engineering from Bangalore University and MBA from Xavier Labour Relations Institute.	Masters in Military Sciences
Expertise and experience in specific functional areas	Mr. Raj Swaminathan has over 27 years of experience in IT and Financial Services Industry. Prior to joining R Systems, Raj has had a distinguished 11 years career at GE where he was Vice President and CIO at GE-Countrywide, India and part of the senior Global Consumer Finance corporate IT team. Earlier in his career, Raj also headed the IT function at Standard Chartered Bank for the consumer, corporate banking and treasury businesses.	Lt. Gen. Baldev Singh (Retd.) has more than 45 years of experience, including handling top managerial, diplomatic and human resource development related assignments. Mr. Singh has a Masters in Military Sciences from the prestigious Madras University in India and attended two short courses at University of California at Berkeley, in Strategic Account Management and Marketing.
Directorship / Membership in other board / committees / bodies corporate	Nil	Nil
Shareholding in the Company	As on the date of this notice, he holds 30,000 Equity Shares of Rs. 10/- each being 0.24% of the total paid up share capital in R Systems. Further, 60,000 stock options was granted to him under R Systems International Limited Employees Stock Option Scheme 2007 all of which has already vested. As on the date of this notice, out of aforementioned options, he has already exercised 30,000 options and balance 30,000 options equivalent to equal number of equity shares of Rs. 10/- each are in force.	As on the date of this notice, he holds 65,000 equity shares of Rs. 10 each being 0.52% of the total paid up share capital in R Systems. Further as on date 2,770 stock options equivalent to equal number of equity shares of Rs. 10/- each out of the total options granted to Lt. Gen. Baldev Singh (Retd.) under R Systems International Ltd. - Year 2004 Employees Stock Options Plan are in force.

R SYSTEMS INTERNATIONAL LIMITED

Registered Office: B - 104A, Greater Kailash - I, New Delhi - 110 048
Corporate Office: C - 40, Sector - 59, Noida (U.P.) - 201 307
Eighteenth Annual General Meeting to be held on Friday, May 04, 2012 at 9:00 A.M. at
Air Force Auditorium, Subroto Park, New Delhi - 110 010

PROXY FORM

I / We .... of .... being a member(s) of R Systems International Limited hereby appoint .... of .... or failing him / her .... of .... as my / our proxy to attend and vote for me / us on my / our behalf at the Eighteenth Annual General Meeting of the Company to be held on Friday, May 04, 2012 at 9.00 A.M. at Air Force Auditorium, Subroto Park, New Delhi - 110 010 and any adjournment thereof.

In witness whereof

I / We have signed on this .... day of 2012

Registered Folio No....................................... (or)

Demat Account No .... D.P. ID. No ....

Affix a Revenue Stamp

Notes:

1. The Proxy form should be signed by the member across the stamp.
2. A member intending to appoint a Proxy should complete the Proxy form and deposit it at the Company's Registered Office at least 48 hours before the meeting.
3. Those who hold shares in Demat form to quote their Demat Account No. and Depository Participant (D.P.) ID. No.

.... CUT HERE ....

R SYSTEMS INTERNATIONAL LIMITED

Registered Office: B - 104A, Greater Kailash - I, New Delhi - 110 048
Corporate Office: C - 40, Sector - 59, Noida (U.P.) - 201 307
Eighteenth Annual General Meeting to be held on Friday, May 04, 2012 at 9:00 A.M. at
Air Force Auditorium, Subroto Park, New Delhi - 110 010

ATTENDANCE SLIP

Registered Folio No .... (or)

Demat Account No .... D.P. ID. No ....

Name of shareholder(s) ....

I / We certify that I am / we are Member(s) / Proxy of the Member(s) of the Company holding .... shares.

I hereby record my presence at the Eighteenth Annual General Meeting of the Company to be held on Friday, May 04, 2012 at 9:00 A.M. at Air Force Auditorium, Subroto Park, New Delhi - 110 010.

....
Signature of Member / Proxy

Notes:

1. A member or his duly appointed Proxy wishing to attend the meeting must complete this Attendance Slip and hand it over at the entrance.
2. Name of the Proxy in Block letters.. (in case the Proxy attends the meeting)
3. Those who hold shares in Demat form to quote their Demat Account No. and Depository Participant (D.P.) ID. No.

R SYSTEMS INTERNATIONAL LIMITED

Registered Office: B - 104A, Greater Kailash - I, New Delhi - 110 048
Corporate Office: C - 40, Sector - 59, Noida (U.P.) - 201 307
Phones : 0120-4303500 Fax : 0120-2587123

April 03, 2012

Dear Shareholder,

The Ministry of Corporate Affairs, Government of India (MCA) has taken a "Green Intiative in the Corporate Governance" by allowing paperless compliances by companies and has issued circulars on 21.04.2011 & 29.04.2011 stating that the service by a company can be made through electronic mode, provided the Company has obtained e-mail address of its members for sending the notice/documents through e-mail by giving an advance opportunity to every shareholder to register their e-mail address and changes therein from time to time with the Company.

In furtherance to these, the Company invites its valued shareholders to participate in the Green Initiative to affirm their commitment towards maintaining environment clean and progressive for future generations.

Keeping in view the above, we are proposing to send henceforth all communications/documents like AGM notice, financial statements, directors' report, auditors'report etc. on the email address registered by you with your Depository Participant (DP). Please join us in our support for this noble cause by registering or updating your email address as under:

- With your Depository Participant (DP) if you hold Company's shares in electronic mode.
- With the Registrar & Transfer Agent i.e. M/s. Link Intime India Private Limited if you hold shares in physical mode by sending an email to delhi@linkintime.co.in with cc to investors@rsystems.com quoting your folio no.

It may be noted that as a member of the Company, you will be entitled to receive on request, a copy of the said documents free of cost any time in accordance with the provisions of the Companies Act, 1956. Further, the said documents and other information will be uploaded from time to time on the official website of the Company i.e. www.rsystems.com under "Investor" section.

In case you desire to continue receiving the above documents in physical mode, you are requested to please inform us by sending your request to investors@rsystems.com quoting your DP/Client ID or Folio No.

We look forward for your encouraging support in welcoming this initiative in reducing the impact on the environment and receive all communications electronically.

Thanking you,

Yours faithfully,

For **R Systems International Limited**

Sd/-
Vikash Kumar Tiwari
Company Secretary & Compliance Officer

Place : NOIDA
Date : April 03, 2012

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R SYSTEMS INTERNATIONAL LIMITED
Registered Office: B - 104A, Greater Kailash - I, New Delhi - 110 048 (INDIA)
Corporate Office: C - 40, Sector - 59, Noida (U.P.) - 201 307 (INDIA)
www.rsystems.com

A WYATT SOLUTION (info@wyatt.co.in)