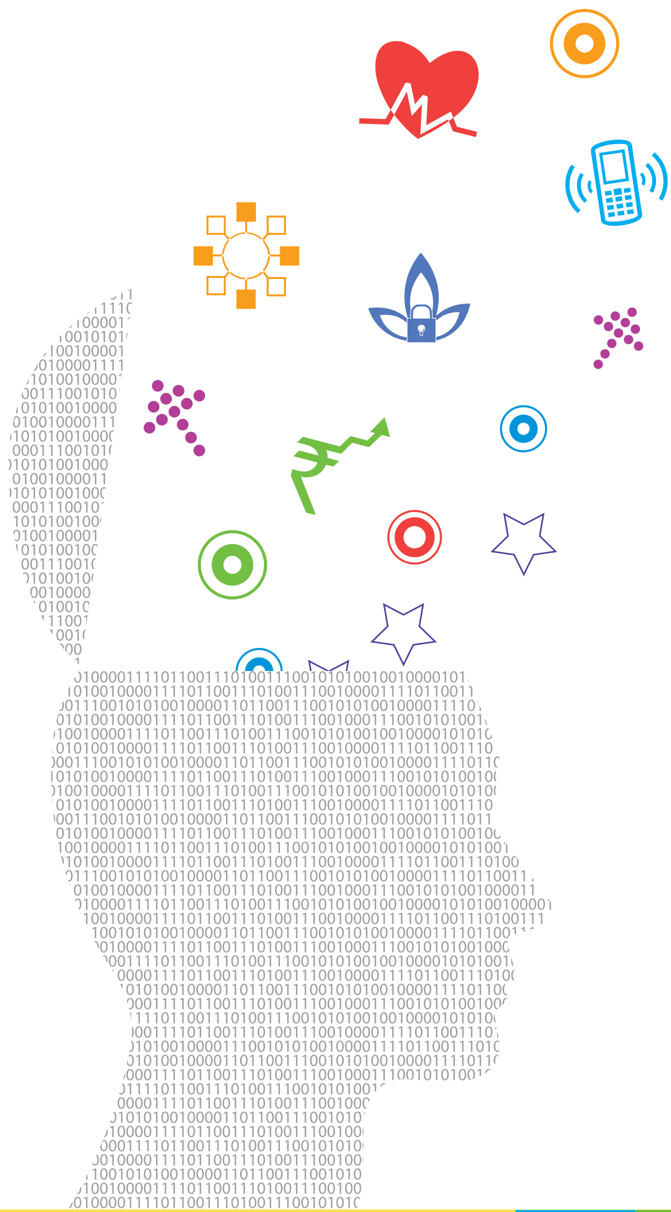
R SYSTEMS INTERNATIONAL LIMITED
Annual Report 2010



Defining growth.
Redefining focus.

Telecom

BFSI

Healthcare

Security

Manufacturing & Logistics

Contents

Safe Harbor:

Certain Statement in this report concerning our future growth prospects are forward-looking 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, 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 15, 2011

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. Suresh Kumar Bhutani

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)

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

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

Statutory Auditors
S. R. Batliboi & Associates
Chartered Accountants
Golf View Corporate Tower B, Sector - 42,
Sector Road, Gurgaon - 122 002

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. Royal Bank of Scotland
6. Oriental Bank of Commerce
7. Vijaya Bank
8. State Bank of Bikaner & Jaipur
9. Canara Bank
10. Citibank N.A.
11. California Bank & Trust, U.S.A.
12. State Bank of India, U. K.
13. Fortis Bank N.V., The Netherlands
14. Sumitomo Mitsui Banking Corporation (SMBC), Japan

Listed At
National Stock Exchange of India Limited
Bombay Stock Exchange 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

Subsidiaries of ECnet Limited

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

Following become the subsidiaries w.e.f. January 26, 2011

15. Computaris International Limited, U.K.
16. 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, LLC, U.S.A.
21. Computaris Limited, U.K.

Defining growth.
Redefining focus.

The saga of R Systems over the past decade has been one of growth. We are, by no means, what we were when we began. Our focus has constantly evolved and acted as a fillip to our growth ambitions. While growth has been the underlying story, the redefining of our focus has been our consistent way forward. Hence, the story of R Systems is best understood as a leitmotif – Defining Growth, Redefining Focus.

We began our journey of growth as an outsourced product development company, with a significant presence in customer support services. Our key focus then was to help companies accelerate their speed to market with a high degree of time and cost predictability by using our proprietary pSuite execution framework.

While Outsourced Product Development still forms the bedrock of our business, we are today also significant players in the customized solutions domain, catering to specific needs of customers.

Our products cover niche areas in BFSI and Manufacturing & Logistics verticals. For the BFSI sector, we have been supporting the large retail lending sector with our LSI (Lending Solutions under our Indus brand), while we have a strong presence in the Manufacturing and Supply Chain Management business through our group company ECNET.

Telecom

BFSI

Healthcare

Security

Manufacturing & Logistics

The industry verticals we serve include Telecom, BFSI, Manufacturing & Logistics including Hi-Tech Electronics, Healthcare and Government and Security.

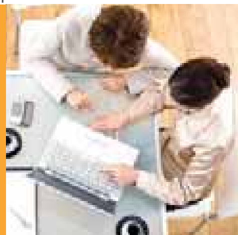
We have continually redefined our focus to design services and solutions that meet the emerging needs of our customers. These services and solutions now include iPLM services for Independent Software Development Vendors, Application services – both bespoke and off the shelf, and BPO services. Our solutions include ISV solutions, Telecom including Digital Media, IPTV, Hospitality, Financial, Healthcare and Government Solutions.

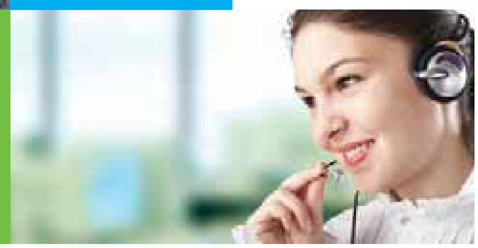
Redefining our focus has consistently enabled us to make our presence felt in the fastest growing markets of the economy. Along with redefining focus, we continually upgrade our knowledge base, our expertise and our competency. Over the years, our focus has continuously become wider; our picture has grown larger. Yet, what remains the same is our dedication and single minded pursuit of growth, with an evolving focus geared to address the changing needs of our customers.

To that definitive vision, we remain steadfast!

"In redefining focus, we engender accelerated growth"

Know R Systems





Corporate Fact Sheet

A sharp focus on redefining our identity

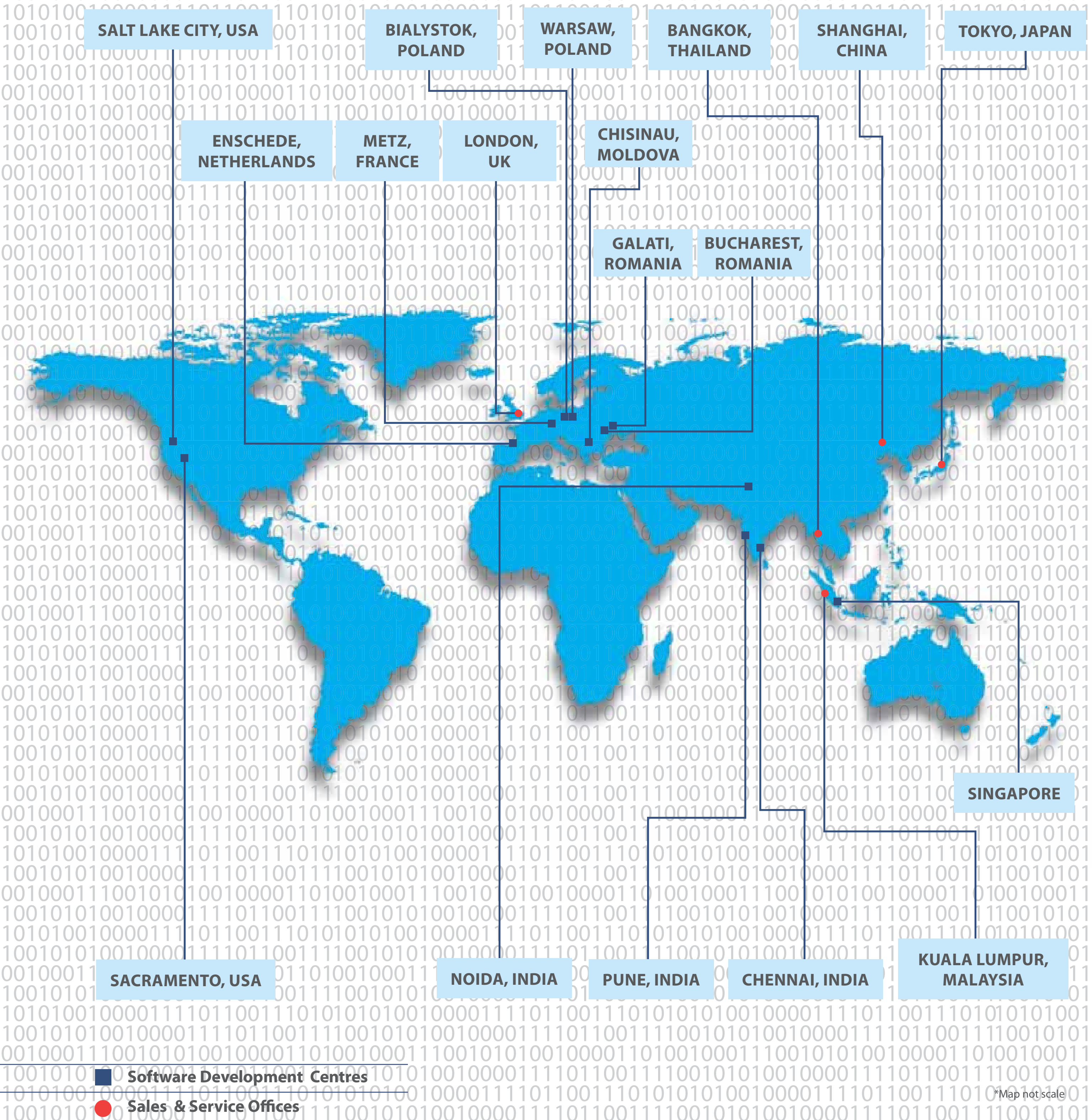
We trace our genesis to 1993, when the company was established by our founder and present CEO Mr. Satinder Singh Rekhi.

R Systems Limited is a publicly listed entity (having listed in 2006) and its stocks are traded on the NSE and the BSE under the name and symbol of RSYSTEMS.

The Company is Head Quartered in Noida and has development centers across the world having a total capacity of 210,000 sq. ft. i.e. a capacity of over 3000 people. These centers are in three bustling cities in India – Noida, Chennai and Pune and in US – Sacramento CA, Salt Lake City UT, Singapore, Netherlands – Enschede, France – Metz, Romania – Bucharest, Galaty, Poland – Warsaw , Bialystok, Moldova – Chisinau.

R Systems lives the adage that Great Products make Great Companies and we are committed to building world class products and services that drive customer delight. We also believe that our employees make R Systems "a fun place to work" this fun getting reflected in innovation for the customer and high energy to build lasting value for all stakeholders. We have over 150 customers worldwide many amongst these being in Fortune list.

R Systems' Global Footprint



R Systems
- A personality portrait

R Systems Belief

Quality is a way of life….. It's the essence of excellence in everything we do well.

R Systems Vision

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

R Systems 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.

"Growing to Serve, Serving to Grow"

R Systems Core Values

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

Financial Highlights

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

FINANCIAL PERFORMANCE

(Rs. in lakhs)

Particulars	2010	2009	2008	2007	2006
Operating Income	29,054.66	32,752.52	35,939.23	24,705.75	20,394.58
Other Income	691.28	804.22	549.43	570.84	402.08
Exceptional Income	-	-	-	144.52	-
Total Income	29,745.94	33,556.74	36,488.66	25,421.11	20,796.66
Operating Profit	984.58	2,650.64	2,688.66	1,818.31	1,352.23
EBT#	1,455.80	1,052.73	3,001.76	2,310.15	1,390.83
EAT#	1,677.64	772.04	2,796.64	1,897.14	782.43
Share Capital	1,224.30	1,224.30	1,336.25	1,350.88	1,350.88
Reserve and Surplus	16,801.04	15,515.00	15,829.01	12,905.83	11,472.55
Secured Loans	83.49	145.20	325.65	63.14	242.58
Fixed Assets (net)	4,443.39	5,302.71	7,465.93	6,103.69	5,548.51
Investment	0.25	0.25	0.25	120.36	134.63
Current Assets (net)	13,444.86	11,792.16	10,193.50	8,446.40	7,783.16
Cash and Bank Balances	9,568.91	8,719.75	6,364.38	5,123.14	5,317.41

KEY RATIOS

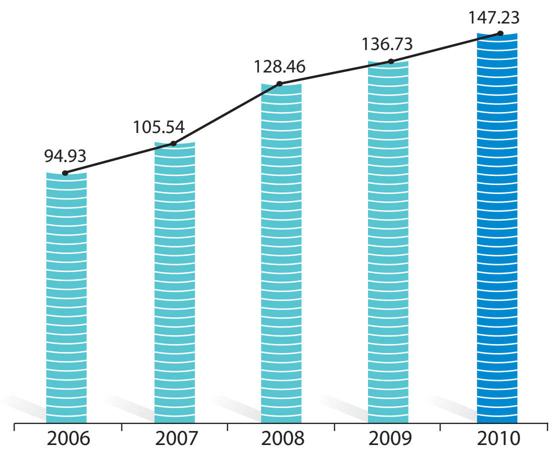
Particulars	2010	2009	2008	2007	2006
Debt - Equity Ratio	0.01	0.01	0.02	0.01	0.04
Days Sales Outstanding	61	68	67	74	82
Current Ratio	3.61	3.11	2.57	2.93	2.72
Cash and Bank Balances / Total Assets (%)	41.13%	38.44%	26.33%	26.88%	29.54%
Cash and Bank Balances / Total Income (%)	32.17%	25.99%	17.44%	20.15%	25.57%
Operating Profit / Operating Income (%)	3.39%	8.09%	7.48%	7.36%	6.63%
EBT / Total Income (%)#	4.89%	3.14%	8.23%	9.09%	6.69%
EAT / Total Income (%)#	5.64%	2.30%	7.66%	7.46%	3.76%
Return on Avg. Equity (%)#	9.65%	4.55%	17.80%	14.01%	8.26%
Return on Avg. Capital Employed (%)#	8.36%	6.29%	19.14%	16.95%	14.03%
Earning Per Share (Rs.)#					
- Basic	13.62	6.09	20.61	13.97	6.17
- Diluted	13.46	6.02	20.36	13.78	6.17
Dividend Per Share (Rs.)*	2.40	2.40	2.40	1.80	1.20
Book Value Per Share (Rs.)	147.23	136.73	128.46	105.54	94.93
Cash Per Share (Rs.)	78.16	71.22	47.63	37.92	39.36

#After providing goodwill impairment amounting to Rs. 2,087.14 lakhs during the year ended December 31, 2009. | * Dividend per share for the year 2010 is subject to the approval by the shareholders at ensuing annual general meeting.

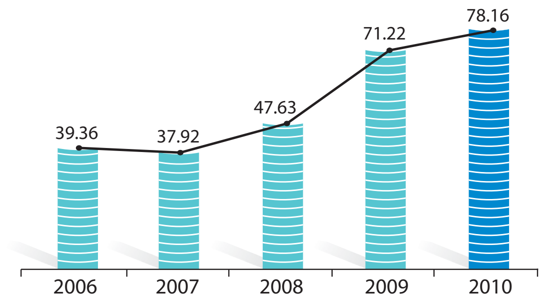
Notes : Operating Profit - Earning before interest income, interest expenses and tax excluding exceptional and prior period items; | EBT- Earnings before tax; | EAT - Earnings after tax; Debt - Equity ratio = Long Term Debt / Equity; | Days Sales Outstanding = Average Trade Receivables / Net Credit Sales*360; | Current Ratio = Current Assets / Current Liabilities; Return on Avg. Equity (%) = Net Profit after tax / Average Equity; | Return on Avg. Capital Employed (%) = EBIT / 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 conform to current year classification including the effect of consolidation of shares and bonus issue in the year 2006.

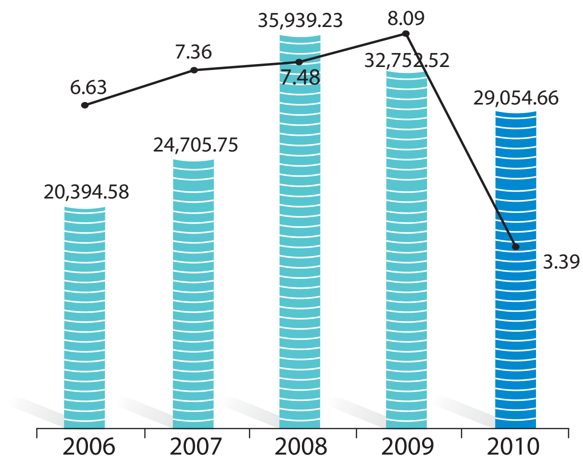
Book Value Per Share



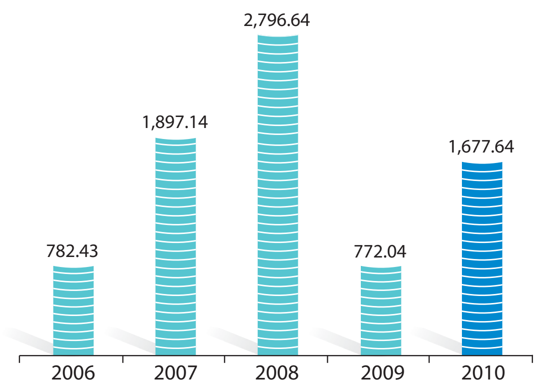
Cash Per Share



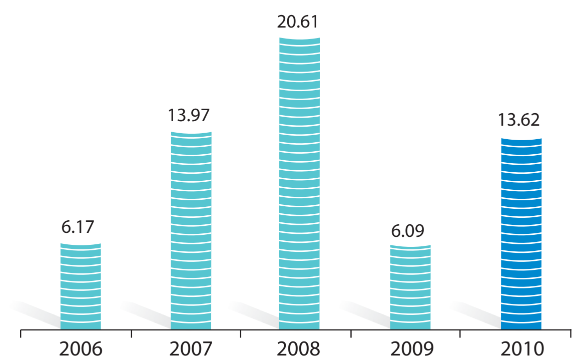
Operating Income & Profit



EAT (Earning After Tax)



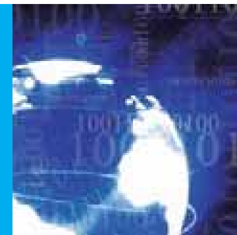
EPS (Earning Per Share)



*Graphs not to scale

Chairman's letter

"The key areas of focus are BFSI, Telecom and Digital Media, Government, Healthcare and Security Software. We expect growth in these vertical segments through Research and Development and innovative efforts"



Dear Fellow Shareholders,

Over the past two years, your company along with the global economy has experienced some challenging times. The decline in business from key customers in the BFSI (Banking, Financial Services and Insurance) sector and volume losses in the BPO segment accounted for most of the volume decline at R Systems. This is consistent within our peer groups who have experienced a similar decline in the BFSI sector. To meet those challenges, your company has implemented initiatives to better respond to the increasingly competitive marketplace. In 2010, we consolidated and restructured the business and weare focused in areas where we have built expertise and have a strong proven track record. The key areas of focus are, BFSI, Telecom and Digital Media, Government, Healthcare and Security Software. We expect growth in these vertical segments through Research and Development and innovative efforts. Pursuing this strategy of building deeper domain expertise in the Telecom sector, we acquired Computaris International in Europe.

Acquisition:

As mentioned earlier, your company made a strategic acquisition in Europe of Computaris International Limited, post December 31, 2010. The acquisition ties right in with our strategy to focus on the Telecom industry which has now become our foremost industry vertical. Computaris, with its strong European presence will provide us further penetration for IT services with both offshore and near shore capabilities. R Systems presence in India, APAC and US should also provide our new acquisition a launch into these markets.

The acquisition of Computaris together with our existing portfolio of Telecom customers, who are both technology providers, as well as, Service providers, should position us well for strong growth. The Telecom industry is expected to deliver over 35% of our revenues in the coming year. With the rebound of the BFSI sector, we have already successfully won contracts with global companies. This, together with other global customers in the stable will enable the business to recover some lost ground. We continue to look atGovernment, Security Software and Healthcare segments.

How have we performed?

- Your company posted consolidated revenues of Rs. 290.5 crores for the year 2010. The decline from Rs. 327.5 crores in 2009 is

primarily due to the loss of three key customers in 2009 in the BPO segment along with a significant decline in spending by our key BFSI customers following the financial meltdown. The INR parity against the USD, Euro and SGD contributed to a 4.87% decline in Revenue over 2009 or nearly Rs. 16 crores.

- We have steadily grown our cash balances which stood at Rs. 95 crores or almost Rs. 78 per share as of the end of 2010.

- During the year, your company has added over 20 key customers, of these, atleast two of the relationships will have a run rate exceeding USD 1 million per annum, with one being in the Telecom industry and the other, a Key Europe based global Auto Finance company.

- The 2010 EBITDA of Rs. 22 crores is lower than 2009 which was 40 crores. This is due to a decline in volumes, as well as,a stronger Rupee against the major trading currencies of USD and Euro.

- Your company posted a Net profit after tax of Rs. 16.77 crores, an EPS of Rs. 13.62 for the year 2010. The Board is happy to recommend a dividend of Rs. 2.40 per share.

Performance of our Business lines:

ISV or Independent Software Vendors:

This is your company's largest group. The industry segments serviced by your company include, Banking and Finance, Telecom & Digital Media, Niche ERP products, IT products and Government. The engagements are usually multi-year and include both fixed teams and fixed bid projects. We continue to be the engine room for application development for our customers. This group provides 55% of your company's revenues. As stated earlier, we are aligning our business along business domains to assume full responsibility for the product life cycle, rather than commodity technology service providers. Accordingly, we have restructured our delivery team along those business domains.

Product Group:

The product group consists of a suite of Lending Solutions for retail loans for banks and financial institutions. Your company also sells its own Supply Chain Management Solutions to the Hi-tech manufacturing Industry. We also undertake implementation of third party software products including, ERP solutions, Niche ERP products, and Inventory and Warehouse Management solutions. This product group delivers 25% of your company's revenues.

BPO/ITES Group:

Your company has four centers to deliver BPO or ITES services out of India, Netherlands, France and the US. The company supports a wide range of processes, primary amongst these being, Revenue Cycle Management for Healthcare, end-user customer support for IT and Hi-tech Electronic goods, Hi-end quality Management processes, Sales and Collections. This Group Contributes 20% of your company's revenues.

Looking at our Key Markets:

The company's key markets for the ISV sector are Europe and the US. The key markets for our BPO/ITES group too are the US and Europe. The US Market contributed 59% of our Revenues while Europe contributed 20%. For the product group, the key markets are APAC, Europe, India and EMEA in addition to Europe. The markets excluding US and Europe contributed 21% of our revenues.

A key stake holder in the company is our team of knowledgeable workers. They provide the value that all of our customers see in us. Due to the decline in revenue, we have also re-sized. Our team has been re-skilled by constant training and lateral hires. Our key customer list consisting of a number global companies, are also serviced by our competitors. The experience gained by our employees enables them to compete with the "best in class" with respect to their job skills. We continuously benchmark our employee compensation with the industry.

To deal with the situation of a two year decline in Revenue, the company has taken the following steps:

- First, as mentioned before, restructuring our business along domain lines, innovating and creating deeper value products and services.
- Second, we have acquired a strong business domain in the Telecom industry with theacquisition of Computaris. The increased domain focus along with Telecom is an exciting avenue of growth.
- Third, we are hiring senior talent with Domain and Technology knowledge to provide customers with significant value added services.
- Fourth, we are restructuring our approach to market along domain and geographical lines. This will provide us opportunities to be near the customer in order to increase customer engagement, while achieving cost savings in the SG&A.

We would like to see 2011 as the turnaround year for the company as a result of the changes we have implemented in response to the changing business environment.

I would like to thank all of our stakeholders alike; shareholders who have kept faith in our story, customers who place their trust in the services we provide, our employees who's intellect and hard work has helped us tide through a difficult economic environment, and, our business associates who have supported us in accomplishing where we are today.

Yours truly

Satinder Singh Rekhi
(Chairman and Managing Director)

Defining markets. Redefining reach.

At R Systems, two concurrent streams of efforts overlap to provide the impetus for growth. We constantly evaluate markets, map our competencies and realign our focus to serve these markets.

At the same time, we also have an eye on geography and we seek to continually spread our footprints to serve more markets, in more countries and continents, with 13 delivery centres spread from west coast of America to Singapore in the APAC region. Following the acquisition of Computaris we have added to our customer reach with offices in UK, Romania, Poland and Moldova. This enables us to access management and technical talent from across the world. We accomplish this with a mix of offshore, onshore, and hybrid work structures.

R Systems also maintains a number of sales and service offices in 5 cities across the world. These offices enable us to be in close touch with our customers while leveraging the lower offshore centers to deliver best value to our customers. The company has a significant presence in the ASEAN area, with its local headquarters in Singapore and offices in the cities of Kuala Lumpur, Bangkok, Hong Kong, Tokyo, and Shanghai.

Our services and solutions portfolio began with outsourced product development and today includes Application Services and BPO.

Our key business verticals

Telecom

This vertical is now our largest business vertical with service offerings in digital media and IPTV, products from under Indus brand and software services from our new acquisition Computaris in the area of customization and implementation of real-time charging solutions, outsourced application development of BSS products, besides testing services and solutions. In 2011 Telecom will be our largest industry vertical served by R Systems with nearly 35% of Revenue contributions coming from this industry, including ISVs supporting them.

BFSI

This is currently one of our largest business verticals. We service this industry with our products under the Indus stable, support third party business applications including complete banking products and ITES services that specialize in the Revenue-Collection cycle.

Healthcare & Government

Our services to the Healthcare sector started with IT services to state and federal governments in the US and now extend to ITES services that cover the complete revenue management cycle. R Systems has helped many government agencies become e-enabled by creating an architecture that allows the use of Internet technologies in a straightforward, simple manner. R Systems completes approximately 20 government projects per year and our typical project team member has over 10 years experience of working in the public sector environment.

R Systems provides a wide variety of services to organizations in the Healthcare industry. This includes companies that develop, manufacture and market health related products or healthcare services such as hospitals, mid sized provider organizations, HMOs, plan providers, payers, Medical Billing companies, Medical equipment and Medical device manufacturers.

Hi-Tech electronics

The Hi-tech electronics industry is serviced through our tech support services from our ITES centers in Europe, US and India. We also provide this sector with solutions for inventory management, supply chain management, warehousing operations and implementation of ERP solutions. As a part of our application development business, we also provide custom built solutions for our customers for many peripheral business requirements. These applications are built on modern IT architecture with multi-lingual capabilities to address requirements of a global multi-location business operation.

"While expanding the markets for our solutions and services has always been our main growth motive, we have achieved this by redefining our reach"

Defining value.
Redefining deliverables.

Our value systems are centered on two sets of people - our customers and our team members. We enshrine customer focus as our central tenet and have built our business around it. For our team members, we have put excellence in operations, ethical behavior and fair play as the ideals we will consistently achieve. Serving the customer with the best-in-class services and engendering lasting delight is our purpose. To this end, we have kept adding to our list of deliverables, and the industry sectors that we cater to.

Our Services Include:

iPLM services – redefining productivity in product engineering

Outsourced Product Development, Quality Assurance, Product Maintenance, Independent Testing and Customer Support.

We deliver product development and associated services in a time bound and budget specific manner to enable Independent Software Vendors to quickly scale their concept to prototype. In the latter stage of development, we also operate as an Outsourced Development Center for these companies, wanting to scale their offerings rapidly in a cost-effective manner. We operate on the basis of pSuite that consists of best practices, tools and methodology to ensure flawless product delivery.

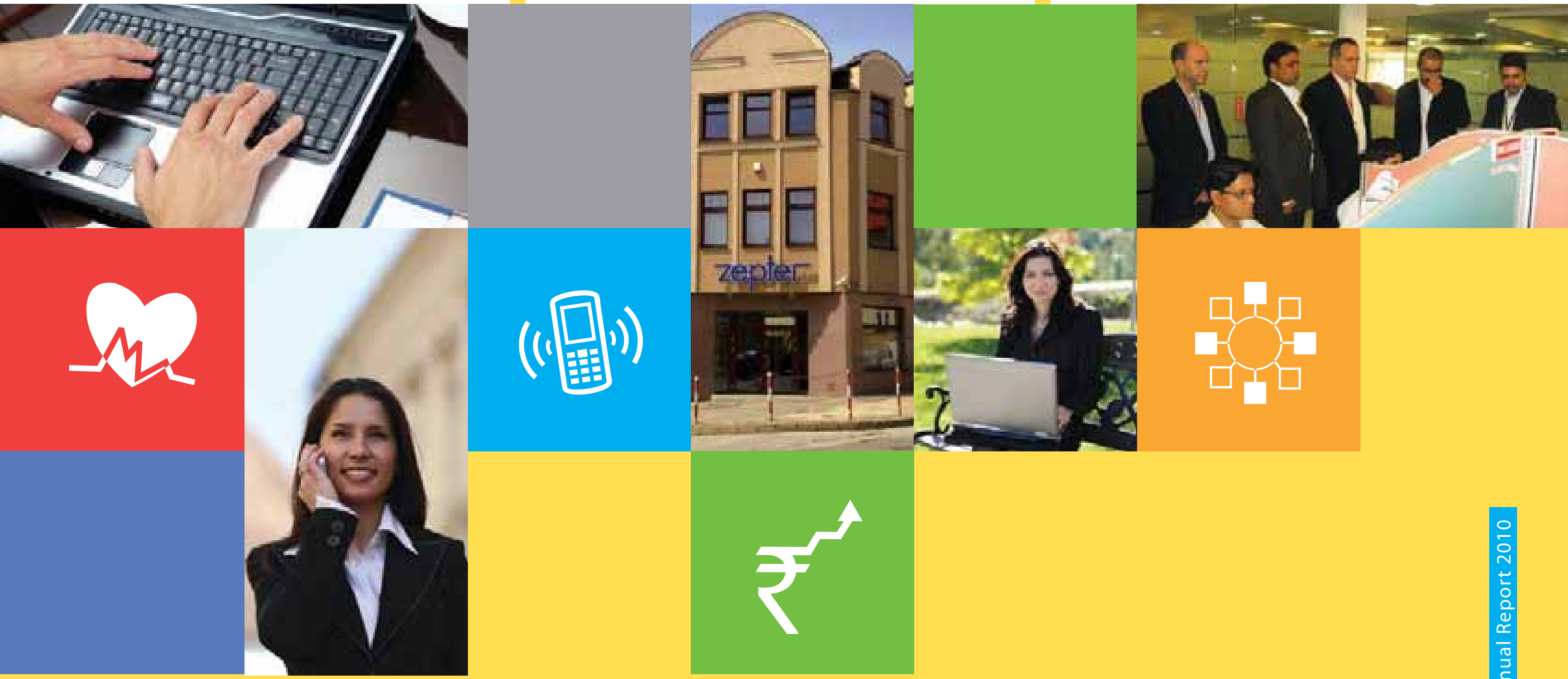
Application services - applying efficiency in application services

SAP services, Data Warehousing and Business Intelligence, Enterprise Portals and Supply Chain Optimization, JD Edwards services, and People Soft services.

We deliver both off the shelf solutions and bespoke applications developed to meet very specific and, often sensitive, customer requirements. We have a refined and robust implementation technology that is based on "4D" – Define, Design, Develop and Deploy.

BPO services – enhancing productivity with efficient BPO services

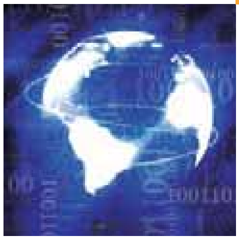
We have domain expertise in offering Outsourced Business Process services and customer interaction services for High Technology, Healthcare, Human Resources and Financial Services. In terms of customer interaction, we deliver technical support, customer care, order management, RMA processing, tele marketing, cross selling, up selling, product information, delivery status, and billing. In the Back Office Processing services, we offer billing, forms processing, data processing and document management.



Defining strategy.
Redefining tactics.

Being in the high technology services and solutions business, competency has been our main driving force. R Systems is a learning organization that is ever involved in the process of increasing its knowledge base, improving its people capability and enhancing its organizational capacity. In doing so, we are able to serve our customer better, increase our range of services and deepen our involvement for the betterment of our client's business.

We are also, at the same time, seeking ways and means to deliver our services to our clients in the most competitive manner. We do this by innovating on our delivery channels – with a combination of offshore, onshore, onsite and offsite development teams, improving our productivity so as to reduce our costs and maintaining a lean organizational structure. We have process of pursuing continuous improvement and have embraced the process improvements under the ISO, CMM, CMMi, PCMM covering our processes that manage people, delivery processes and information security and administration and finance functions.



"While improving our competency has always been our strategy, we have achieved this by increasing our competitive ability as a tactical ploy"

Focus on Telecom

R Systems' involvement with the telecom domain began with its digital media solutions business. We deliver triple play capability (across voice, video and data) to content providers and telecom players, as well as quad play possibilities – mobile IPTV over wireless networks. We have implemented a variety of solutions catering to the delivery of video, music and other digital content over IP and other mobile networks. Our Product group provides a solution that enables telecom providers to address their requirements in the area of Credit Management and Revenue Collections.

R Systems through its IPLM services develops and maintains key intellectual property for its customers in the areas of IPTV and Digital Media including participation in key Research and Development areas and building of prototypes

Our offerings through Computaris

Avalanche – the Facebook integration platform

Avalanche is a white labeled Facebook integration platform that empowers operators to offer a differentiated, premium value service converging in real time with their current offerings on social networks.

Computaris Facebook Integration Platform will enable operators to create dynamic, timely and focused interaction with its customers, providing and complementing the key success elements of viral marketing.

Convergent Charging – business in real time

Computaris convergent charging solution equips communication service providers with convergence in the area of real-time rating, charging and billing. Our convergent charging integration services enable service operators to bring convergence to the market by implementing the latest telecom technologies, such as:

- Single product catalogs
- Centralized balance management
- Hybrid user accounts
- Rating and charging policy rules
- E-wallet
- Top-ups
- VPN support
- Real-time self-care
- Customer loyalty and bonus schemes

Mobile Broadband Management – facilitating mobile based business

Computaris Mobile Broadband Management enables service providers to deploy business rules targeted at subscribers and services, enabling them to dynamically respond to business events in real time.

Our Broadband Management Solutions include:

- Bill shock management
- Fair usage policies
- Parental and content control
- Optimizing the Average Revenue per Megabyte

MVNO in a White Box – integrated customer centric approach

Our MVNO Solutions offer sophisticated control capabilities, enabling integrated management of subscriptions, accounts and billing data, vouchers, phone numbers and SIM cards, providing all the tools needed for a customer centric approach.

Value-added Services – adding value, multiplying benefits

Our Value-added Services help telecom companies to safeguard future revenues, leverage their telecom infrastructure, simplify their network management, and speed up the time to market of next generation, innovative services.

These solutions include Virtual PBBX solutions, Convergent VPN Solutions, Online Changing of the front end, Location based services, and Call Completion & Network Services.

Focus on BFSI

R Systems provides the industry requirements of products, productized applications, support and maintenance of applications including third party products with a model that optimises the benefits of offshore and onsite services.

R Systems provides product solutions which are grouped under the Indus brand name and supports Banks, Non-Banking Finance companies and Insurance companies. Some of the solutions have applicability to other industries like telecom and utilities as well.

Our offerings for the BFSI sector can be classified as:

Indus Solutions:

End to end solutions in retail lending.

This is an integrated enterprise multi portfolio lending suite. The suite consists of three components:

Indus Loan Originations – Customer acquisition simplified

This is a 5th generation solution that provides an end to end insight of the loan originations process from customer acquisition. It covers the areas of credit appraisal, sanction to disbursement. It helps banks and financial organizations manage the dynamic retail lending environment, while addressing the need for constant improvements in productivity and process efficiency. The solution facilitates the co-ordination of the loan origination process with external entities like brokers, dealers, agents, etc. and helps build a healthy relationship with these networks.

Indus Loan Management – Life cycle management of loan products

This is a comprehensive solution that helps manage the Bank's / Financial Institution's retail lending products throughout their life span while helping them service the client efficiently. The Indus Loan Management suite is internationalized for being adaptable for use in multiple currencies, multi lingual and multi organizational implementations. It has the functionalities to cater to the desk top as well as back office users. It can seamlessly integrate with third party systems, including GL systems and core banking solutions. It supports various repayment options such as EMI, step up, step down, balloon and bullets.

Indus Collections – Managing delinquencies across multiple portfolios

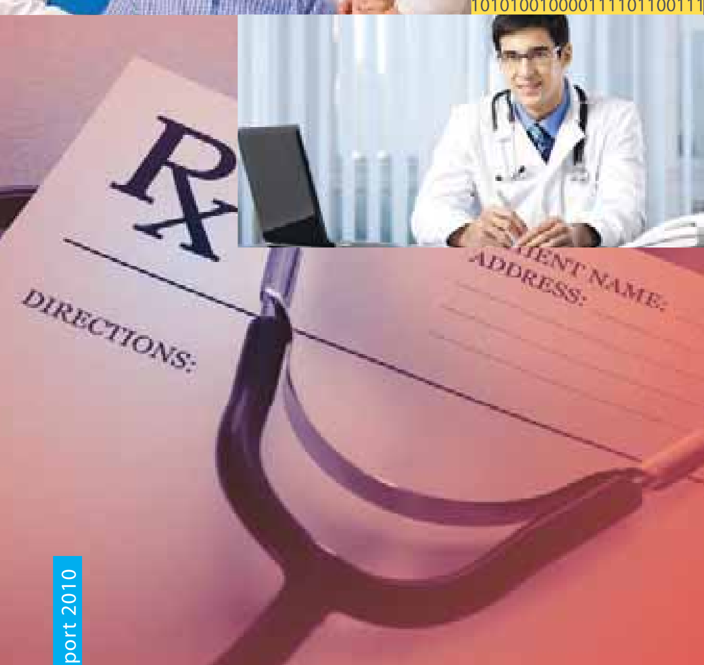
This offering helps optimize the client's efforts to manage defaults across multiple business portfolios. This product is the result of a long and thorough study of best industry practices and it is an intuitive, easy to use solution that gives the client a 360º view of the customer relationship. This customer centric application helps bankers intervene based on customer risk and increase recoveries, while protecting sensitive client relationships.

Indus iPerSyst – Sustainable platform for premium related growth

The periodic premiums that insurance companies collect from their clients are one of its most important revenue streams. One cannot over-emphasize 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.

Its five modules include:

- Segmentation and prioritization of the policy database
- Improved customer contact exercise
- Streamlined and effective renewal process
- Compressed and efficient renewal cycle
- Performance monitoring and dashboard reporting



Focus on Healthcare

R Systems offers a wide variety of solutions to the different players in the healthcare industry, including companies that develop, manufacture and market healthcare related products, or healthcare services like hospitals, midsized provider organizations, HMOs, plan providers, Medical Billing companies, and Medical Equipment/Device manufacturers. Our main areas of expertise are Revenue Cycle Management and IT Projects in the area of Informatics (Database Administration, Conversion, Integration Services, Reporting).

Our specific solutions include:

Reimbursement and Cash Acceleration – enabling companies to retain their revenues

We help healthcare companies retain 96% of their revenue in keeping with the National Rate Challenge. The application also eliminates delays, denials and HR liabilities. We also have a special package for Federal Qualified Centers.

EHR implementation and administration – e–enabling health records

Electronic Health Records are an essential feature of any modern healthcare facility. They provide easy access to patient history and are easily retrievable and transferable. R Systems' EHR implementation allows healthcare organizations to select the EHR system of their choice which we then integrate and implement. We also handle the data migration to the new system and help in maintaining these record keeping systems.

Adjudication, Utilization and Credentialing – enhanced adjudication and elimination of duplicate claims

R Systems' Adjudication, Utilization and Credentialing solutions help healthcare organizations avoid duplicate claims and enable them to better adjudicate matters. We assist healthcare organizations to maintain and update provider data economically, and help them in better utilization management.

Sales and Customer Service – ensuring loyalty with enhanced service

Healthcare organizations worldwide are increasingly aware of the need for better sales and customer service to sustain their brand loyalty. We help these organizations to increase customer satisfaction without an incremental cost. We also assist them to better manage seasonal enrollment challenges.

"We combine technology and service to offer healthcare organizations a seamless solution that will enable them to retain and increase market share in a competitive field"

Focus on Security

R Systems has proven capabilities and expertise in the High Technology support sector. In the domain of High Technology support and security, we offer the following solutions:

Enterprise Remote Systems Management

- Network Operations Monitoring
- Server Monitoring
- Network Monitoring software support

Developer Support & Software QA Services

- NET/Java Presentation Layer Controls

Enterprise Technical Support for Networking

- Load Balancers
- SSL Accelerators
- Geographical Load Balancer

Enterprise Advanced Technical Support for

- Mobile Messaging and Email Apps
- Threat Management Systems
- Traffic Management Solution
- Security Administration (Identity & Access Management)

Advanced Technical Support for Data Encryption

- Data protection integrated with Active Directory, IIS, MS SQL
- Hard Disk Encryption
- Device Control (Mobile, Networking & Security devices)
- Level 1, Level 2 & Level 3 Helpdesk Support
- Product Registration & Subscription Management
- Installation & Upgrades
- Incident Management
- Request, Problem, Configuration & Change Management

Our High Technology and Security services are available 24X7 across the onshore, offshore and blended delivery models. Our network of service personnel handles 300,000 tech support queries a year. These queries are attended to via a mix of voice, e-mail, chat and remote services.

Focus on
Manufacturing & Logistics

Enterprise and Custom-built solutions to streamline business processes

R Systems' solutions for the manufacturing & logistics verticals are offered through our fully owned subsidiary ECNet. The company offers Supply Chain solutions on ECNet Pro - a Software As A Service Platform. Our suite of collaborative supply chain solutions, enterprise solutions and custom-built solutions empower our customers to streamline their business processes to achieve efficiency and competitive value in their various industries.

ECNet is headquartered in Singapore with offices in USA, Japan, China, India, Malaysia and Thailand.

Our solutions are focused on industries such as Consumer Electronics, Manufacturing, Automobile, Healthcare, Logistics, Consumer Products, etc.

Our Supply Chain Solutions include:

E - Procurement

It is a process of end to end procurement of all the organization's supply requirements, whether product or services via an electronic channel, that enables an increase in productivity, cost effectiveness and improved bottom line. It results in improved efficiency and productivity, better control of documents collaborated upon by the vendor and the manufacturer, enhanced traceability of all documents and transactions and greater document visibility.

VMI - Vendor Managed Inventory Solution

This is a solution to reduce inventory carrying costs by vendor integration, collaboration and optimization. It offers a means of optimizing supply chain performance, in which the vendor has access to the customer's inventory data and is responsible for maintaining the inventory level required by the customer. This activity is accomplished by a process in which re-supply is done by the vendor through regularly scheduled reviews of the onsite inventory.

SCIM - Supply Chain Inventory Management Solution

This is an integrated supply chain inventory management solution that integrates information collection, determines the optimal inventory levels across the supply chain, enables replenishment planning with intelligent monitoring and alerts, while offering integrated demand and supply visibility and analysis.

Transportation Collaboration

ECNet Transportation Collaboration solution replaces the paper intensive process, and enables enterprises to consolidate orders and optimize shipment from the distribution center. It enables enterprises to get online real time transportation information for operations planning. It reduces the cost of manual tracking and reduces transportation costs by ensuring optimal fleet utilization. Since it is a SASS business model, the customer gets the benefits of a global solution at the lowest cost of ownership.

Defining capabilities.
Redefining responsibilities.

With clearly defined capabilities to carry forward its Corporate Social Responsibility (CSR) campaign, R Systems effectively utilized its employee outfit, Saksham, to support the underprivileged sections of the society during 2010.

Saksham was formed in 2004 to do community service with voluntary contributions from all employees. Saksham members at R Systems create and participate in different social initiatives that help improve our communities and affect lives in a positive way.

A snapshot of Saksham activities during 2010

- Continued to sponsor the full day meal facility for the children of Ekalavya Bal Shikshan & Arogya Nyasa.
- Worked with NFBM Jagriti School for Blind Girls; made donation which will be utilized by them for the new school building that is under construction.
- Saksham team recently met with 2 NGOs which work with the underprivileged children to discuss the possibility to fund educational support for the orphans / single parented children and children with learning disabilities.
- Extended financial support to family of late Prakash Gole (our housekeeping staff).
- Invited children of Bal Shikshan & Arogya Nyasa who were part of the 4th quarter happy hour celebrations. The children put up a wonderful dance performance. We felicitated all the children on this occasion.
- The Saksham group sponsored school bags, 2 sets of uniforms & shoes for the children of our Security Guards, Drivers & Housekeeping Staff.
- Saksham team visited Care India Medical Society, Pune on 7th May 2010 and met up with all the Cancer patients admitted at "Vishranti". Met 7-year-old Jyoti Gupta, who is suffering from Ovarian Germ Cell Tumor, and sponsored her treatment including chemotherapy.

Other activities

We organized an H1N1 Vaccination Camp for employees and family members. A team of 4 medical practitioners administered the nasal spray given to our employees. The camp owed its success to Dr. Mini Thomas, Dr. Dipali Chavan, Dr. Bhagyashree & Dr. Aditi for all their support in ensuring a smooth camp, while the vaccines were organized by Serum Institute. A total of 343 people were vaccinated during this camp.

SYSTEMS

R Systems International Limited

Directors' Report

Dear Shareholders,

Your directors take great pleasure in presenting the Seventeenth 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, 2010.

1. FINANCIAL RESULTS

(a) Standalone financial results of R Systems

Particulars	Financial Year ended (Rs. in lakhs)	
	31.12.2010	31.12.2009
Total income	**18,638.60**	20,031.17
Profit before depreciation, exceptional items and tax	**2,311.46**	4,189.39
Less : Depreciation	**862.65**	804.62
Less : Exceptional item (Provision for diminution in value of long term investments)	**18.50**	2,473.21
Profit before tax	**1,430.31**	911.56
Less : Current tax (net of MAT credit)	**185.89**	204.87
Less : Deferred tax	**(430.95)**	41.85
Less : Fringe benefit tax	-	9.68
Profit after tax (available for appropriation)	**1,675.37**	655.16
Proposed final dividend	**295.60**	288.45
Corporate dividend tax on final dividend	**49.10**	49.02
Transfer to General Reserve	**167.54**	65.52
Balance carried forward to Balance Sheet	**1,163.13**	252.17

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

Particulars	Financial Year ended (Rs. in lakhs)	
	31.12.2010	31.12.2009
Total income	**29,745.94**	33,556.74
Profit before depreciation, exceptional items and tax	**2,786.66**	4,488.06
Less : Depreciation	**1,330.86**	1,348.19
Less : Exceptional item (Impairment of goodwill recognised on earlier acquisition of subsidiaries)	-	2,087.14
Profit before tax	**1,455.80**	1,052.73
Less : Current tax (net of MAT credit)	**209.11**	229.16
Less : Deferred tax	**(430.95)**	41.85
Less : Fringe benefit tax	-	9.68
Profit after tax (available for appropriation)	**1,677.64**	772.04
Proposed final dividend	**295.60**	288.45
Corporate dividend tax on final dividend	**49.10**	49.02
Transfer to General Reserve	**167.54**	65.52
Balance carried forward to Balance Sheet	**1,165.40**	369.04

2. RESULTS OF OPERATIONS

Standalone Accounts

- Total income during the year 2010 decreased to Rs. 18,638.60 lakhs as against Rs. 20,031.17 lakhs during the year 2009, a decline of 6.95%.
- Profit after tax was Rs. 1,675.37 lakhs during the year 2010 as compared to Rs. 655.16 lakhs during 2009, an increase of 155.72%.
- Basic earnings per share was Rs. 13.60 for the year 2010 as compared to Rs. 5.17 for the year 2009, an increase of 163.06%.

Consolidated Accounts

- Consolidated total income during the year 2010 decreased to Rs. 29,745.94 lakhs as against Rs. 33,556.74 lakhs during the year 2009, a decline of 11.36%.
- Profit after taxes was Rs. 1,677.64 lakhs during the year 2010 as compared to Rs. 772.04 lakhs during 2009, an increase of 117.30%.
- Basic earnings per share was Rs. 13.62 for the year 2010 as compared to Rs. 6.09 for the year 2009, an increase of 123.65%.

3. APPROPRIATIONS AND RESERVES

Dividend

Taking into consideration the operating profits for the year 2010 and positive outlook for future, the Board of Directors (the "Board") is pleased to recommend a final dividend of Rs. 2.40 per equity share, being 24% 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 2010 subject to the approval of the shareholders at the upcoming 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 May 17, 2011 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, May 16, 2011 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 May 17, 2011 to May 25, 2011, both days inclusive.

Transfer to Reserves

It is proposed to transfer a sum of Rs. 16,753,688 (Rupees one crore sixty seven lakhs fifty three thousand six hundred eighty eight 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' 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 healthcare sector.

On January 26, 2011, R Systems has completed the acquisition of 100% shares of Computaris International Limited ("Computaris"), a U.K. based Software Company engaged in the telecom sector. With the acquisition of Computaris, R Systems has eleven global development and service centres in India, USA, Europe and Singapore. R Systems diversified offering includes:

iPLM Services Group

R Systems founded in 1993 is one of the leading providers of outsourced product development and customer support services. We help companies accelerate the speed to market for their products and services with a high degree of time and cost predictability by using our proprietary pSuite execution framework. Our clients can choose services specific to their needs from R Systems iPLM suite of services. We help companies build scalable, configurable and secure products and applications; and help our clients to support their customers worldwide with products and services using our global delivery model in 18 languages. R Systems competitive advantage in product development and support is further enhanced by its global delivery capabilities, multi-language support capabilities and agile development methodologies supported by R Systems' proprietary PSuite Framework.

Products Group

In the Products Group, R Systems has a range of products that cater to the banking, telecom, finance, manufacturing and logistics industry. The banking and consumer finance solutions are sold under the brand name, Indus® and the supply chain solutions for manufacturing and logistics industry are sold under the brand name, ECnet®.

Customers and Delivery Centres

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 and Independent Software Vendors, Government, HealthCare, Manufacturing, Telecom, Insurance and Logistic Industries. R Systems maintains eleven development / technical support centres and using its global delivery model R Systems 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:

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 2010, Software Development and BPO Centres of R Systems, based in Noida have been certified by STQC IT Certifications Services, Ministry of Communication and Information Technology, Government of India for ISO 9001 : 2008.

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® FRAMEWORK 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

Subsequent to the year end, the Company has acquired Computaris International Limited 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 condition by the former shareholders of Computaris over the next two years.

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.

7. DIRECTORS

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

Mr. David Richard Sanchez resigned from the office of Director effective February 26, 2010. Your Directors place on record their sincere appreciation for the advice and contribution of Mr. David Richard Sanchez during his tenure with the Company.

Lt. Gen. Baldev Singh (Retd.) and Mr. Raj Kumar Gogia were reappointed as directors of the Company at the previous Annual General Meeting held on May 20, 2010.

Mr. Satinder Singh Rekhi was reappointed as Chairman & Managing Director of the Company by the Board at its meeting held on October 30, 2010 for a term of three years w.e.f. January 01, 2011 to December 31, 2013 subject to the approval of the Central Government and the shareholders at the upcoming Annual General Meeting.

At the upcoming Annual General Meeting, Mr. Gurbax Singh Bhasin and Mr. Suresh Paruthi, 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, 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, 2010 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	127,250
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	6,120	Nil	Nil	27,000

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)
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	73,380	6,800	Nil	503,000
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.	13.44

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, 2010 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, 2010.

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 2009 and 2010 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 2010 would be Rs. 1,527,947 (Previous year Rs. 4,673,959). 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, 2010	Year ended December 31, 2009
Net Income as reported	**167,536,880**	65,515,857
Add : Intrinsic Value Compensation Cost	**-**	-
Less : Fair Value Compensation Cost	**1,527,947**	4,673,959
Adjusted Pro-forma Net Income	**166,008,933**	60,841,898
Earnings Per Share		
Basic		
- As reported	**13.60**	5.17
- Proforma	**13.48**	4.80
Diluted		
- As reported	**13.44**	5.11
- Proforma	**13.32**	4.74

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, 2010 was Rs. 9,568.91 lakhs against Rs. 8,719.75 lakhs as of December 31, 2009. Increase in the cash and bank balance was mainly on account of cash generated from operations. The cash and bank balance per share as of December 31, 2010 was Rs. 78.16 against Rs. 71.22 as of December 31, 2009.

The consolidated cash and cash equivalent as of December 31, 2010 were Rs. 4,040.33 lakhs against Rs. 3,093.04 lakhs as of December 31, 2009.

Net cash generated from operating activities was Rs. 1,680.92 lakhs for the year ended December 31, 2010 compared to Rs. 4,326.48 lakhs for the year ended December 31, 2009. Cash flow generated from operating activities is the significant source of funding for investing and financing activities.

During the year, R Systems consolidated operations invested Rs. 795.43 lakhs in the purchase of fixed assets. The interest received during the year 2010 was Rs. 429.06 lakhs against Rs. 305.66 lakhs during the year 2009.

Cash used in financing activities during the year 2010 was Rs. 402.28 lakhs mainly due to payment of Rs. 294.63 lakhs and Rs. 50.24 lakhs for the dividend and dividend distribution tax respectively, for the year 2010 and Rs. 57.41 lakhs as net repayment of borrowings and interest thereon.

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 State Bank of India amounting to Rs. 1,440 lakhs (including non-fund based credit limit of Rs. 940 lakhs). As of December 31, 2010, 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. 50.23 lakhs and in relation to finance leases for assets was Rs. 33.26 lakhs as of December 31, 2010. R Systems primary bankers in India are State Bank of India, ICICI Bank Limited, HDFC Bank Limited and Axis Bank Limited. In U.S.A., Singapore, Europe and Japan, the primary bankers are California Bank & Trust, 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, 2010, 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.

11. CORPORATE RESTRUCTURING

During the year under review, the Board has approved a scheme for corporate restructuring of its two subsidiaries based in Singapore for their revival and growth namely, 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. Implementation of the said corporate restructuring is under process.

Following the corporate restructuring strategy for growth, subsequent to the year end, the Board has approved liquidation of R Systems NV, Belgium (wholly owned subsidiary) subject to required statutory and corporate approvals in India and Belgium.

12. MATERIAL CHANGES AFFECTING THE FINANCIAL POSITION OF THE COMPANY

Subsequent to the year end, the Company has acquired 100% shares of Computaris on January 26, 2011 for a maximum consideration of GBP 9 million (Rs. 6,536.25 lakhs) out of which GBP 4.25 million (Rs. 3,086.56 lakhs) is initial payout and balance is based on earn outs of Computaris as well as fulfillment of certain condition by the former shareholders of Computaris over the next two years.

Except the proposed corporate restructuring and 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, 2010 are as follows:

A. Conservation of Energy

During the year ended December 31, 2010 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 equipments 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 conservative 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 benefited 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 practicable 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 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)	
		31.12.2010	31.12.2009
(a)	Earnings (Accrual Basis)	**16,400.32**	18,192.74
(b)	Expenditure (Accrual Basis)	**3,468.33**	3,360.05
(c)	CIF value of imports	**117.95**	973.15

14. SUBSIDIARIES

As on December 31, 2010, R Systems has fourteen 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

wholly owned subsidiaries of ECnet Limited, Singapore being 98.59% subsidiary of R Systems

All the aforementioned fourteen 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 review the affairs of these subsidiaries.

The holding company is required to attach the documents relating to its subsidiaries as prescribed under Section 212 of the Companies Act, 1956 along with its Annual Report. R Systems had applied and has been exempted by the Ministry of Corporate Affairs with reference to their letter no. 47/721/2010-CL-III dated January 06, 2011 from attaching the balance sheet, profit & loss account, directors' report, auditors' report, etc. in respect of all the fourteen subsidiaries as of December 31, 2010. Accordingly, the annual report of the Company does not contain the financial statements of its subsidiaries, but contains the consolidated audited financial statement of the Company and its subsidiaries. Further, as directed by the Ministry of Corporate Affairs, information in aggregate in respect of key items 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 annual accounts of the subsidiaries and the related detailed information will be made available to the investors of the holding company and its subsidiaries seeking such information at any point of time. The annual accounts of the subsidiaries will also be available for inspection during business hours at the Company's registered office and in the offices of the subsidiaries. The same will also be hosted on R Systems' website, www.rsystems.com.

Subsequent to the year end, the Company has successfully completed the acquisition of Computaris International Limited along with its following six subsidiaries on January 26, 2011.

1. 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, LLC, U.S.A.
6. Computaris Limited, U.K.

After the said acquisition, R Systems has in aggregate twenty one subsidiaries all of which are incorporated and based outside India.

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, 2010, 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, 2010 on a going concern basis.

17. AUDITORS

M/s S. R. Batliboi & Associates, the statutory auditors of the Company will retire at the upcoming annual general meeting and are eligible for reappointment. However M/s S. R. Batliboi & Associates have expressed their unwillingness to get reappointed as the statutory auditors of the Company.

The Board, based on the recommendation of the audit committee, recommends the appointment of M/s S. R. Batliboi & Co. (Firm Registration No. 301003E) as the statutory auditors of the Company. M/s S. R. Batliboi & Co. have confirmed their eligibility and willingness to act as the statutory auditors of the Company and have further confirmed that their appointment, if made, shall be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

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

18. AUDIT COMMITTEE

R Systems has a qualified and independent audit committee (the "Committee"). At the beginning of the financial year i.e. on January 01, 2010, the Committee comprised of four directors with non-executive independent director as the Chairman and three other non-executive independent directors as the members of the Committee. During the year, Mr. David Richard Sanchez, Director of the Company had tendered his resignation to the Company effective on February 26, 2010. Accordingly, the

Committee was reconstituted and comprises of three directors with non-executive independent director as the Chairman and two other non-executive independent directors as the members of the Committee.

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. 19 under Schedule 17 in the standalone financial results for the financial year ended December 31, 2010.

Please note that subsequent to the year ended December 31, 2010, 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.

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 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 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

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

Place : CA, U.S.A.
Date : April 15, 2011

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, 2010

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 - Govt. Solutions / Vice President - Offshore Services	B.Sc, PGDMM and Certified Project Manager (SAPM) from Stanford University, USA	43	January 1, 2006*	19	9,379,591	ACT Inc., Pittsburgh, PA Vice President - Marketing
2	Belinraj Mathias	Country Manager - Japan	BE in Computer Science	42	February 1, 2008	18	6,229,177	Satyam Computers Limited, Japan Senior Manager
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.	51	February 19, 2007	26	6,467,654	Glocol, Inc., California, USA Vice President, R&D
4	Jeremy Dawson	Sales Manager	BS - Buisness Administration (Graduation)	38	January 1, 2008*	15	6,012,273	DSA Inc. Manager
5	Mandeep Singh Sodhi	Vice President - Sales	Bachelors degree in Electronics Engineering from Marathwada University and MBA from University of California, Davis	43	January 1, 2008*	18	15,539,645	Sark Synertek, Noida Senior Marketing Engineer
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	60	January 1, 2006*	28	15,562,573#	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
Jeremy Dawson	March 11, 2002
Mandeep Singh Sodhi	April 1, 1993
Satinder Singh Rekhi	April 1, 1993

Includes an amount of Rs. 890,000 which was approved by the Central Govermment for the year 2006.

Notes:

1 The 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 in the above stated list 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, 2010.

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 15, 2011

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 Agreement.

2. BOARD OF DIRECTORS

(i) R Systems has an optimum combination of executive and non-executive directors on its Board. At the beginning of the financial year i.e. on January 01, 2010, the Board comprised of seven directors, i.e. the executive chairman, two executive directors and four non-executive independent directors. During the year, Mr. David Richard Sanchez, Non-Executive Independent Director tendered his resignation to the Company effective February 26, 2010. Accordingly, as on December 31, 2010, 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, 2010 have been made by the directors.

Except the Chairman & Managing Director, all other directors are liable to retire by rotation as per 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	9
Lt. Gen. Baldev Singh (Retd.)	Executive Director	President & Senior Executive Director	5 + 1*	Yes	Nil
Mr. Raj Swaminathan	Executive Director	Director & Chief Operating Officer	5 + 1*	Yes	Nil
Mr. Raj Kumar Gogia	Non- Executive Independent Director	Director	5	Yes	Nil
Mr. Gurbax Singh Bhasin	Non-Executive Independent Director	Director	1 + 5*	No	9
Mr. Suresh Paruthi	Non-Executive Independent Director	Director	6	Yes	2
Mr. David Richard Sanchez (Resigned effective February 26, 2010)	Non-Executive Independent Director	Director	Nil	No	3

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

* Attendance by teleconference

Subsequent to the year ended December 31, 2010, 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.

(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 2010, the Board met six times on February 21, 2010, April 10, 2010, April 24, 2010, July 31, 2010, October 30, 2010 and December 12, 2010.

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, 2010. 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, 2010.

Sd/-

Place : CA, U.S.A. — **Satinder Singh Rekhi**

Date : April 15, 2011 — (Chairman and Managing Director)

Appointment / Reappointment of Directors

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

A. Mr. Satinder Singh Rekhi (Chairman & Managing Director)

Mr. Satinder Singh Rekhi aged about 60 years founded R Systems in 1993. Mr. Rekhi is a technocrat with over 28 years of experience in the information technology industry. Prior to R Systems, Mr. Rekhi held senior management positions with HCL Technologies and DISC (now Synergex) in the United States, Singapore and India. Mr. Rekhi received a Bachelor of Technology degree from IIT, Kharagpur, India and a Masters in Business Administration from California State University, Sacramento. He has also attended several senior management programs from University of Berkeley and Harvard Business School. As a Chairman & Managing Director, Mr. Rekhi is responsible for overall business development and working of the Company.

As on the date of this report

- Mr. Satinder Singh Rekhi is holding the office of director in the following ten bodies corporate, which are incorporated and based outside India i.e. R Systems, Inc., R Systems (Singapore) Pte Limited, RightMatch Holdings Ltd., Indus Software, Inc., ECnet Systems (Thailand) Company Limited, ECnet, Inc., R Systems Solutions, Inc., R Systems NV, R Systems Europe B. V. and Computaris International Limited.

- No stock options have been granted to him under the prevailing stock option plans of the Company.

- Mr. Rekhi holds 90,600 equity shares (being 0.74% of the total paid up share capital) of the Company in his own name and 1,921,718 equity shares (being 15.60% of the total paid up share capital) of the Company as trustee of Satinder & Harpreet Rekhi Family Trust.

- Mr. Rekhi is related to Lt. Gen. Baldev Singh (Retd.), President & Senior Executive Director of the Company.

B. **Mr. Gurbax Singh Bhasin (Non-Executive Independent Director)**

Mr. Gurbax Singh Bhasin aged about 54 years is Bachelor of Engineering. He has been involved in the textile / fashion apparel industry and import / export for over 29 years and understands well the intricacies of international business. Mr. Bhasin's wide diversification and experience helps R Systems to attain even higher levels in customer satisfaction by constantly striving to be the best in all it does through a combination of product excellence, creativity and technological innovation.

As on the date of this report

- Mr. Gurbax Singh Bhasin holds the following offices in bodies corporate outside India i.e. Prego, Inc. (U.S.A.) as President, Agro Foods, Inc. (U.S.A.) as President, Newlands Capital, Inc. (U.S.A.) as President, Quinby Willshire, LLC as Managing Member, Shivam Investments, LLC (U.S.A.) as Managing Member, Suraj Victorville, LLC (U.S.A.) as Managing Member, Corporativo Alberdy S.A. DE C.V. (Mexico) as Partner, Comercializadora Y Distribuidora Sauces S.A. (Mexico) as Partner and Bonneville Holdings Ltd. (Belize) as President.
- No stock options have been granted to him under the prevailing stock option plans of the Company.
- He doesn't hold any shares in R Systems.

C. **Mr. Suresh Paruthi (Non-Executive Independent Director)**

Mr. Suresh Paruthi aged about 60 years has completed his Bachelor of Technology (Hons.) from IIT, Kharagpur in 1972. He has also completed a certificate course in export marketing from the Indian Institute of Foreign Trade, New Delhi. He is having a wide experience of efficiently serving various multinationals; some of them are Siemens Limited, Bhartia Cutler Hammer Ltd. & Omron Asia Pacific Pte. Ltd.

As on the date of this report

- Mr. Suresh Paruthi holds the office of CEO in MEC Solutions, Inc. and Paruthi Consultants and Engineers.
- No stock options have been granted to him under the prevailing stock option plans of the Company.
- He doesn't hold any shares in R Systems.

R Systems has formulated the following committees of its directors:

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

3. AUDIT COMMITTEE

R Systems has a qualified and independent Audit Committee. At the beginning of the financial year i.e. on January 01, 2010, the Audit Committee comprised of four directors, with non-executive independent director as the Chairman and three other non-executive independent directors as the members of the Committee. During the year, Mr. David Richard Sanchez, Non-Executive Independent Director, had tendered his resignation to the Company effective February 26, 2010. Accordingly, the Audit Committee had been reconstituted and comprised of three directors, with non-executive independent director as the Chairman and two other non-executive independent directors as members of the Committee.

The Audit Committee met six times during the year on February 21, 2010, April 10, 2010, April 24, 2010, July 31, 2010, October 30, 2010 and December 12, 2010.

Composition of the Audit Committee, its meetings and attendance during the year ended December 31, 2010

Composition of the Audit Committee	Category of Director	Chairman / Member	No. of meetings attended out of 6 meetings held during the year
Mr. Raj Kumar Gogia	Non-Executive Independent Director	Chairman	5
Mr. Gurbax Singh Bhasin	Non-Executive Independent Director	Member	1 + 5*
Mr. Suresh Paruthi	Non-Executive Independent Director	Member	6
Mr. David Richard Sanchez #	Non-Executive Independent Director	Member	Nil

* Attendance by teleconference

\# Resigned effective February 26, 2010

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. At the beginning of the financial year i.e. on January 01, 2010, the Remuneration Committee consists of four non-executive independent directors. During the year, Mr. David Richard Sanchez, Non-Executive Independent Director, had tendered his resignation to the Company effective February 26, 2010. Accordingly, the Remuneration Committee had been reconstituted and comprised of three 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.

The Remuneration Committee met once during the year on October 30, 2010.

Composition of the Remuneration Committee, its meetings and attendance during the year ended December 31, 2010

Composition of the Remuneration 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. Gurbax Singh Bhasin	Non-Executive Independent Director	Member	1*
Mr. Suresh Paruthi	Non-Executive Independent Director	Member	1
Mr. David Richard Sanchez #	Non-Executive Independent Director	Member	Nil

* Attendance by teleconference

Resigned effective February 26, 2010

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, 2010

(Amount in Rs.)

1.	Name of the Director	Mr. Satinder Singh Rekhi
(a)	Salary, benefits and allowances (fixed)	14,672,573
(b)	Retention bonus (fixed) #	890,000
(c)	Stock options granted	Nil
(d)	Pension	As per the applicable policy for employees
(e)	Service contract	5 years
(f)	Notice period	36 months
(g)	Severance fees	Compensation in lieu of notice
(h)	Shareholding in R Systems as on December 31, 2010	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

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)	2,931,500
(b)	Incentive (fixed)	1,292,264
(c)	Provident fund	154,800
(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, 2010	65,000 equity shares of Rs. 10 each

* 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, 2010, 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)	4,332,457
(b)	Incentive (fixed)	1,100,000
(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, 2010	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 the date of this report, out of the total options granted, 45,000 options are already vested but not exercised.

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, 2010

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, 2010 is as follows:

S. No.	Name of the Director	Sitting fees paid (Rs.)
1.	Mr. Raj Kumar Gogia	120,000
2.	Mr. Suresh Paruthi	150,000
3.	Mr. Gurbax Singh Bhasin	Nil
4.	Mr. David Richard Sanchez (Resigned effective February 26, 2010)	Nil
	Total	**270,000**

As on December 31, 2010, none of the existing non-executive independent director of the Company holds any shares or options in R Systems.

5. COMPENSATION COMMITTEE

At the beginning of the financial year i.e. on January 01, 2010, the Compensation Committee comprised of four directors, with three non-executive independent directors and one executive director. During the year, Mr. David Richard Sanchez, Non-Executive Independent Director, had tendered his resignation to the Company effective February 26, 2010. Accordingly, the Compensation Committee had been reconstituted and comprised of three directors, with 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 on October 30, 2010.

Composition of the Compensation Committee, its meetings and attendance during the year ended December 31, 2010

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
Mr. David Richard Sanchez #	Non-Executive Independent Director	Member	Nil

\# Resigned effective February 26, 2010

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 twenty one times during the year on February 21, 2010, March 12, 2010, March 29, 2010, April 09, 2010, April 24, 2010, April 30, 2010, May 07, 2010, May 22, 2010, May 28, 2010, June 11, 2010, June 18, 2010, June 25, 2010, June 30, 2010, July 8, 2010, July 23, 2010, July 31, 2010, August 06, 2010, October 29, 2010, October 30, 2010, November 12, 2010 and December 03, 2010.

Composition of the Shareholders / Investors Grievance Committee, its meetings and attendance during the year ended December 31, 2010

Composition of the Shareholders / Investors Grievance Committee	Category of Director	Chairman / Member	No. of meetings attended out of 21 meetings held during the year
Mr. Raj Kumar Gogia	Non-Executive Independent Director	Chairman	18
Mr. Suresh Paruthi	Non-Executive Independent Director	Member	20
Mr. Satinder Singh Rekhi	Executive Director	Member	20*
Lt. Gen. Baldev Singh (Retd.)	Executive Director	Member	21

* Attendance by teleconference

Name and designation of the Compliance Officer

Mr. Suresh Kumar Bhutani
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, 2010	26
(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

As on December 31, 2010, R Systems has fourteen subsidiaries, 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.

Subsequent to the year end, 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.

8. GENERAL BODY MEETINGS

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

AGM Date and Time	Venue	Special Resolutions passed
14th AGM May 02, 2008 10:00 A.M.	FICCI Auditorium, Tansen Marg, New Delhi - 110 001	• Reappointment and payment of remuneration to Lt. Gen. Baldev Singh (Retd.) as President and Senior Executive Director of the Company • Reconfirmation of the remuneration payable to Mr. Raj Swaminathan for the remaining term of his present appointment as Director and Chief Operating Officer of R Systems • Modification in the terms of employment and approval for increase in remuneration payable to Mr. Satinder Singh Rekhi as Chairman and Managing Director of the Company • Reappointment and remuneration of Mr. Sartaj Singh Rekhi, Executive Manager, R Systems, Inc. (wholly owned subsidiary of R Systems International Limited) • Reallocation of the funds requirement as stated in the Prospectus and subsequently revised
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

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. However an Ordinary Resolution was passed by the shareholders for creation of security against borrowings pursuant to Section 293(1)(a) of the Companies Act, 1956.

Details relating to the voting pattern are as follows:

Particulars	No. of Postal Ballot Forms	No. of Votes (Equity Shares)	% of Valid Votes
Number of valid Postal Ballot Forms received	311	5,882,071	100.00
Votes in favour of the Resolution	283	5,879,825	99.96
Votes against the Resolution	28	2,246	0.04
Number of invalid Postal Ballot Forms received	37	29,838	-

The Company had appointed Mr. Sanjay Grover, Company Secretary in whole time practice as Scrutinizer for the purpose of the Postal Ballot exercise.

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 for conducting the postal ballot.

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, 2010.

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, 2010, 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 20, 2010 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), as statutorily required, during the year ended December 31, 2010.

(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) We have also started sending financial updates to all the shareholders whose email is registered / made available to us.

11. GENERAL SHAREHOLDER INFORMATION

(i) Annual General Meeting

Date and Time : May 25, 2011, at 09:30 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 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

May 17, 2011 to May 25, 2011 (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
Bombay Stock Exchange Limited ("BSE") Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001	532735

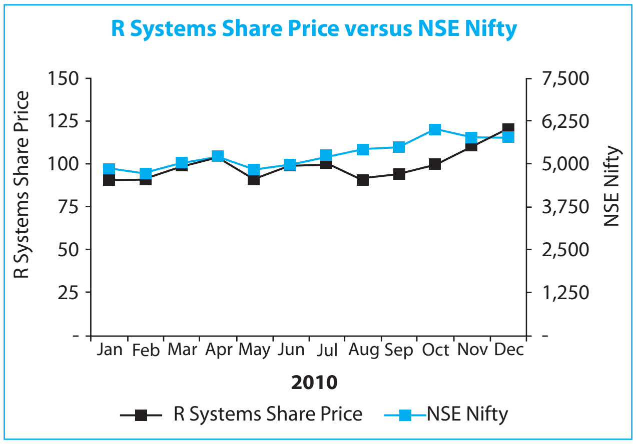
The annual listing fee for the year 2011-12 has been paid within the scheduled time to NSE and BSE.

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

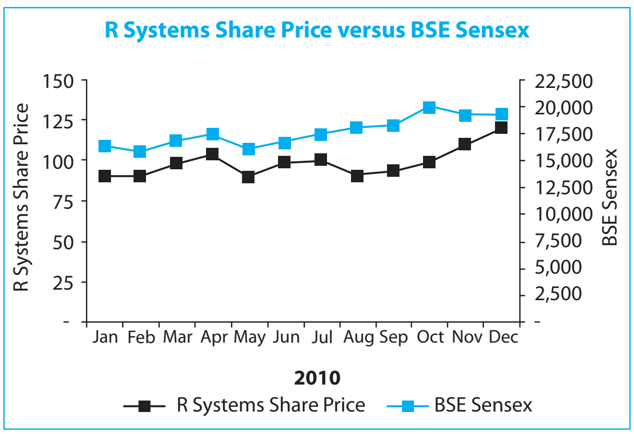
The monthly high and low quotations of R Systems' equity shares traded on NSE and BSE during each month in the previous financial year ended December 31, 2010, in comparison with NSE Nifty and BSE Sensex, are as follows:

Month 2010	NSE				BSE			
	Share Price		Nifty		Share Price		Sensex	
	High (Rs.)	Low (Rs.)	High	Low	High (Rs.)	Low (Rs.)	High	Low
January	114.45	90.50	5,281.80	4,853.10	113.70	90.30	17,701.13	16,289.82
February	99.55	90.55	4,931.85	4,718.65	99.05	90.60	16,496.05	15,790.93
March	109.40	98.60	5,302.85	5,017.00	109.60	98.10	17,711.35	16,772.56
April	115.30	104.50	5,374.65	5,203.65	115.25	104.20	17,970.02	17,380.08
May	108.50	90.40	5,222.75	4,806.75	108.45	89.80	17,386.08	16,022.48
June	103.90	98.95	5,353.30	4,970.20	103.95	98.85	17,876.55	16,572.03
July	103.90	99.95	5,449.10	5,235.90	104.40	99.95	18,130.98	17,441.44
August	98.25	90.70	5,543.50	5,402.40	97.85	90.45	18,454.94	17,971.12
September	104.05	94.15	6,035.65	5,471.85	103.80	93.75	20,117.38	18,205.87
October	102.50	99.55	6,233.90	5,982.10	102.85	99.10	20,687.88	19,872.15
November	119.95	110.15	6,312.45	5,751.95	119.85	109.90	21,004.96	19,136.61
December	140.55	120.00	6,134.50	5,766.50	141.40	120.00	20,509.09	19,242.36

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.



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.



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 dematerialised 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 dematerialisation 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

(x) Distribution of Shareholding as on December 31, 2010

Shareholding of nominal value of (Rs.)	Shareholders		Share Capital	
	Number	% to total	Amount in Rs.	% to total
1 - 2,500	15,931	92.46	9,810,180	7.96
2,501 - 5,000	678	3.93	2,626,210	2.13
5,001 - 10,000	314	1.82	2,500,620	2.03
10,001 - 20,000	150	0.87	2,302,580	1.87
20,001 - 30,000	38	0.22	948,630	0.77
30,001 - 40,000	18	0.10	673,630	0.55
40,001 - 50,000	20	0.12	952,240	0.77
50,001 - 1,00,000	28	0.16	2,009,290	1.63
Above 1,00,000	53	0.31	101,345,480	82.28
TOTAL	**17,230**	**100.00**	**123,168,860**	**100.00**

(xi) Category wise Shareholding as on December 31, 2010

Category	Category of Shareholder	No. of shares	Percentage
(A)	**Promoters & Promoter Group**		
1	Indian	1,998,345	16.22
2	Foreign	3,743,948	30.40
	Sub Total (A)	**5,742,293**	**46.62**
(B)	**Public Shareholding**		
1	**Institutions**		
(a)	Mutual Funds / UTI	700,000	5.68
(b)	Financial Institutions / Banks	-	0.00
(c)	Foreign Institutional Investors	18,759	0.15
	Sub Total (B)(1)	**718,759**	**5.84**
2	**Non-institutions**		
(a)	Bodies Corporate	1,442,264	11.71
(b)	Individual shareholders holding nominal share capital up to Rs. 1 lakh	1,954,820	15.87
(c)	Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	2,378,152	19.31
(d)	Any Other **(Clearing Member)**	5,700	0.05
(e)	Any Other **(Trust)**	74,898	0.61
	Sub-Total (B)(2)	**5,855,834**	**47.54**
	Total Public Shareholding (B)(1) + (B)(2)	**6,574,593**	**53.38**
	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 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 78.33% of the issued and paid up share capital of the Company has been dematerialised up to December 31, 2010. 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, 2010, 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,
   3rd & 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
   Str. Gheorghe Manu, Nr. 5, Parter,
   Camera 2, Sector 1, Bucuresti,
   Cod. 010442, Romania

10. Computaris Polska, sp z o. o.
    Okopowa 47,
    01-059 Warszawa, Poland

11. Computaris International SRL
    Vlaicu Pircalab Street, No 63, Et. 9,
    Oficiu B, 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 486057

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.
Suite 21. 02 & 03,
21st Floor, Menara Haw Par,
Jalan Sultan Ismail,
50250 Kuala Lumpur, Malaysia

28. Computaris USA, LLC
14004 Roosevelt Boulevard,
Suite 601H, Clearwater,
Florida 33762, 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 Shankar Seetharaman, 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, 2010 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	**Shankar Seetharaman**
(Chairman and Managing Director)	(Chief Financial Officer)
Place : CA, U.S.A.	Place : NOIDA
Date : February 20, 2011	Date : February 20, 2011

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 Bombay Stock Exchange Limited (the "Stock Exchanges") for the financial year ended December 31, 2010. 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 : April 15, 2011

Annexure 'D' to the Directors' 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

Based on NASSCOM's Strategic Review 2011, Post 2009, as a result of an altered demand landscape, the IT and BPO sector had begun to transform itself by actively diversifying beyond core offerings and markets through new business and pricing models, specialise to provide end-to-end service offerings with deeper penetration across verticals, transform process delivery through re-engineering and enabling technology, innovate through research and development and drive inclusive growth in India by developing targeted solutions for the domestic Indian market.

India has retained its' position as the leading global shoring destination with a 55 percent share of global ITO and BPO market in 2010, and been able to increase its market share in spite of competitive challenges presented by emerging offshoring destinations. This has been only possible due to the development of a set of factors unique to India, that multiply India's value proposition manifold. While the cost advantage is unparalleled, India has the world's largest pool of employable talent, service delivery infrastructure across multiple geographically dispersed locations within the country, and a supportive policy regime. However, the Indian global sourcing industry is no longer hinging its value proposition on cost, talent, infrastructure and processes which are considered as basic tools to operate in the global sourcing landscape.

Indian IT and ITES industry is increasingly being driven by the following four factors:

- **Transformational Business impact –** Client business transformation happening through-

  - Verticalised solutioning - A number of organisations have restructured themselves around verticals and Centres of Excellences - so as to develop and deliver end to end services keeping in mind customer needs, creating products aimed at growing emerging markets and creating a substantial revenue impact for them. These verticalised business units act as a source of innovation and development of proof of concept solutions.

  - Technology enablement - Development of solutions around platforms, cloud based products integrating business intelligence, and application development tools are proving to be game changers for an increasing set of customers. This is also prompting customers to move from CAPEX to OPEX based models.

  - Process innovation / re-engineering – Coupled with automation and six sigma skills, incremental set of enhancements imbibing best in class learning and practices in established service delivery processes also have the ability to create wide ranging transformation for clients.

- **Service Delivery maturity –** India is the most mature outsourcing market, with Indian service providers having developed end to end service delivery capabilities around all verticals. Further, there is increased globalisation in service delivery, cross border collaboration and partnerships to enhance service offerings, and reengineering of the talent pool for greater productivity and efficiency.

- **Scalability –** India's scale and flexibility is unique- a vast labor pool, network of Tier II/III cities Offering further cost reduction and increased infrastructure spend are the cornerstones to this advantage offered by India over other locations. The demand side has also been maturing gradually, moving away from commoditised services at lowest possible cost to demand for higher end solutions and measurable business value. There is a highly rationalised and competent provider base which is again one factor where India scores over other countries.

- **Sustainability –** Industry focusing on sustainable practices – including diversity, green and corporate social responsibility.

While focus on cost control and efficiency / productivity remain, customers are also evaluating how investments in IT impact can further business goals – ROI led transformation - leading to an increase in project-based spending. Services such as virtualisation, consolidation, and managed services that focus on ROI in the short term will drive opportunities in the market. Emerging Asian enterprises across multiple industries will continue to accelerate services spending in their efforts to challenge existing global MNCs. Organisations will look for alternative IT models - Cloud, on-demand services and SaaS – in order to reduce hardware infrastructure costs and provide scalability on demand.

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, Inc.	1993	USA	January 2, 2001	100%
R Systems (Singapore) Pte Limited	1997	Singapore	September 19, 2000	100%
Indus Software, Inc.	1996	USA	April 1, 2002	100%
ECnet Limited	1996	Singapore	January 8, 2004	98.59%
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	Netherlands	January 23, 2008	100%
R Systems S.A.S	2000	France	January 23, 2008	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

Subsequent to the year ended December 31, 2010, the Company has acquired 100% of shares of Computaris International Limited (Computaris) on January 26, 2011. Computaris is having operations in U.K., Romania, Poland, Moldova, Malaysia and USA and provides solutions & services to Telecom Industry and specialises in real-time rating and billing solutions. The financials of Computaris is not required to be consolidated for the year ended December 31, 2010 and same will get consolidated during the year 2011.

R Systems' 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' develops and markets a suite of applications under the brand name "Indus" for the retail lending sector and undertakes software projects in the banking, financial services and telecom segment. R Systems through its subsidiary ECnet Ltd develops and markets its proprietary supply chain solution under the brand name "ECnet", primarily to the high technology sector.

With the acquisition of Computaris, R Systems has eleven global development and service centres in India, USA, Europe and Singapore. R Systems diversified offering includes:

iPLM Services Group

Outsourced software product development (OPD), accounts for significant part in the outsourced software industry. Here OPD Companies take responsibility of building, maintaining and enhancing products for their customers and provide product related technical support and customer care services.

IDC has forecasted a five-year compound annual growth rate (CAGR) of 14% for R&D/PE services, which will become an estimated US $ 65.7 billion by 2013. IDC defines R&D/PE Services as the taking over of the research and development of a product company's value chain (in part of full) by a third-party services organization.

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. Here clients can choose services specific to their needs from R Systems' iPLM suite of services. R Systems help companies to build scalable, configurable and secure products and applications; and help its clients to support their customers worldwide for products and services using our global delivery model in 18 languages. R Systems has verticalised its iPLM suite of services into Telecom & Digital Media, BFSI, Government and Health Care, Niche ERP Systems and High Tech Manufacturing by building specific domain-based expertise, and harnessing and leveraging our experience and tools across product companies within each focus industry.

R Systems competitive advantage in product development and support 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

indus® lending solutions is a modular and parameter driven, n-tier application that helps to automate the Customer Acquisition Lifecycle for multiple retail products offered through multiple business channels. It allows customers to launch new products and schemes; change rules on-the-fly and customise product offerings based on their individual needs. The product is equipped with tools to evaluate risk and improve decision-making. It will track the repayment schedules of the customer and can come with a powerful customer-servicing module.

R Systems expanded Indus product from BFSI verticals to new vertical like Telecom and Insurance through different systems integrator. R Systems has over 30 referable clients that include world class banks and financial institutions and installations at major telecom companies in India. Some of the world's largest systems integrators who have chosen our product suite as a part of their larger solution stack.

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 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 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 and Independent Software Vendors, Government, HealthCare, Manufacturing, Telecom and Digital Media, Insurance and Logistic Industries.

C. OPPORTUNITIES AND THREATS

Worldwide IT spending is forecast to total US $ 3.6 trillion in 2011, a 5.1 percent increase from 2010, according to the latest outlook by Gartner, Inc. In 2010, worldwide IT spending totaled US $ 3.4 trillion, up 5.4 percent from 2009 levels.

Based on NASSCOM's Strategic Review 2011, Worldwide IT spending will also benefit from the accelerated recovery in emerging markets, which will generate more than half of all new IT spending worldwide in 2011. In 2011, growth will reflect new demand for IT goods and services, not pent-up demand from prior years. 2011 will also see a major surge in the use of private and public cloud and mobile computing on a variety of devices and through a range of new apps. IT services is expected to grow by about 3.5 per cent in 2011 and 4.5 per cent in 2012.

While developed markets constitute the largest share of IT spend, increasingly emerging markets are spearheading growth as a large consumer base becomes increasingly tech-savvy and enterprises adopt IT solutions to improve their global competitiveness.

Suitably exploiting these emerging opportunities both in the global and domestic markets can help India reach USD 130 billion in IT-BPO revenues by FY2015, a CAGR of 14 per cent.

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

- Long term relationship with world class clients including global 1000 companies;
- Industry vertical focused deep domain knowledge in iPLM Services, Indus loan origination and collection product and ECnet supply chain management product for;
- Global delivering capabilities through thirteen development and service centres in India, USA, Europe and Singapore;
- 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 reflected from the net worth of Rs. 18,025.34 lakhs as at December 31, 2010.

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, changes in Government policies related to restrictions to outsource services to other countries and speed of recovery from the global recession. 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. Refer Consolidated Financial Statements – Schedule 18: Notes to accounts.

E. PERFORMANCE AND OUTLOOK

R Systems' financial performance during the year 2010 was impacted by rupee appreciation and full year impact of loss of 3 key customers in the year 2009. R Systems earned consolidated revenues of Rs. 29,054.66 lakhs, a year on year (YoY) decline of 11.29 % over FY 2009.

Net consolidated profits during the year 2010 were Rs. 1,677.64 lakhs as against net profit of Rs. 772.04 lakhs in the year 2009 (after goodwill impairment of Rs. 2,087.14 lakhs). Excluding the goodwill impairment in the year 2009, Net profit has declined from Rs. 2,859.18 lakhs to Rs. 1,677.64 lakhs mainly on account of Rupee appreciation against key billing currencies (USD and Euro) which has negatively impacted our margins, loss of margins resultant from volume decline as offset by certain cost optimisation measures in time to adjust its cost structure to the business environment.

The basic earnings per share (based on consolidated financial statement) increased to Rs. 13.62 per share, a YoY increase of 123.53 % from the previous year's Rs. 6.09 per share.

The consolidated cash and bank balances as at December 31, 2010 have increased to Rs. 9,568.91 lakhs from Rs. 8,719.75 lakhs mainly due to cash generated during the year 2010 from operating activities.

The consolidated shareholder fund as at December 31, 2010 have increased to Rs.18,025.34 lakhs from Rs.16,739.30 lakhs mainly due to current year profit as offset by decline in foreign currency translation reserve.

R Systems is well positioned to deal with near term challenges and emerge stronger to enhance shareholder wealth through enhanced offering with Computaris Acquisition, deep domain knowledge in all focused industry verticals, proven global delivery model, rigorous execution, excellent roster of clients and highly driven and talented pool of employees.

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 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 2010 with 2,052 associates including 315 sales and support staff.

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

Analysis and Discussions of Consolidated Financial Position as at December 31, 2010

1. Share Capital

(Rs. in lakhs)

Particulars	As on December 31,	
	2010	2009
Authorised Share Capital	**2,000.00**	2,000.00
Issued, Subscribed & Paid up Capital	**1,231.69**	1,343.64
Less: Equity shares buy back during the year	**-**	111.95
	1,231.69	1,231.69
Less: Advance to Indus Software Employee Welfare Trust	**7.39**	7.39
Total	**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 2009.

The Company had successfully completed the Offer for Buy Back on August 27, 2009 and brought 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. 800 lakhs as per the provision of Section 77AA of the Companies Act, 1956.

The issued, subscribed and paid up capital was Rs. 1,224.30 lakhs as at December 31, 2010 and as at December 31, 2009. 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 2010, 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 – Schedule 18: Notes to accounts.

2. Reserve and Surplus

(Rs. in lakhs)

Particulars	Consolidated		Standalone	
	2010	2009	**2010**	2009
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	**549.35**	381.82	**549.35**	381.82
Profit and Loss Account	**6,918.65**	5,753.25	**7,982.44**	6,819.30
Foreign Currency Translation Reserve	**85.51**	132.40	**-**	-
Total	**16,801.04**	15,515.00	**17,779.00**	16,448.33

The increase in the General Reserve is a result of transfer from Profit and Loss Account on recommendation of dividend of Rs. 2.40 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 decreased during the year 2010 by Rs. 46.89 lakhs mainly as a result of the appreciation of Rupee against USD, Euro and other foreign currencies on consolidation of overseas subsidiaries.

3. Secured Loans

(Rs. in lakhs)

Particulars	Consolidated		Standalone	
	2010	2009	**2010**	2009
Against Motor Vehicles	**50.23**	31.53	**50.23**	31.53
Against Finance Lease for Fixed Assets	**33.26**	113.67	**-**	-
Total	**83.49**	145.20	**50.23**	31.53

The decrease in secured loans in Consolidated Financial Statement was on account of repayment during the year 2010. In Standalone Financial Statement secured loans has increased due to motor vehicles loan raised during the year.

4. **Deferred Tax Assets / liabilities (net)**

The deferred tax assets as on December 31, 2010 was Rs. 677.87 lakhs as against Rs. 240.15 lakhs as on December 31, 2009 due to timing differences on provision for long term employee benefits, doubtful debt & advances and other temporary timing differences. Further, the deferred tax liability was Rs. 457.54 lakhs as on December 31, 2010 as against Rs. 450.78 lakhs as on December 31, 2009 as a result of timing differences in the book base and tax base of fixed assets.

During the year 2010, the Company had recognised the additional deferred tax assets on doubtful debts & advances and other timing differences amounting to Rs. 318.07 lakhs on account of reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

5. **Fixed Assets**

(Rs. in lakhs)

Particulars	Consolidated		Standalone	
	2010	2009	**2010**	2009
Gross Block	**10,967.54**	10,950.04	**7,283.17**	7,206.51
Accumulated Depreciation	**6,526.15**	5,823.37	**3,390.68**	2,913.46
Net Block	**4,441.39**	5,126.67	**3,892.49**	4,293.05
Add Capital Work in Progress	**2.00**	176.04	**2.00**	176.04
Net Fixed Assets	**4,443.39**	5,302.71	**3,894.49**	4,469.09

Details of Addition made to fixed assets during the year:

(Rs. in lakhs)

Particulars	Consolidated		Standalone	
	2010	2009	**2010**	2009
Total Addition to Gross Block	**723.46**	1,257.52	**491.18**	1,001.73

The additions in gross block were mainly on account of purchases of computer hardware, software and capitalisation of internally generated software (Loan Management Systems).

The decrease in capital work in progress was mainly due to capitalisation of our third module of Loan Management System (LMS).

The estimated amount of contracts remaining to be executed on capital account and not provided for as on December 31, 2010 was Rs. 38.08 lakhs as against Rs. 3.92 lakhs as on December 31, 2009.

6. **Investments**

(Rs. in lakhs)

Particulars	Consolidated		Standalone	
	2010	2009	**2010**	2009
Investment in Subsidiary	**-**	-	**3,291.58**	3,310.09
Other Investment	**0.25**	0.25	**0.25**	0.25
Total Investment	**0.25**	0.25	**3,291.83**	3,310.34

The Board of Directors of the Company has 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 to recognise the decline.

There was no change in the value of other than trade, unquoted investment during the year.

7. **Sundry Debtors**

(Rs. in lakhs)

Particulars	Consolidated		Standalone	
	2010	2009	**2010**	2009
Sundry Debtors Gross	**6,809.02**	6,148.34	**4,996.28**	4,612.81
Less : Provision for Doubtful Debts	**1,252.12**	1,183.17	**840.21**	805.23
Sundry Debtors Net	**5,556.90**	4,965.17	**4,156.07**	3,807.58
Days Sales Outstanding (DSO)	**61**	68	**74**	83

8. Cash and Bank Balance

(Rs. in lakhs)

Particulars	Consolidated		Standalone	
	2010	2009	2010	2009
Cash in Hand	**4.00**	4.19	**1.44**	1.69
Cheques on Hand	**0.51**	-	**0.51**	-
Balances With Scheduled Banks				
On Current Accounts	**338.78**	102.06	**338.78**	102.06
On Cash Credit / Overdraft Accounts	**73.21**	100.58	**73.21**	100.58
On EEFC Accounts	**803.44**	638.94	**803.44**	638.94
On Deposit Accounts	**6,705.41**	5,871.32	**6,705.41**	5,871.32
On Unclaimed Dividend Accounts	**4.81**	3.84	**4.81**	3.84
Balances With Other Banks				
On Current Accounts	**1,530.44**	1,838.50	**264.84**	452.91
On Cash Credit / Overdraft Accounts	**63.50**	111.12	**-**	-
On Deposit Accounts	**44.81**	49.20	**-**	-
Total Cash and Bank Balance	**9,568.91**	8,719.75	**8,192.44**	7,171.34
Cash And Bank Balance / Total Assets (in %)	**41.1**	38.4	**36.3**	33.3
Cash And Bank Balance / Revenue (in %)	**32.9**	26.6	**45.9**	37.5
Cash And Bank Balance Per Share	**78.16**	71.22	**66.92**	58.58

Increase in Cash and Bank Balance was mainly on account of 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.

Subsequent to the year ended December 31, 2010, the Company has invested Rs. 3,086.56 lakhs towards the initial payout for the acquisition of Computaris International Limited.

9. Other Current Assets

(Rs. in lakhs)

Particulars	Consolidated		Standalone	
	2010	2009	2010	2009
Interest Accrued				
- on Deposits	**254.20**	188.78	**254.18**	188.76
- on Staff Advance	**1.28**	0.61	**1.28**	0.61
Unbilled Revenue	**1,571.13**	1,720.91	**1,089.33**	976.62
Total Other Current Assets	**1,826.61**	1,910.30	**1,344.79**	1,165.99

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 the end year which are expected to be billed in due course in accordance with the contracts with the customers.

10. 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. The total consolidated loans and advances net of provisions for unrecoverable advances as at December 31, 2010 were Rs. 1,648.32 lakhs compared to Rs. 1,784.72 lakhs as at December 31, 2009. The total loans and advances net of provisions for unrecoverable advances in standalone financial statement as at December 31, 2010 were Rs. 1,445.61 lakhs compared to Rs. 1,595.46 lakhs as at December 31, 2009.

The decrease in loans and advances was mainly on account of decrease in Mark-to-market value of outstanding forward contracts by Rs. 127.37 lakhs.

11. Current Liabilities

Current liabilities are liabilities likely to become due for payment within a period of twelve months. The total consolidated current liabilities as at December 31, 2010 were Rs. 3,567.42 lakhs as against Rs. 3,680.32 lakhs as at December 31, 2009. Current liabilities as per standalone financial statement as at December 31, 2010 were Rs. 2,058.92 lakhs as against Rs. 1,905.73 lakhs as at December 31, 2009.

12. Provisions

As per the consolidated financial statement provisions was decreased to Rs. 1,588.46 lakhs as at December 31, 2010 as compare Rs. 1,907.45 lakhs as at December 31, 2009, whereas per the standalone financial statement the provisions was decreased to Rs. 1,433.13 lakhs as at December 31, 2010, as compare to Rs. 1,699.27 lakhs as at December 31, 2009.

The above said decrease was mainly on account of lower varible pay to the employees, payment of income tax liability as offset by increase in gratuity provision mainly on account of Increase in limit under the Gratuity Act from Rs. 3.50 lakhs to Rs. 10.00 lakhs.

14. Liquidity

The consolidated cash and cash equivalent as at December 31, 2010 were Rs. 4,040.33 lakhs as against Rs. 3,093.04 lakhs as on December 31, 2009.

Net cash generated from operating activities was Rs. 1,680.92 lakhs for the year ended December 31, 2010 compared to Rs. 4,326.48 lakhs for the year ended December 31, 2009.

The decrease in cash generated from operating activities was mainly due to decline in operating profits on account of loss of margin resultant from revenue decline and unfavorable exchange movement during 2010 and 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. 795.43 lakhs in purchase of fixed assets. The interest received during the year 2010 was Rs. 429.06 lakhs as against Rs. 305.66 lakhs during the year 2009.

Cash used in financing activities during the year 2010 was Rs. 402.28 lakhs mainly on account of payment of Rs. 294.63 lakhs and Rs. 50.24 lakhs respectively for the dividend & dividend distribution tax for the year 2009 and Rs. 57.41 lakhs as net repayment of borrowings and interest thereon.

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, 2010	Amount incurred till December 31, 2009
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	586.20	586.20
Meeting Offer Expenses *	1,011.37	1,011.37	1,011.37
Total	**7,062.50**	**6,058.10**	**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.

Pending utilisation, balance funds as at December 31, 2010 have been invested in fixed deposit with nationalised banks.

Subsequent to the year ended December 31, 2010, 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 International Limited.

ANALYSIS AND DISCUSSIONS OF OPERATING PERFORMANCE FOR THE YEAR ENDED DECEMBER 31, 2010

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)

	2010	% of Total income	2009	% of Total income	Change %
Income					
Operating Income	**29,054.66**	**97.68**	32,752.52	97.60	(11.29)
Other Income	**691.28**	**2.32**	804.22	2.40	(14.04)
Total Income	**29,745.94**	**100.00**	33,556.74	100.00	(11.36)
Expenditure					
Personnel Expenses	**19,098.59**	**64.21**	20,296.51	60.48	(5.90)
Operating and Other Expenses	**7,484.37**	**25.16**	8,608.11	25.65	(13.05)
Cost of Third Party Hardware and Software	**287.66**	**0.97**	61.44	0.18	368.19
Depreciation / Amortisation	**1,330.86**	**4.47**	1,348.18	4.02	(1.28)
Goodwill Impairment	**-**	**-**	2,087.14	6.22	(100.00)
Financial Expenses	**71.37**	**0.24**	102.63	0.31	(30.46)
Total Expenditure	**28,272.85**	**95.05**	32,504.01	96.86	(13.02)
Net Profit Before Tax and Prior Period Items	**1,473.09**	**4.95**	1,052.73	3.14	39.93
Prior Period Income / (Expenses)	**(17.29)**	**(0.06)**	-	-	
Net Profit Before Tax	**1,455.80**	**4.89**	1,052.73	3.14	38.29
Tax Expense / (Credit)	**(221.84)**	**(0.75)**	280.69	0.84	
Net Profit After Tax	**1,677.64**	**5.64**	772.04	2.30	117.30

Standalone Profit and Loss Statement for the year:

(Rs. in lakhs)

	2010	% of Total income	2009	% of Total income	Change %
Income					
Operating Income	**17,859.67**	**95.82**	19,114.31	95.42	(6.56)
Other Income	**778.93**	**4.18**	916.86	4.58	(15.04)
Total Income	**18,638.60**	**100.00**	20,031.17	100.00	(6.95)
Expenditure					
Personnel Expenses	**11,780.15**	**63.20**	11,497.08	57.40	2.46
Operating and Other Expenses	**4,197.26**	**22.52**	4,223.07	21.08	(0.61)
Cost of Third Party Hardware and Software	**287.66**	**1.54**	61.44	0.31	368.19
Depreciation / Amortisation	**862.65**	**4.63**	804.62	4.02	7.21
Provision for Diminution in Value of Long Term Investments	**18.50**	**0.10**	2,473.21	12.35	(99.25)
Financial Expenses	**44.78**	**0.24**	60.19	0.30	(25.60)
Total Expenditure	**17,191.00**	**92.23**	19,119.61	95.45	(10.09)
Net Profit Before Tax and Prior Period Items	**1,447.60**	**7.77**	911.56	4.55	58.80
Prior Period Income / (Expenses)	**(17.29)**	**(0.09)**	-	-	-
Net Profit Before Tax	**1,430.31**	**7.67**	911.56	4.55	56.91
Tax Expense / (Credit)	**(245.06)**	**(1.31)**	256.40	1.28	
Net Profit After Tax	**1,675.37**	**8.99**	655.16	3.27	155.72

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, 2010, consolidated operating income decreased by 11.29 % to Rs. 29,054.66 lakhs compared to Rs. 32,752.52 lakhs during the year ended December 31, 2009.

(Rs. in lakhs)

Particulars	Year ended December 31, 2010	%	Year ended December 31, 2009	%	change %
Software Development and Customisation Services	**23,262.89**	**80.07**	24,473.95	74.72	(4.95)
Business Process Outsourcing Services	**5,791.77**	**19.93**	8,278.57	25.28	(30.04)
Total	**29,054.66**	**100.00**	32,752.52	100.00	(11.29)

The decrease was mainly on account of full year impact of loss of key customers in the business process outsourcing services in the year 2009 and rupee appreciation against key billing currencies.

R Systems derives over 92% of revenue from exports or consolidation of overseas subsidiaries. Fluctuation in the value of currencies vis-à-vis Rupee affects the revenue of R Systems when the revenue is reported in Rupees. During the year under review there was a wide fluctuation in INR against the USD, EURO and other billing currencies. To illustrate, the average rate of USD v/s Rupee was Rs. 45.68 in the year 2010 compared to Rs. 48.27 in the year 2009 which had negatively impacted our operating income in rupee term during the year ended 2010.

1.1.2Based on Standalone Financial Statement

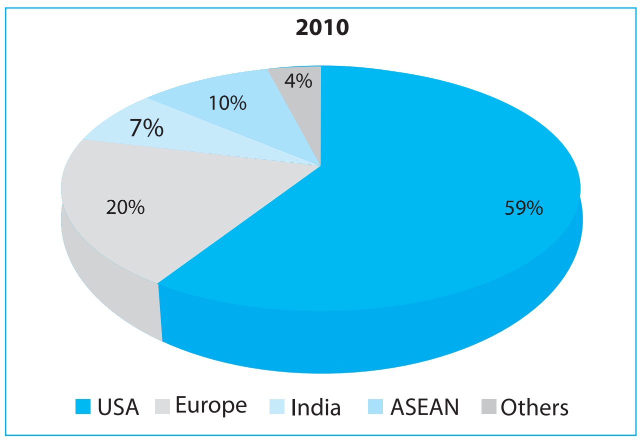
During the year ended December 31, 2010, standalone operating income decreased by 6.56 % to Rs. 17,859.67 lakhs compared to Rs. 19,114.31 lakhs during the year ended December 31, 2009. The decline is mainly attributable to above mentioned reasons.

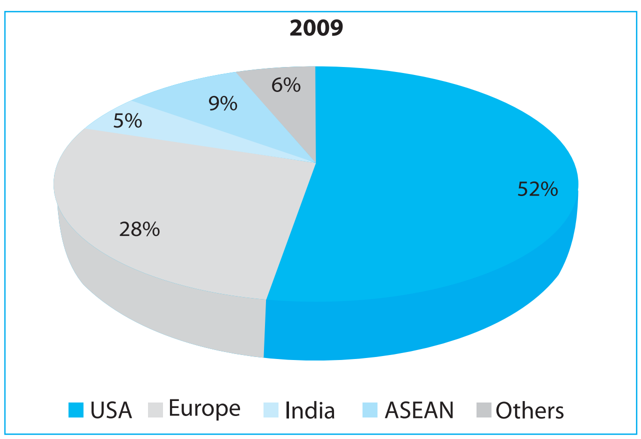
(Rs. in lakhs)

	Year ended December 31, 2010	%	Year ended December 31, 2009	%	change %
Software Development and Customisation Services	**15,973.86**	**89.44**	16,992.04	88.90	(5.99)
Business Process Outsourcing Services	**1,885.81**	**10.56**	2,122.27	11.10	(11.14)
Total	**17,859.67**	**100.00**	19,114.31	100.00	(6.56)

1.1.3 Consolidated Operating Income by Geography

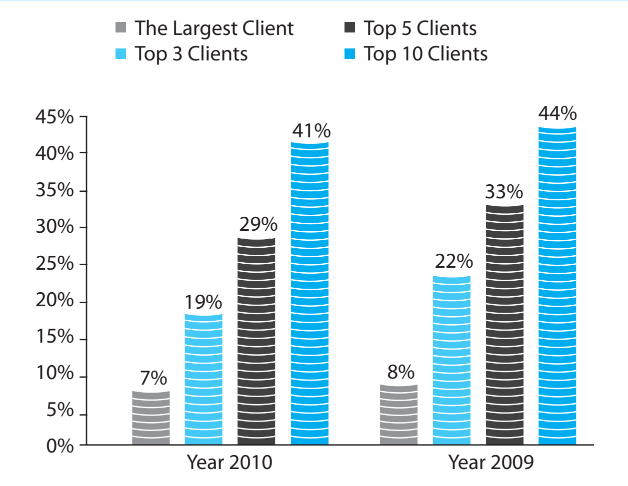
R Systems earns income from five principal geographic territories, namely the United States of America, Europe, South East Asian countries ("SEAC"), India and others. A significant proportion of the revenues were derived from clients located in the United States of America. The geographic break-down 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, 2010 and 2009 is as follows:



1.2 Other Income

1.2.1 Based on Consolidated Financial Statement

Other income amounted to Rs. 691.28 lakhs during the year ended December 31, 2010 as compared to Rs. 804.22 lakhs for the year ended 2009. During the year under review other income primarily comprise of the following:

- Interest income on deposits with banks of Rs. 495.15 lakhs.
- Provision for doubtful debts and advances written back Rs. 121.33 lakhs as a result of realisation of debts earlier considered as doubtful.
- Write back of miscellaneous provisions no longer required Rs. 29.39 lakhs.
- Miscellaneous income of Rs. 45.41 lakhs.

1.2.2 Based on Standalone Financial Statement

Other income amounted to Rs. 778.93 lakhs during the year ended December 31, 2010 as compared to Rs. 916.86 lakhs for the year ended 2009. During the year under review other income primarily comprise of the following:

- Interest income of Rs. 561.49 lakhs.
- Provision for doubtful debts and advances written back Rs. 100.47 lakhs as a result of realisation of debts earlier considered as doubtful.
- Write back of miscellaneous provisions no longer required Rs. 29.39 lakhs.
- Miscellaneous income of Rs. 87.58 lakhs.

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	2010	% of Total income	2009	% of Total income	Change %
Salaries, Wages and Bonus	**17,528.61**	**58.93**	18,637.21	55.54	(5.95)
Gratuity	**193.76**	**0.65**	(26.82)	(0.08)	
Contribution to Provident Fund and Other Payments	**1,135.34**	**3.82**	1,308.46	3.90	(13.23)
Staff Welfare Expenses	**240.88**	**0.81**	377.66	1.13	(36.22)
	19,098.59	**64.21**	20,296.51	60.48	(5.90)

2.1.2 Based on Standalone Financial Statement:

(Rs. in lakhs)

Particulars	2010	% of Total income	2009	% of Total income	Change %
Salaries, Wages and Bonus	**11,027.74**	**59.17**	10,820.58	54.02	1.91
Gratuity	**193.76**	**1.04**	(26.82)	(0.13)	
Contribution to Provident Fund and Other Payments	**384.19**	**2.06**	380.82	1.90	0.88
Staff Welfare Expenses	**174.46**	**0.94**	322.50	1.61	(45.90)
	11,780.15	**63.20**	11,497.08	57.40	2.46

The decrease in personnel expenses was mainly on account of reduction in head counts during the year as a corrective measure to cater the decline in business volume as offset by the increase in gratuity expense mainly on account of increase in limit from Rs. 3.50 lakhs to Rs. 10.00 lakhs under the Gratuity Act.

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	2010	% of Total income	2009	% of Total income	Change %
Travelling and Conveynce	**1,945.64**	**6.54**	1,970.07	5.87	(1.24)
Legal and Professional Expenses Including Audit Fees	**2,247.40**	**7.56**	2,722.61	8.11	(17.45)
Commu-nication Costs	**586.30**	**1.97**	712.90	2.12	(17.76)
Repair and Maint-enance	**568.01**	**1.91**	559.60	1.67	1.50
Rent - Premises and Equip-ments	**824.27**	**2.77**	892.48	2.66	(7.64)
Provision for Doubtful Debts and Advances and Debts Written Off	**314.91**	**1.06**	478.82	1.43	(34.23)
Recruitment and Training Expenses	**165.34**	**0.56**	136.41	0.41	21.21
Power and Fuel	**404.72**	**1.36**	415.39	1.24	(2.57)
Loss on Sale / Discard of Fixed Assets (Net)	**22.41**	**0.08**	21.09	0.06	6.26
Foreign Exchange Fluctuation (Net)	**(61.99)**	**(0.21)**	56.86	0.17	
Others	**467.36**	**1.57**	641.88	1.91	(27.19)
Total Operating Expense	**7,484.37**	**25.16**	8,608.11	25.65	(13.05)

The decrease in the operating expenses in 2010 is resultant of cost correction measures coupled with net foreign exchange gain on realisation and restatement of foreign currency denominated assets and liabilities.

2.2.2 Based on Standalone Financial Statement:

(Rs. in lakhs)

Particulars	2010	% of Total income	2009	% of Total income	Change %
Travelling and Conveyance	**1,564.11**	**8.39**	1,524.60	7.61	2.59
Legal and Profess-ional Expenses Including Audit Fees	**305.09**	**1.64**	232.48	1.16	31.23
Communi-cation Costs	**463.42**	**2.49**	494.75	2.47	(6.33)
Repair and Mainte-nance	**329.99**	**1.77**	288.82	1.44	14.26
Rent - Premises and Equipments	**344.59**	**1.85**	360.62	1.80	(4.45)
Provision for Doubtful Debts and Advances and Debts Written Off	**428.27**	**2.30**	503.93	2.52	(15.01)
Recruitment and Training Expenses	**57.46**	**0.31**	34.70	0.17	65.59
Power and Fuel	**359.00**	**1.93**	354.82	1.77	1.18
Loss on Sale / Discard of Fixed Assets (Net)	**20.69**	**0.11**	14.57	0.07	41.93
Foreign Exchange Fluctuation (Net)	**(87.76)**	**(0.47)**	23.93	0.12	
Others	**412.40**	**2.21**	389.85	1.95	5.79
Total Operating Expense	**4,197.26**	**22.52**	4,223.07	21.08	(0.61)

2.3 Depreciation / Amortisation

(Rs. in lakhs)

Particulars	Consolidated		Standalone	
	2010	2009	2010	2009
Depreciation	**1,330.86**	1,348.18	**862.65**	804.62
% of Gross Block	**12.13**	12.31	**11.84**	11.17
% of Total income	**4.47**	4.02	**4.63**	4.02

2.4 Goodwill Impairment in the Consolidated Financial Statement

During the year ended December 31, 2009, R Systems technical support business in the US and Europe was severely affected by loss of 3 key customers. Consequently the management had assessed that there was impairment of goodwill recognised in the books on acquisition of R Systems Solutions, Inc., (USA), R Systems Europe B.V., (The Netherlands) and R Systems S.A.S., (France) and had impaired the goodwill amounting to Rs. 2,087.14 lakhs.

2.5 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 has 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

During the year ended December 31, 2009, R Systems Solutions, Inc., (USA), R Systems Europe B.V., (The Netherlands) and R Systems S.A.S., (France) had received termination notices from 3 key customers. Consequently the management had assessed that there was a decline, other than temporary, in the value of these subsidiaries and had reduced the carrying amount of investment in these subsidiaries by Rs. 2,473.21 lakhs to recognise the decline in value.

2.6 Finance Charges

(Rs. in lakhs)

Particulars	Consolidated		Standalone	
	2010	2009	2010	2009
Interest on Loans	**6.64**	27.99	**4.25**	16.99
Bank Charges	**64.73**	74.63	**40.53**	43.20
Total Finance Charges	**71.37**	102.63	**44.78**	60.19
% of Total Income	**0.24**	0.31	**0.24**	0.30

2.7 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.

2.8 Provision for Taxes / (Credit)

Tax expense / (credit) comprises of current, deferred and fringe benefit tax net of MAT (Minimum Alternate Tax) credits for the year ended December 31, 2010 and 2009:

(Rs. in lakhs)

Particulars	Consolidated		Standalone	
	2010	2009	2010	2009
Total Income	**29,745.94**	33,556.74	**18,638.60**	20,031.17
Profit Before tax	**1,455.80**	1,052.73	**1,430.31**	911.56
Current Tax (net of MAT credit Entitlement)	**209.11**	229.16	**185.89**	204.87
Deferred Tax charge / (Credit)	**(430.95)**	41.85	**(430.95)**	41.85
Fringe Benefit Tax	**-**	9.68	**-**	9.68
Total Tax Expense / (Credit)	**(221.84)**	280.69	**(245.06)**	256.40
Profit After tax	**1,677.64**	772.04	**1,675.37**	655.16
Effective Tax %	**(15.24)**	26.66	**(17.13)**	28.13

Decrease in provision for taxation was mainly on account of recognitions of additional deferred tax assets on doubtful debts and advances and other timing differences amounting to Rs. 318.06 lakhs on account of reasonable certainty that sufficient taxable income will be available against which such deferred tax assets can be realised.

2.9 Dividend

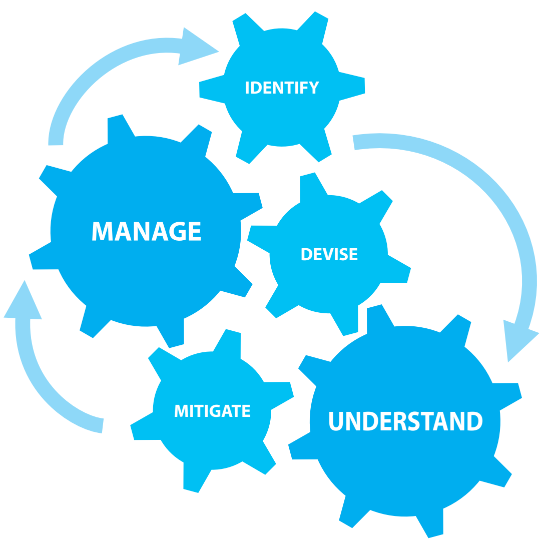
The Board of Directors has recommended a dividend of Rs. 2.40 per equity share or 24% on the par value of Rs. 10 per share to be appropriated from the current year profits subject to the approval of the shareholders at the ensuing annual general meeting.

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 2009 and 2010 that R Systems derived from contracts with its top line customers is as follows:

Customer	Year Ended	
	Dec 31, 2010 (%)	Dec 31, 2009 (%)
Top 10	**41**	44
Top 5	**29**	33
Top 3	**19**	22
The Largest Customer	**7**	8

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. During the year ended 2010, we have increased revenues from other customers and reduced dependence on revenues from top line customers.

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, 2010 (%)	Dec 31, 2009 (%)
U.S.A.	**59**	52
Europe	**20**	28
ASEAN	**10**	9
India	**7**	5
Others	**4**	6
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 along with its six subsidiaries in Europe on January 26, 2011 is a part of this strategy.

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. Currently the Company derives a small portion of its revenues from fixed price contracts. 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 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:

- Experience in providing end-to-end solutions and services to independent software vendors and technology service providers;
- Unique and proprietary iPLM & PSuite frame work 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;
- Deep domain knowledge in lending business solutions and supply chain management.

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 has adopted industry-standard security precautions such as ensuring that our employees and strategic partners enter into non-disclosure and confidentiality agreements with us, verifying that there is no information leakage through test procedures, carrying out background checks and verifications, creating and maintaining data back-ups and maintaining an adequate disaster recovery plan.

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. 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.

Our distributed offshore and near shore infrastructure is seamlessly connected through a strong infrastructure design and appropriate bandwidth that provides us the capability to initiate and maintain uninterrupted 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: R Systems has extensive recruitment teams in the markets that operate to continuously recruit skilled personnel at various levels in the organisation. In addition, R Systems conducts a rigorous training program at the entry level to train new professionals and develop next generation of managers and leaders. R Systems deploys modern HR practices by offering competitive compensation and benefit packages and exciting work environment to attract and retain talent. Further, R Systems tries to mitigate the impact of attrition in the continuity of services to the clients by using its proprietary **pSuite Framework** that allows the project teams to seamlessly share knowledge and collaborate on projects. Further, the Software Development and BPO Centres of R Systems based in Noida are PCMM Level 5 certified by the consulting firm, KPMG.

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, 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 and processes for the use of 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 obtaining increased price from clients, increasing bench mark prices for new business, enhancing productivity, increasing utilisation and inducting fresh graduates and training them. Further, R Systems has implemented robust processes and information systems to enable personnel to make the right decisions for revenue realisation and cost optimisation to minimise the risks of changes in salary cost structure.

12. Intellectual Property Rights

As a part of R Systems' business, there are risks associated with intellectual property of the Company, intellectual property of R Systems' customers who may be end users or even the intellectual property of the end user.

INITIATIVES: R Systems' information security arrangements are managed under international standard ISO 27001 : 2005 series and are being audited by both internal and experts from third parties assessors who periodically audit and certify R Systems compliance.

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 FRAME WORK	PSuite Framework
Products FOREMOST	Products Foremost
iPLM	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.

14. Execution Risk

A significant number of R Systems clients are software product, large banking 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 Risks

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 though there are recent changes that will end the tax holidays. 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 Statement

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, 2010 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, 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on December 31, 2010 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, 2010,

      (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 & ASSOCIATES
Firm registration number: 101049W
Chartered Accountants

Sd/-
per Yogesh Midha
Partner
Membership No.: 94941

Place : GURGAON
Date : February 20, 2011

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) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.

(c) There was no substantial disposal 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:

Sl. No.	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.
1.	ECnet Limited, Singapore	Subsidiary	109,272,900	16,940,380	131,974,000	131,974,000

(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 is re-payable on demand. As informed, the Company has not demanded repayment of any such 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.

(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) 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. Therefore, the provisions of clause 4(iii)(f) and 4(iii)(g) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(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, employees' state insurance, income-tax, wealth-tax, service tax, sales tax, customs duty, cess and investor education and protection fund. As explained to us, this clause is not applicable to Company for excise duty. Further, since the Central Government has till date not prescribed the amount of cess payable under Section 441 A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the Company in depositing the same.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, wealth-tax, service tax, sales tax, customs duty, cess, investor education and protection fund and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable. As explained to us, this clause is not applicable to the Company for excise duty.

(c) According to the information and explanation given to us, there are no dues of income tax, wealth tax, service tax, sales tax, cess 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 (Rs.)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income tax	4,071,050	FY 2006-07	CIT Appeal

As explained to us, this clause is not applicable to Company for excise duty.

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

(xi) Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to any bank. The Company did not have any dues from 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 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 & ASSOCIATES
Firm registration number: 101049W
Chartered Accountants

Sd/-
per Yogesh Midha
Partner
Membership No.: 94941

Place : GURGAON
Date : February 20, 2011

Balance Sheet as at December 31, 2010

	Schedule No.	As at December 31, 2010 Rs.	As at December 31, 2009 Rs.
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	**122,429,880**	122,429,880
Reserves and surplus	2	**1,777,899,752**	1,644,833,034
		1,900,329,632	1,767,262,914
Loan funds			
Secured loans	3	**5,022,625**	3,153,413
		5,022,625	3,153,413
Deferred tax liability (net)	4	**-**	21,062,934
TOTAL		**1,905,352,257**	1,791,479,261
APPLICATION OF FUNDS			
Fixed assets			
Gross block	5	**728,317,029**	720,650,934
Less : Accumulated depreciation / amortisation		**339,067,767**	291,346,368
Net block		**389,249,262**	429,304,566
Capital work-in-progress including capital advances		**200,000**	17,604,314
		389,449,262	446,908,880
Investments	6	**329,183,437**	331,033,742
Deferred tax assets (net)	4	**22,032,582**	-
Current assets, loans and advances			
Sundry debtors	7	**415,607,137**	380,758,005
Cash and bank balances	8	**819,244,473**	717,134,380
Other current assets	9	**134,479,086**	116,598,959
Loans and advances	10	**144,561,305**	159,545,961
(A)		**1,513,892,001**	1,374,037,305
Less : Current liabilities and provisions			
Current liabilities	11	**205,892,069**	190,573,409
Provisions	12	**143,312,956**	169,927,257
(B)		**349,205,025**	360,500,666
Net current assets (A-B)		**1,164,686,976**	1,013,536,639
TOTAL		**1,905,352,257**	1,791,479,261
Notes to accounts	17		

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 & ASSOCIATES
Firm registration number: 101049W
Chartered Accountants

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

Sd/-
per Yogesh Midha
Partner
Membership No. 94941
Place : GURGAON
Date : February 20, 2011

Sd/-
Satinder Singh Rekhi
[Chairman & Managing Director]
Place : CA, U.S.A.
Date : February 20, 2011

Sd/-
Lt. Gen. Baldev Singh (Retd.)
[President & Senior Executive Director]
Place : NOIDA
Date : February 20, 2011

Sd/-
Raj Swaminathan
[Director & Chief Operating Officer]
Place : NOIDA
Date : February 20, 2011

Sd/-
Shankar Seetharaman
[Chief Financial Officer]
Place : NOIDA
Date : February 20, 2011

Sd/-
Suresh Kumar Bhutani
[Company Secretary & Compliance Officer]
Place : NOIDA
Date : February 20, 2011

Profit & Loss Account for the year ended December 31, 2010

	Schedule No.	For the year ended December 31, 2010 Rs.	For the year ended December 31, 2009 Rs.
INCOME			
Sale of software products and rendering software development services		**1,756,831,863**	1,902,121,005
Sale of third party hardware and software		**29,135,043**	9,310,136
Other income	13	**77,893,281**	91,686,251
TOTAL		**1,863,860,187**	2,003,117,392
EXPENDITURE			
Personnel expenses	14	**1,178,014,943**	1,149,708,416
Operating and other expenses	15	**419,725,529**	422,306,481
Cost of third party hardware and software		**28,766,073**	6,144,106
Depreciation / amortisation	5	**86,265,281**	80,461,990
Financial expenses	16	**4,477,727**	6,018,347
Provision for diminution in value of long term investments (refer note 11 (b), 11 (d) & 11 (f) under Schedule 17)		**1,850,305**	247,321,631
TOTAL		**1,719,099,858**	1,911,960,971
Profit before tax before prior period items		**144,760,329**	91,156,421
Prior period income / (expenses) (refer note 22 under Schedule 17)		**(1,729,293)**	-
Profit for the year before tax		**143,031,036**	91,156,421
Current tax (MAT payable) [Including (excess provision written back) / tax related to earlier years (Rs. 6,026,800) (Previous year Rs. 9,737,293)]		**28,847,201**	63,165,063
Less: MAT credit entitlement [Including MAT credit (reversal) / entitlement relating to earlier year (Rs. 4,042,471) (Previous year Rs. 9,737,293)]		**(10,257,529)**	(42,678,064)
Net current tax liability		**18,589,672**	20,486,999
Deferred tax charge / credit (refer note 21 under Schedule 17)		**(43,095,516)**	4,185,504
Fringe benefit tax		**-**	968,061
Total tax expense / (credit)		**(24,505,844)**	25,640,564
Profit available for appropriation		**167,536,880**	65,515,857
Appropriations			
Proposed final dividend (refer note 10 (c) under Schedule 17)		**29,560,527**	28,845,195
Tax on proposed final dividend (refer note 10 (c) under Schedule 17)		**4,909,635**	4,902,243
Transfer to General Reserve		**16,753,688**	6,551,586
Surplus carried to Balance Sheet		**116,313,030**	25,216,833
Earnings per share (also refer note 13 under Schedule 17)			
Basic		**13.60**	5.17
Diluted		**13.44**	5.11
Notes to accounts	17		

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 & ASSOCIATES
Firm registration number: 101049W
Chartered Accountants

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

Sd/-
per Yogesh Midha
Partner
Membership No. 94941
Place : GURGAON
Date : February 20, 2011

Sd/-
Satinder Singh Rekhi
[Chairman & Managing Director]
Place : CA, U.S.A.
Date : February 20, 2011

Sd/-
Lt. Gen. Baldev Singh (Retd.)
[President & Senior Executive Director]
Place : NOIDA
Date : February 20, 2011

Sd/-
Raj Swaminathan
[Director & Chief Operating Officer]
Place : NOIDA
Date : February 20, 2011

Sd/-
Shankar Seetharaman
[Chief Financial Officer]
Place : NOIDA
Date : February 20, 2011

Sd/-
Suresh Kumar Bhutani
[Company Secretary & Compliance Officer]
Place : NOIDA
Date : February 20, 2011

Cash Flow Statement for the year ended December 31, 2010

		For the year ended December 31, 2010 Rs.	For the year ended December 31, 2009 Rs.
A.	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Net profit before tax	**143,031,036**	91,156,421
	Adjustments for:		
	Depreciation / amortisation	**86,265,281**	80,461,990
	Provision for doubtful debts	**15,762,969**	28,520,977
	Provision for doubtful advances	**27,019,892**	18,599,830
	Bad debts and advances written off	**44,060**	3,272,613
	Provision for diminution in value of long term investment	**1,850,305**	247,321,631
	(refer note 11 (b), 11 (d) & 11 (f) under Schedule 17)		
	Loss on sale / discard of fixed assets (net)	**2,068,370**	1,457,305
	Unrealised foreign exchange loss / (gain)	**9,959,436**	(68,302,563)
	Interest income	**(56,149,324)**	(57,388,288)
	Provision for doubtful debts and advances written back	**(10,047,008)**	(26,332,596)
	Other excess provisions written back	**(2,938,999)**	(405,828)
	Interest expense	**425,310**	1,698,510
	Operating profit before working capital changes	**217,291,328**	320,060,002
	Movements in working capital :		
	(Increase) / Decrease in sundry debtors	**(38,463,213)**	150,497,175
	(Increase) / Decrease in other current assets	**(18,205,557)**	(50,035,415)
	(Increase) / Decrease in loans and advances	**10,520,246**	(18,681,412)
	(Increase) / Decrease in margin money deposits	**5,337,589**	(25,311,864)
	Increase / (Decrease) in provisions	**(9,158,927)**	(9,465,464)
	Increase / (Decrease) in current liabilities	**42,460,556**	(24,829,416)
	Cash generated from operations	**209,782,022**	342,233,606
	Direct taxes paid, net of refunds	**(46,979,141)**	(40,679,469)
	Net cash from operating activities (A)	**162,802,881**	301,554,137
B.	**CASH FLOWS USED IN INVESTING ACTIVITIES**		
	Purchase of fixed assets	**(56,663,940)**	(69,033,325)
	Proceeds from sale of fixed assets	**839,907**	3,697,425
	Deferred compensation to the erstwhile shareholders of	**-**	(7,583,873)
	R Systems Solutions, Inc., USA (also refer note 11 (b) under Schedule 17)		
	Loan to ECnet Limited, Singapore (a subsidiary company)	**(16,940,380)**	(18,599,830)
	Interest received	**49,540,241**	36,231,849
	Investment in long term fixed deposits with scheduled banks	**(345,267,460)**	(547,427,379)
	Proceeds from long term fixed deposits with scheduled banks	**347,901,778**	478,360,574
	Net cash used in investing activities (B)	**(20,589,854)**	(124,354,559)

	For the year ended December 31, 2010 Rs.	For the year ended December 31, 2009 Rs.
C. CASH FLOWS USED IN FINANCING ACTIVITIES		
Proceeds from long term borrowings	**3,762,885**	2,268,082
Repayment of long term borrowings	**(1,893,673)**	(3,231,208)
Margin money deposits against short term borrowings	**-**	(62,250,000)
Buy back of equity shares	**-**	(72,969,023)
Interest paid	**(425,310)**	(1,698,510)
Dividends paid	**(29,463,130)**	(30,927,538)
Tax on dividend paid	**(5,023,813)**	(5,264,659)
Net cash used in financing activities (C)	**(33,043,041)**	(174,072,856)
Net increase in cash and cash equivalents (A + B + C)	**109,169,986**	3,126,722
Cash and cash equivalents at the beginning of the year	**149,670,471**	146,543,749
Cash and cash equivalents at the end of the year	**258,840,457**	149,670,471

Components of cash and cash equivalents as at	**December 31, 2010 Rs.**	December 31, 2009 Rs.
Cash on hand	**143,715**	168,760
Cheques on hand	**51,070**	-
Balances with scheduled banks		
On current accounts	**33,877,858**	10,205,708
On cash credit / overdraft accounts	**7,321,426**	10,058,502
On EEFC accounts	**80,343,955**	63,893,574
On deposits accounts	**670,541,296**	587,132,432
On unclaimed dividend accounts*	**481,063**	383,665
Balances with other banks		
On current account	**26,484,090**	45,291,739
Total as per Balance Sheet	**819,244,473**	717,134,380
Less : Margin money deposits	**(202,288,150)**	(207,625,739)
Less : Long term deposits	**(357,022,375)**	(359,656,693)
Less : Unclaimed dividend accounts	**(481,063)**	(383,665)
Less: Unrealised loss / (gain) on foreign currency cash and cash equivalents	**(612,428)**	202,188
Net cash and cash equivalents	**258,840,457**	149,670,471

* 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" issued by the Institute of Chartered Accountants of India.

As per our report of even date.
For S.R. BATLIBOI & ASSOCIATES
Firm registration number: 101049W
Chartered Accountants

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

Sd/-	**Sd/-**	**Sd/-**	**Sd/-**	**Sd/-**	**Sd/-**
per Yogesh Midha	**Satinder Singh Rekhi**	**Lt. Gen. Baldev Singh (Retd.)**	**Raj Swaminathan**	**Shankar Seetharaman**	**Suresh Kumar Bhutani**
Partner	[Chairman & Managing Director]	[President & Senior Executive Director]	[Director & Chief Operating Officer]	[Chief Financial Officer]	[Company Secretary & Compliance Officer]
Membership No. 94941					
Place : GURGAON	Place : CA, U.S.A.	Place : NOIDA	Place : NOIDA	Place : NOIDA	Place : NOIDA
Date : February 20, 2011	Date : February 20, 2011	Date : February 20, 2011	Date : February 20, 2011	Date : February 20, 2011	Date : February 20, 2011

Schedules

	As at December 31, 2010 Rs.	As at December 31, 2009 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, 2010 Rs.	As at December 31, 2009 Rs.
SCHEDULE 2: RESERVES AND SURPLUS		
Capital Redemption Reserve		
Balance as per last account	**12,658,200**	1,463,460
Add: Transferred from General Reserve (refer note 10 (b) under Schedule 17)	**-**	11,194,740
	12,658,200	12,658,200
Securities Premium Account		
Balance as per last account	**914,345,795**	976,120,078
Less: Utilised for buy back of equity shares (refer note 10 (b) under Schedule 17)	**-**	61,774,283
	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	**38,181,708**	42,824,862
Add: Transferred from current year Profit and Loss Account	**16,753,688**	6,551,586
Less: Transferred to Capital Redemption Reserve (refer note 10 (b) under Schedule 17)	**-**	11,194,740
	54,935,396	38,181,708
Profit and Loss Account		
Balance as per last account	**681,930,059**	656,713,226
Add: Transferred from current year Profit and Loss Account	**116,313,030**	25,216,833
	798,243,089	681,930,059
	1,777,899,752	1,644,833,034

	As at December 31, 2010 Rs.	As at December 31, 2009 Rs.
SCHEDULE 3: SECURED LOANS		
- From banks		
For motor vehicles	**88,742**	797,756
(Secured by hypothecation of underlying motor vehicles)		
- From others		
For motor vehicles	**4,933,883**	2,355,657
(Secured by hypothecation of underlying motor vehicles)		
	5,022,625	3,153,413

Note:
Included in secured loans above, the amount payable within one year is Rs. 1,588,762 (Previous year Rs. 1,422,367).

	As at December 31, 2010 Rs.	As at December 31, 2009 Rs.
SCHEDULE 4: DEFERRED TAX ASSETS / (LIABILITY) (NET)		
Deferred tax assets		
Provision for gratuity	**18,555,113**	12,846,618
Provision for long term compensated absences	**15,466,872**	11,168,407
Provision for doubtful debts and advances	**29,545,166**	-
Other timing differences	**4,219,444**	-
Gross deferred tax assets	**67,786,595**	24,015,025
Deferred tax liability		
Differences in depreciation / amortisation and other differences in block of fixed assets as per tax books and financial books	**45,754,013**	45,077,959
Gross deferred tax liability	**45,754,013**	45,077,959
Deferred tax assets / (liability) (net)	**22,032,582**	(21,062,934)

Note:
Refer note 21 under Schedule 17.

SCHEDULE 5: FIXED ASSETS

(Amount in Rs.)

	Land - freehold	Land - leasehold	Building - freehold	Building - leasehold (1)	Leasehold Improve-ments	Computers	Office and electrical equipments	Furniture and fittings	Vehicles	Softwares	Product development costs (Internally generated software)	Total	Previous Year
Gross block													
As at January 1, 2010	4,765,674	10,005,968	31,198,298	88,465,161	3,470,828	244,521,571	89,216,566	84,275,688	17,446,537	127,716,690	19,567,953	**720,650,934**	630,211,391
Additions	-	-	-	518,039	543,209	6,180,780	3,097,947	113,705	5,895,266	17,756,362	15,012,946	**49,118,254**	100,173,375
Deletions / adjustments	-	-	-	-	2,373,405	16,607,883	2,269,123	291,197	1,888,550	18,022,001	-	**41,452,159**	9,733,832
At December 31, 2010	**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**	**127,451,051**	**34,580,899**	**728,317,029**	720,650,934
Depreciation / amortisation													
As at January 1, 2010	-	936,487	4,193,752	7,251,990	1,726,115	144,008,191	24,440,600	28,688,569	4,087,898	64,200,209	11,812,557	**291,346,368**	215,463,480
For the year	-	157,818	513,504	1,449,755	1,297,022	30,757,563	5,181,333	4,789,449	1,826,973	33,599,244	6,692,620	**86,265,281**	80,461,990
Deletions / adjustments	-	-	-	-	2,373,405	16,428,780	1,157,286	276,220	663,446	17,644,745	-	**38,543,882**	4,579,102
At December 31, 2010	**-**	**1,094,305**	**4,707,256**	**8,701,745**	**649,732**	**158,336,974**	**28,464,647**	**33,201,798**	**5,251,425**	**80,154,708**	**18,505,177**	**339,067,767**	291,346,368
Net block													
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**	**47,296,343**	**16,075,722**	**389,249,262**	429,304,566
At December 31, 2009	4,765,674	9,069,481	27,004,546	81,213,171	1,744,713	100,513,380	64,775,966	55,587,119	13,358,639	63,516,481	7,755,396		
Capital work in progress [including capital advances of Rs. 2,00,000 (Previous year Rs. 80,875)]												**200,000**	17,604,314
												389,449,262	446,908,880

Notes:

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

(2) Vehicles amounting to Rs. 9,160,270 (Previous year Rs. 8,735,500) 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.

	As at December 31, 2010 Rs.		As at December 31, 2009 Rs.	
SCHEDULE 6: 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):				
Unquoted, fully paid up				
(i) 4,070,000 (Previous year 4,070,000) ordinary shares of "no par" value in R Systems (Singapore) Pte Limited		**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	
Less : Adjustment with securties premium as per order of High Court	**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
(v) Investment in R Systems Solutions, Inc., USA (also refer note 11 (b) under Schedule 17)				
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 (f) under Schedule 17)	**3,471,640**		3,471,640	
Less: Provision for diminution in value	**1,850,305**	**1,621,335**	-	3,471,640
(vii) Investment in R Systems Europe B.V., Netherlands (refer note 11 (d) under Schedule 17)				
3,170 (Previous year 3,170) ordinary shares of Euro 100 each fully paid up	**42,053,275**		42,053,275	
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 (refer note 11 (d) under Schedule 17) 10,000 (Previous year 10,000) ordinary shares of Euro 15.24 each fully paid up	**32,593,766**		32,593,766	
Less: Provision for diminution in value	**32,592,766**	**1,000**	32,592,766	1,000
		329,183,437		331,033,742
Aggregate amount of unquoted investments		**329,183,437**		331,033,742
Aggregate amount of quoted investments		**-**		-

	As at December 31, 2010 Rs.	As at December 31, 2009 Rs.
SCHEDULE 7: SUNDRY DEBTORS		
Debts outstanding for a period more than six months		
Unsecured, considered good	**18,258,979**	22,048,685
Unsecured, considered doubtful	**82,324,356**	79,230,500
Other debts		
Unsecured, considered good	**397,348,158**	358,709,320
Unsecured, considered doubtful	**1,697,022**	1,292,909
	499,628,515	461,281,414
Less : Provision for doubtful debts	**84,021,378**	80,523,409
	415,607,137	380,758,005
Included in Sundry debtors are:		
Dues from subsidiary companies (Companies under the same management)		
R Systems, Inc., USA	**4,621,674**	1,664,858
ECnet Limited, Singapore	**4,375,487**	5,443,997
R Systems (Singapore) Pte Limited, Singapore	**614,769**	-
R Systems Europe B.V., Netherlands	**98,557**	-

	As at December 31, 2010 Rs.	As at December 31, 2009 Rs.
SCHEDULE 8: CASH AND BANK BALANCES		
Cash on hand	**143,715**	168,760
Cheques on hand	**51,070**	-
Balances with scheduled banks		
On current accounts	**33,877,858**	10,205,708
On cash credit / overdraft accounts (refer note 4 below)	**7,321,426**	10,058,502
On EEFC accounts	**80,343,955**	63,893,574
On deposit accounts	**670,541,296**	587,132,432
On unclaimed dividend accounts	**481,063**	383,665
Balance with other banks		
On current account with California Bank & Trust	**17,607,220**	38,242,450
[Maximum balance during the period Rs. 93,510,000 (Previous year Rs. 95,534,479)]		
On current account with Fortis Bank (Netherlands) N.V.	**311,550**	1,367,839
[Maximum balance during the period Rs. 1,745,818 (Previous year Rs. 6,219,128)]		
On current account with Sumitomo Mitusi Banking Corporation	**8,565,320**	5,681,450
[Maximum balance during the period Rs. 10,141,967 (Previous year Rs. 5,681,450)]		
	819,244,473	717,134,380

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. 114,555,707 (Previous year Rs. 124,623,420), against credit / derivative facilities taken Rs. 84,376,825 (Previous year Rs. 83,002,319) and performance guarantees given to customers Rs. 3,355,618 (Previous year Rs. Nil).

(2) Also refer note 19 (c) under Schedule 17 for investment of balance funds from IPO proceeds pending its utilisation.

(3) Also refer note 20 under Schedule 17 for details of cash and bank balances.

(4) Cash credit facilities are secured by first charge over current assets and collateral charge over the immovable property and fixed assets.

	As at December 31, 2010 Rs.	As at December 31, 2009 Rs.
SCHEDULE 9: OTHER CURRENT ASSETS		
Interest accrued on deposits	**25,418,354**	18,876,236
Interest accrued on staff advances	**128,215**	61,250
Unbilled revenue	**108,932,517**	97,661,473
	134,479,086	116,598,959

	As at December 31, 2010 Rs.	As at December 31, 2009 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	**39,005,702**	47,113,282
[including Rs. 4,923,200 (Previous year Rs. 5,068,200) considered doubtful]		
Mark-to-market on forward contracts	**6,372,744**	19,109,927
Advance recoverable from subsidiary companies		
(a) Advance recoverable from R Systems, Inc., USA (a wholly owned subsidiary company)	**1,957,295**	1,431,869
(b) Advance recoverable from ECnet Limited, Singapore (a subsidiary company)	**4,047,191**	3,230,398
(c) Advance recoverable from R Systems Solutions, Inc., USA (a wholly owned subsidiary company)	**238,783**	5,332,341
(d) Advance recoverable from R Systems (Singapore) Pte Limited, Singapore (a wholly owned subsidiary company)	**4,035**	78,531
Loan to ECnet Limited, Singapore (a subsidiary company)	**131,974,000**	109,272,900
[including Rs. 131,974,000 (Previous year Rs. 109,272,900) considered doubtful]		
MAT credit receivable	**69,619,398**	59,361,869
Balances with customs, excise, etc.	**1,016,225**	4,164,272
Deposits - others	**26,264,723**	24,624,008
Advance fringe benefit tax [net of provisions amounting to Rs. 7,082,336 (Previous year Rs. 13,986,408)]	**167,664**	167,664
Advance income taxes [net of provisions amounting to Rs. 166,136,636 (Previous year Rs. Nil)]	**790,745**	-
	281,458,505	273,887,061
Less : Provision for doubtful loans and advances	**136,897,200**	114,341,100
	144,561,305	159,545,961
Included in loans and advances are :		
Maximum amounts outstanding from subsidiary companies (Companies under the same management)		
R Systems, Inc., USA	**19,336,064**	14,888,180
ECnet Limited, Singapore	**136,021,191**	112,670,153
R Systems Solutions, Inc, USA	**5,718,254**	6,577,079
R Systems (Singapore) Pte Limited, Singapore	**4,035**	78,801
R Systems Europe B.V., Netherlands	**426,544**	687,697

	As at December 31, 2010 Rs.	As at December 31, 2009 Rs.
SCHEDULE 11: CURRENT LIABILITIES		
Sundry creditors		
(a) Total outstanding dues of micro enterprises and small enterprises included in Sundry creditors	**-**	-
(b) Total outstanding dues other than micro enterprises and small enterprises included in Sundry creditors	**131,118,998**	146,500,895
Payable to subsidiary companies	**9,124,884**	4,422,656
Deferred payment compensation to the erstwhile shareholders of ECnet Limited (refer note 11 (a) under Schedule 17)	**9,352,294**	8,916,859
Deferred revenue	**43,088,747**	19,673,139
Investor education and protection fund (not due) - Unclaimed dividend	**481,063**	383,665
Security deposits	**2,554,885**	1,687,662
Other liabilities	**10,171,198**	8,988,533
	205,892,069	190,573,409

	As at December 31, 2010 Rs.	As at December 31, 2009 Rs.
SCHEDULE 12: PROVISIONS		
Employee bonus	**-**	24,993,938
Income tax [net of advance taxes amounting to Rs. Nil (Previous year Rs. 120,158,814)]	**-**	17,341,196
Proposed final dividend	**29,560,527**	29,560,527
Tax on proposed final dividend	**4,909,635**	5,023,813
Gratuity (refer note 14 under Schedule 17)	**57,825,653**	42,199,151
Long term compensated absences	**51,017,141**	50,808,632
	143,312,956	169,927,257

	For the year ended December 31, 2010 Rs.	For the year ended December 31, 2009 Rs.
SCHEDULE 13: OTHER INCOME		
Interest on:		
- Bank deposits [Gross of tax deducted at source Rs. 5,611,354 (Previous year Rs. 6,408,588)]	**48,782,887**	51,437,225
- Interest on loan to ECnet Limited [Gross of withholding tax Rs. 995,277 (Previous year Rs. 893,596)]	**7,366,437**	5,951,063
Provision for doubtful debts and advances written back	**10,047,008**	26,332,596
Other excess provisions written back, as no longer required	**2,938,999**	405,828
Miscellaneous income	**8,757,950**	7,559,539
	77,893,281	91,686,251

	For the year ended December 31, 2010 Rs.	For the year ended December 31, 2009 Rs.
SCHEDULE 14: PERSONNEL EXPENSES		
Salaries, wages and bonus	**1,102,773,216**	1,082,057,952
Gratuity (refer note 14 under Schedule 17)	**19,376,372**	(2,682,419)
Contribution to provident fund and ESI	**38,419,144**	38,082,423
Staff welfare expenses	**17,446,211**	32,250,460
	1,178,014,943	1,149,708,416

Note:
Refer note 8.1 (a), (b) & (c) under Schedule 17 for managerial remuneration.

		For the year ended December 31, 2010 Rs.		For the year ended December 31, 2009 Rs.
SCHEDULE 15: OPERATING AND OTHER EXPENSES				
Power and fuel		**35,900,434**		35,482,386
Rent - premises		**32,992,685**		34,945,323
Rent - equipments		**1,466,599**		1,117,045
Rates and taxes		**4,314,445**		2,273,823
Insurance		**6,063,497**		6,627,837
Repair and maintenance				
- Buildings		**541,176**		232,220
- Others		**32,458,018**		28,649,658
Advertising and sales promotion		**6,480,804**		5,424,492
Commission - others		**9,092,933**		9,282,472
Traveling and conveyance		**156,411,418**		152,460,193
Communication costs		**46,341,654**		49,474,881
Printing and stationery		**3,514,913**		3,838,759
Legal and professional fees		**25,932,550**		18,705,234
Directors' sitting fee		**269,997**		225,000
Auditors' remuneration				
As auditor:				
- Audit fee				
- Statutory audit fee	**1,350,000**		1,350,000	
- Quarterly audit fee	**1,900,000**		1,800,000	
- Limited review	**500,000**		450,000	
- Out-of-pocket expenses	**214,250**		212,850	
In other manner:				
- Certification	**362,500**		480,000	
- Other services	**250,000**	**4,576,750**	250,000	4,542,850
Foreign exchange fluctuation (net)		**(8,776,516)**		2,392,508
Provision for doubtful debts		**15,762,969**		28,520,977
Provision for doubtful advances		**27,019,892**		18,599,830
Bad debts and advances written off		**44,060**		3,272,613
Loss on sale / discard of fixed assets (net)		**2,068,370**		1,457,305
Recruitment and training expenses		**5,745,577**		3,469,705
Watch and ward expenses		**5,166,310**		4,991,737
Membership and subscription		**4,245,633**		3,742,784
Miscellaneous expenses		**2,091,361**		2,576,849
		419,725,529		422,306,481

	For the year ended December 31, 2010 Rs.	For the year ended December 31, 2009 Rs.
SCHEDULE 16: FINANCIAL EXPENSES		
Interest on loans	**425,310**	1,698,510
Bank charges	**4,052,417**	4,319,837
	4,477,727	6,018,347

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 at the weighted average cost of capital.

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, deferred and fringe benefit tax.

Current income tax and fringe benefit 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. 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.

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 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 fair value of foreign exchange forward contracts 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. 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, 2010 and December 31, 2009:

(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,	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
REVENUE								
External sales	**1,597,385,846**	1,699,203,759	**188,581,060**	212,227,382	**-**	-	**1,785,966,906**	1,911,431,141
Total revenue	**1,597,385,846**	1,699,203,759	**188,581,060**	212,227,382	**-**	-	**1,785,966,906**	1,911,431,141
RESULT								
Segment result	**128,481,002**	303,136,953	**(9,684,630)**	(228,755,636)			**118,796,372**	74,381,317
Unallocated corporate expenses					**34,671,370**	40,928,980	**34,671,370**	40,928,980
Operating profit							**84,125,002**	33,452,337
Interest expenses					**(425,310)**	(1,698,510)	**(425,310)**	(1,698,510)
Interest income					**48,782,887**	51,437,225	**48,782,887**	51,437,225
Other income					**10,548,457**	7,965,369	**10,548,457**	7,965,369
Income taxes (expense) / credit					**24,505,844**	(25,640,564)	**24,505,844**	(25,640,564)
Net profit							**167,536,880**	65,515,857

The following table provides required information for the primary segments as at December 31, 2010 and December 31, 2009:

(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,	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
OTHER INFORMATION										
Segment assets	**1,531,283,756**	1,491,093,628	**60,811,855**	86,541,079	**275,927,951**	244,526,613			**1,316,167,660**	1,333,108,094
Unallocated corporate assets							**845,779,233**	759,342,300	**845,779,233**	759,342,300
Income tax assets							**92,610,389**	59,529,533	**92,610,389**	59,529,533
Total assets	**1,531,283,756**	1,491,093,628	**60,811,855**	86,541,079	**275,927,951**	244,526,613	**938,389,622**	818,871,833	**2,254,557,282**	2,151,979,927
Segment liabilities	**304,797,995**	297,602,279	**290,406,381**	258,269,212	**275,927,951**	244,526,613			**319,276,425**	311,344,878
Unallocated corporate liabilities							**30,041,590**	29,944,192	**30,041,590**	29,944,192
Income tax liabilities							**4,909,635**	43,427,943	**4,909,635**	43,427,943
Total liabilities	**304,797,995**	297,602,279	**290,406,381**	258,269,212	**275,927,951**	244,526,613	**34,951,225**	73,372,135	**354,227,650**	384,717,013
Capital expenditures	**31,167,724**	89,769,289	**546,216**	24,794,996					**31,713,940**	114,564,285
Depreciation and amortisation	**74,925,239**	72,336,634	**11,340,042**	8,125,356					**86,265,281**	80,461,990
Provision for diminution in value of long term investments	**1,850,305**	-	**-**	247,321,631					**1,850,305**	247,321,631
Other non-cash expenses	**41,198,578**	49,211,251	**3,696,713**	2,639,474					**44,895,291**	51,850,725

Geographical segments:

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

The geographical segments considered for disclosure are based on the sales within India and sales outside India on the basis of location of customers.

The following is the distribution of the Company's revenue by geographical market:

	For the year ended December 31,	
	2010	2009
	Rs.	Rs.
India	**216,758,609**	168,310,666
USA	**1,039,220,726**	1,037,929,120
South East Asia	**118,285,372**	128,675,628
Europe	**335,574,099**	437,103,318
Others	**76,128,100**	139,412,409
Total	**1,785,966,906**	1,911,431,141

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

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

	Carrying amount of assets as at December 31,		Addition to fixed assets and intangible assets for the year ended December 31,	
	2010	2009	**2010**	2009
	Rs.	Rs.	**Rs.**	Rs.
India	**1,467,075,756**	1,365,961,330	**31,713,940**	114,564,285
USA	**468,781,905**	470,364,320	**-**	-
South East Asia	**164,912,628**	140,948,665	**-**	-
Europe	**107,656,182**	141,162,039	**-**	-
Others	**46,130,811**	33,543,573	**-**	-
Total	**2,254,557,282**	2,151,979,927	**31,713,940**	114,564,285

4. RELATED PARTY DISCLOSURES

(i) 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
	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
Key management personnel (directors) and their relatives	Satinder Singh Rekhi, Chairman and Managing Director Lt. Gen. Baldev Singh (Retd.), President and Senior Executive Director O'Neil Nalavadi, Director Finance and Chief Financial Officer (resigned in 2009) 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, 2010 and December 31, 2009:

(Amount in Rs.)

	Year ended December 31,	
	2010	2009
Services rendered to		
ECnet Ltd, Singapore	**16,368,557**	23,042,975
R Systems, Inc., USA	**17,148,166**	30,392,147
R Systems (Singapore) Pte Ltd, Singapore	**1,857,087**	1,267,375
R Systems Solutions, Inc., USA	**-**	14,041,143
R Systems Europe B.V., Netherlands	**369,328**	1,483,609
Total	**35,743,138**	70,227,249
Services received from		
ECnet Ltd, Singapore	**2,478,527**	-
Other Income		
R Systems, Inc., USA	**6,104,532**	5,600,693
Commission on sales and other expenses paid to		
R Systems Solutions, Inc., USA	**11,305,868**	9,823,169
Interest received from		
ECnet Ltd, Singapore	**7,366,437**	5,951,063
Travel and other expenses reimbursed to		
ECnet Ltd, Singapore	**2,652,873**	4,084,555
R Systems, Inc., USA	**53,342,874**	66,870,624
R Systems Solutions, Inc., USA	**-**	470,852
R Systems Europe B.V., Netherlands	**305,113**	536,589
Total	**56,300,860**	71,962,620
Travel and other expenses paid by the Company on behalf of		
ECnet Ltd, Singapore	**1,346,601**	1,604,783
R Systems, Inc., USA	**6,557,870**	8,967,343
R Systems (Singapore) Pte Ltd, Singapore	**-**	78,801
R Systems Solutions, Inc., USA	**1,369,120**	238,122
R Systems Europe B.V., Netherlands	**214,844**	418,307
Total	**9,488,435**	11,307,356

(Amount in Rs.)

	Year ended December 31, 2010	2009
Reimbursement for purchase of assets from		
R Systems, Inc., USA	**721,319**	2,264,039
Assets obtained free of cost on returnable basis		
R Systems, Inc., USA	**436,490**	-
Guarantee given for loans taken by		
R Systems, Inc., USA	**-**	39,559,000
Loan given to		
ECnet Ltd, Singapore	**16,940,380**	18,599,830
Remuneration to key management personnel and their relatives		
Satinder Singh Rekhi	**15,562,573**	15,587,029
O'Neil Nalavadi	**-**	9,342,009
Lt. Gen. Baldev Singh (Retd.)	**4,378,564**	5,094,444
Raj Swaminathan	**5,441,817**	5,386,449
Mandeep Singh Sodhi	**15,539,645**	13,511,065
Amrita Kaur	**402,096**	293,660
Total	**41,324,695**	49,214,656
Rent		
Satinder Singh Rekhi	**3,837,680**	981,120

(Amount in Rs.)

Balance outstanding as at the year end	As at December 31, 2010	2009
Receivable-trade		
ECnet Ltd, Singapore	**4,375,487**	5,443,997
R Systems, Inc., USA	**4,621,674**	1,664,858
R Systems (Singapore) Pte. Ltd, Singapore	**614,769**	-
R Systems Europe B.V., Netherlands	**98,557**	-
Total	**9,710,487**	7,108,855
Receivable-others		
ECnet Ltd, Singapore	**4,047,191**	3,230,398
R Systems, Inc., USA	**1,957,295**	1,431,869
R Systems (Singapore) Pte Ltd, Singapore	**4,035**	78,531
R Systems Solutions, Inc., USA	**238,783**	5,332,341
Total	**6,247,304**	10,073,139
Payable		
ECnet Ltd, Singapore	**1,194,721**	145,757
R Systems, Inc., USA	**6,268,597**	3,799,027
R Systems Solutions, Inc. USA	**1,452,102**	424,213
R Systems (Singapore) Pte Ltd, Singapore	**72,412**	-
R Systems Europe B.V., Netherlands	**137,052**	53,659
Total	**9,124,884**	4,422,656
Assets obtained free of cost on returnable basis		
R Systems, Inc., USA	**18,882,100**	18,445,610
R Systems (Singapore) Pte Ltd, Singapore	**157,573**	157,573
Total	**19,039,673**	18,603,183
Guarantee given for loans taken by		
R Systems, Inc., USA	**-**	39,559,000
Loan given (fully provided for)		
ECnet Ltd, Singapore	**131,974,000**	109,272,900

5. CAPITAL COMMITMENTS

	As at December 31, 2010 Rs.	As at December 31, 2009 Rs.
Commitments for purchase of fixed assets	**3,807,754**	392,493

6. CONTINGENT LIABILITIES NOT PROVIDED FOR:

	As at December 31, 2010 Rs.	As at December 31, 2009 Rs.
Performance guarantees given to Department of Telecommunication for Domestic and International 'Other Service Provider' licenses	**51,000,000**	102,000,000
Performance bank guarantee issued to a customer	**10,998,050**	-
Guarantees given on behalf of R Systems, Inc., USA (wholly owned subsidiary)	**-**	39,559,000
Total	**61,998,050**	141,559,000

Also refer below note 11 (a) and 11 (c) 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, 2010 Rs.	Year ended December 31, 2009 Rs.
Lease payments for the year	**32,992,685**	34,945,323
Minimum Lease Payments:		
Not later than one year	**24,172,700**	27,926,260
Later than one year but not later than five years	**14,656,606**	13,983,580
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, 2010 Rs.	Year ended December 31, 2009 Rs.
8.1(a)	**Directors' remuneration**		
	Salaries, wages and bonus	**25,218,794**	35,256,571
	Contribution to provident fund	**164,160**	153,360
	Total	**25,382,954**	35,409,931

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.

(Amount in Rs.)

Sl. No.	Particulars	Year ended December 31, 2010	Year ended December 31, 2009
1.	**Profit after tax and before appropriation**	**167,536,880**	65,515,857
	Add:		
(i)	Remuneration paid to the whole time directors	**25,382,954**	35,409,931
(ii)	Loss on fixed assets sold / discarded	**2,068,370**	1,457,305
(iii)	Provision for doubtful debts / advances	**42,782,861**	47,120,807
(iv)	Tax for the year	**(24,505,844)**	25,640,564
(v)	Depreciation / amortisation as per books of accounts	**86,265,281**	80,461,990
(vi)	Provision for diminution in value of long term investments	**1,850,305**	247,321,631
	Less:		
(i)	Depreciation / amortisation as envisaged under Section 350 of the Companies Act*	**86,265,281**	80,461,990
(ii)	Write back of provision for doubtful debts / advances (net)	**10,047,008**	26,332,596
	Net Profit for the purpose of managerial remuneration	**205,068,518**	396,133,499
	Overall maximum remuneration to all managerial personnel at 10% of the net profits as calculated above	**20,506,852**	39,613,350
	Overall maximum remuneration to individual managerial personnel at 5% of the net profits as calculated above	**10,253,426**	19,806,675

* 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 Company had approached the Central Government for obtaining the requisite approval for payment of remuneration in excess of the limits specified in 8.1 (b) above for all the three executive directors. The Central Government had granted its approval for two directors and the application for the third director is pending for approval.

8.2 Earnings in foreign currency (on accrual basis)

	Year ended December 31, 2010 Rs.	Year ended December 31, 2009 Rs.
Exports at F.O.B. Value (sale of product and services)	**1,569,208,302**	1,743,120,475
Interest on loan	**7,366,437**	5,951,063
Reimbursement of travel / communication costs*	**57,353,052**	64,601,602
Miscellaneous income	**6,104,532**	5,600,693
Total	**1,640,032,323**	1,819,273,833

* 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, 2010 Rs.	Year ended December 31, 2009 Rs.
Travelling and conveyance	**130,117,573**	145,984,589
Commission-others	**9,092,933**	8,804,759
Salaries, wages and bonus	**132,778,622**	135,786,273
Communication expenses	**22,086,647**	24,971,583
Cost of third party hardware and software	**24,368,572**	-
Other miscellaneous expenses	**28,388,185**	20,457,951
Total	**346,832,532**	336,005,155

8.4 Value of imports calculated on CIF basis

	Year ended December 31, 2010 Rs.	Year ended December 31, 2009 Rs.
Capital goods	**7,631,442**	23,038,755
Equipments received free of cost on returnable basis	**4,163,754**	74,276,141
Total	**11,795,196**	97,314,896

8.5 Remittance in foreign currency on account of dividend

Sl. No.	Particulars	Year ended December 31, 2010	Year ended December 31, 2009
	Year to which dividend relates	**December 31, 2009**	December 31, 2008
(a)	Number of non-resident shareholders where direct remittance have been made by the Company	**26**	29
(b)	Number of shares on which dividend is remitted	**4,702,272**	4,957,906
(c)	Amount remitted (Rs.)	**11,285,453**	11,898,974
(d)	Amount remitted (USD)	**237,589**	238,361

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, 2010 Rs.	As at December 31, 2009 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, 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.

The Board of Directors of the Company had recommended a dividend of Rs. 2.40 per share at its meeting held on February 12, 2009 subject to the approval of the shareholders at the Annual General Meeting and accordingly made an appropriation of Rs. 31,693,018 and Rs. 5,386,229 towards proposed dividend and dividend distribution tax respectively. Company had announced the record date for distribution of dividend as April 17, 2009 and accordingly reduced the appropriation of Rs. 715,332 and Rs. 121,570 made earlier towards proposed dividend and dividend distribution tax respectively, to adjust for shares bought back subsequent to the earlier appropriation.

For the year ended December 31, 2010, the Board of Directors have recommended a dividend of Rs. 2.40 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. 9,352,294 (Previous year Rs. 8,916,859) 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. The Company is in the process of obtaining relevant regulatory approvals for the restructuring.

(b) During the year ended December 31, 2006 the Company had completed the acquisition and integration of R Systems Solutions, Inc., a technical support company based in the USA. The Company had acquired 8,666,884 Series A convertible preferred stock of "no par" value and 10,335,833 common stock of no par value from the erstwhile shareholders of R Systems Solutions, Inc. The Company had recognised the investment at value of US$ 2.85 million i.e. Rs. 132,796,088 which represents the consideration assessed as probable to be paid.

Out of such payables, US$ 1.17 million i.e. Rs. 54,803,268 had been paid at time of acquisition and US$ 1.41 million i.e. Rs. 62,167,878 had been paid from the date of acquisition till the year ended December 31, 2008. During the year ended December 31, 2008, the Company had reassessed the probable payment for purchase consideration and reversed US$ 0.07 million i.e. Rs. 3,264,820 against investment appearing in the books. The balance amount payable US$ 0.20 million i.e. Rs. 9,782,911 as at December 31, 2008 was shown under current liabilities.

During the year ended December 31, 2009, the Company had reassessed the probable payment for purchase consideration and reversed US$ 0.02 million i.e. Rs. 706,178 against investment appearing in the books. The balance purchase consideration of US$ 0.18 million i.e. Rs. 7,583,873 has been paid during the year 2009.

During the year ended December 31, 2007, the Company invested an additional amount of US$ 1.00 million i.e. Rs. 43,852,500 towards acquisition of additional 1,000,000 common stock of "no par" value in R Systems Solutions, Inc.

Further during the year ended December 31, 2009, R Systems Solutions, Inc. has received termination notice from a significant customer. 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. 172,676,590 to recognise the decline in value.

(c) R Systems, Inc, USA has net book value of Rs. 107,300,522 as at the year ended December 31, 2010, as against the investment value of Rs. 223,358,532. The management on the basis of future business plan of the subsidiary as well as its continuing financial support does not consider there to be diminution other than temporary.

(d) During the year ended December 31, 2008, the Company had completed the acquisition of R Systems Europe B.V., Netherlands and R Systems S.A.S, France, two wholly owned subsidiaries based in Europe effective January 23, 2008. The purchase considerations for the acquisition of R Systems Europe B.V., Netherlands Rs. 42,053,275 and R Systems S.A.S., France Rs. 32,593,766 have been recognised as investment.

During the year ended December 31, 2009, these subsidiaries have received termination notices from two significant customers. Consequently the management had assessed that there is a decline, other than temporary, in the value of these subsidiaries and had reduced the carrying amount of investment in these subsidiaries R Systems Europe B.V., Netherlands by Rs. 42,052,275 and R Systems S.A.S., France by Rs. 32,592,766 to recognise the decline in value of investment.

(e) Subsequent to the year end, the Company has acquired 100% of shares of Computaris International Limited (Computaris) 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 condition by the erstwhile shareholders of Computaris over the next two years.

(f) 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.

12. (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, 2010 and year ended December 31, 2009 is set out below:

	Year ended December 31, 2010 (Nos.)	Year ended December 31, 2009 (Nos.)
At the beginning		
- Grants outstanding under the plan (Rs. 10 per share)	**79,500**	83,275
- Grants pending determination by the Compensation Committee (Rs. 10 per share)	**65,165**	61,390
During the year		
- Options granted (Rs. 10 per share)	**-**	-
- Options exercised (Rs. 10 per share)	**-**	-
- Options lapsed or surrendered (Rs. 10 per share)	**6,120**	3,775
At the end		
- 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

(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, 2010 and the year ended December 31, 2009 is set out below:

	Year ended December 31, 2010 (Nos.)	Year ended December 31, 2009 (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, 2010 and year ended December 31, 2009 is set out below:

	Year ended December 31, 2010 (Nos.)	Year ended December 31, 2009 (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, 2010 and year ended December 31, 2009 is set out below:

	Year ended December 31, 2010 (Nos.)	Year ended December 31, 2009 (Nos.)
At the beginning		
- Grants outstanding under the plan (Rs. 10 per share)	**530,000**	560,500
- Grants pending determination by the Compensation Committee (Rs. 10 per share)	**120,000**	89,500
During the year		
- Options granted (Rs. 10 per share)	**-**	-
- Options exercised (Rs. 10 per share)	**-**	-
- Options lapsed or surrendered (Rs. 10 per share)	**27,000**	30,500
At the end		
- 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

(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 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, 2010	Year ended December 31, 2009
Profit after tax	**167,536,880**	65,515,857
Add: Intrinsic Value Compensation Cost	**-**	-
Less: Fair Value Compensation Cost	**1,527,947**	4,673,959
Adjusted Pro-forma Profit after tax	**166,008,933**	60,841,898
Earnings Per Share		
Basic		
- As reported	**13.60**	5.17
- Pro-forma	**13.48**	4.80
Diluted		
- As reported	**13.44**	5.11
- Pro-forma	**13.32**	4.74

13. EARNINGS PER SHARE*

	Year ended December 31, 2010	Year ended December 31, 2009
Net profit after tax (Rs.)	**167,536,880**	65,515,857
Weighted average number of equity shares for calculating Basic EPS	**12,316,886**	12,669,756
Add : Equity shares for no consideration arising on grant of stock options under ESOP	**148,847**	156,836
Weighted average number of equity shares for calculating Diluted EPS	**12,465,733**	12,826,592
Basic (Rs.)	**13.60**	5.17
Diluted (Rs.)	**13.44**	5.11

**Refer note no. 12 (f) above.*

SYSTEMS

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, 2010	Year ended December 31, 2009
Current service cost	**9,840,390**	14,719,256
Interest cost on benefit obligation	**3,821,864**	3,205,090
Expected return on plan assets	**-**	-
Net actuarial (gain) / loss recognised in the year	**(3,834,501)**	(20,606,765)
Past service cost	**9,548,619**	-
Net employee benefit expense	**19,376 ,372**	(2,682,419)

Details of defined benefit gratuity plan

(Amount in Rs.)

Particulars	As at December 31, 2010	As at December 31, 2009
Defined benefit obligation	**57,825,653**	42,199,151
Fair value of plan assets	**-**	-
Present value of unfunded obligations	**57,825,653**	42,199,151
Less: Unrecognised past service cost	**-**	-
Plan liability / (asset)	**57,825,653**	42,199,151

Changes in the present value of the defined benefit gratuity plan are as follows:

(Amount in Rs.)

Particulars	Year ended December 31, 2010	Year ended December 31, 2009
Opening defined benefit obligation	**42,199,151**	46,466,537
Interest cost	**3,821,864**	3,205,090
Current service cost	**9,840,390**	14,719,256
Benefits paid	**(3,749,870)**	(1,584,967)
Actuarial (gains) / losses on obligation	**(3,834,501)**	(20,606,765)
Past service cost	**9,548,619**	-
Closing defined benefit obligation	**57,825,653**	42,199,151

The principal assumptions used in determining defined benefit gratuity plan obligations is shown below:

Particulars	Year ended December 31, 2010	Year ended December 31, 2009
Discount rate	**7.95% p.a.**	7.60% 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, 2010 and year ended December 31, 2009 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, 2010	December 31, 2009	December 31, 2008	December 31, 2007	December 31, 2006
Defined benefit obligation	**57,825,653**	42,199,151	46,466,537	23,306,788	16,885,862
Plan assets	**-**	-	-	-	-
Surplus / (deficit)	**(57,825,653)**	(42,199,151)	(46,466,537)	(23,306,788)	(16,885,862)
Experience adjustments on plan liabilities	**(2,914,547)**	(6,981,759)	116,082	461,423	231,590
Experience adjustments on plan assets	**-**	-	-	-	-

15. PARTICULARS OF UNHEDGED FOREIGN CURRENCY EXPOSURE AS AT DECEMBER 31, 2010 AND DECEMBER 31, 2009:

	Currency	Foreign Currency amount		Closing foreign exchange rate		Amount (Rs.)	
		December 31,		December 31,		December 31,	
		2010	2009	**2010**	2009	**2010**	2009
LIABILITIES							
Deferred compensation to erstwhile shareholders of ECnet Limited							
	SGD	**269,285**	269,285	**34.73**	33.11	**9,352,294**	8,916,859
Creditors							
	USD	**743,046**	1,118,942	**44.89**	46.54	**33,355,347**	52,075,563
	EURO	**2,303**	805	**59.52**	66.63	**137,052**	53,659
	SGD	**21,886**	4,402	**34.73**	33.11	**760,101**	145,757
Deferred revenue							
	USD	**93,290**	135,694	**44.89**	46.54	**4,187,797**	6,315,200
	EURO	**140,746**	8,991	**59.52**	66.63	**8,376,498**	599,106
ASSETS							
Investments* (Gross)							
	USD	**9,062,639**	8,741,338	**44.89**	46.54	**406,821,860**	406,821,860
	EURO	**1,312,588**	1,172,355	**59.52**	66.63	**78,118,681**	78,118,681
	SGD	**3,704,874**	3,885,794	**34.73**	33.11	**128,670,291**	128,670,291
Debtors (Gross)							
	USD	**7,893,784**	5,978,105	**44.89**	46.54	**354,351,955**	278,221,016
	EURO	**930,866**	1,489,887	**59.52**	66.63	**55,400,518**	99,277,069
	GBP	**774**	774	**69.48**	75.19	**53,797**	58,224
	JPY	**5,597,109**	2,296,907	**0.55**	0.50	**3,072,813**	1,150,750
	AUD	**34,500**	46,318	**45.48**	41.77	**1,568,888**	1,934,888
	CHF	**100,742**	-	**48.05**	-	**4,840,653**	-
Bank balances							
	USD	**1,705,955**	2,185,226	**44.89**	46.54	**76,580,313**	101,700,439
	EURO	**364,318**	27,065	**59.52**	66.63	**21,682,411**	1,803,424
	GBP	**1,977**	3,195	**69.48**	75.19	**137,370**	240,258
	JPY	**15,601,676**	11,340,219	**0.55**	0.50	**8,565,320**	5,681,450
Loans and advances							
	USD	**49,011**	147,029	**44.89**	46.54	**2,200,113**	6,842,741
	SGD	**116,533**	97,557	**34.73**	33.11	**4,047,191**	3,230,398
Unbilled revenue							
	USD	**879,061**	1,289,621	**44.89**	46.54	**39,461,036**	60,018,981
	EURO	**236,299**	401,643	**59.52**	66.63	**14,063,335**	26,763,066
	SGD	**6,797**	20,250	**34.73**	33.11	**236,060**	670,538
	THB	**16,823,637**	-	**1.49**	-	**25,060,490**	-
	JPY	**-**	2,306,178	**-**	0.50	**-**	1,155,395
Loans to subsidiary company							
	SGD	**3,800,000**	3,300,000	**34.73**	33.11	**131,974,000**	109,272,900

* Foreign currency amounts represent the balances derived using closing foreign exchange rate.

As of December 31, 2010, the Company had derivative financial instruments to sell USD 4,050,000 and EURO 200,000 that are designated as ineffective cash flow hedges relating to highly probable forecasted transactions. The Company has recognised mark-to-market gain of Rs. 6,372,744 relating to such derivative financial instruments in the Profit and Loss Account for the year ended December 31, 2010.

16. Details of loans given to subsidiary-ECnet Limited, Singapore (fully provided for)

Balance as at December 31, 2010 is Rs. 131,974,000 (SGD 3,800,000) [Previous year Rs. 109,272,900 (SGD 3,300,000)]. Maximum amount outstanding during the year is Rs. 131,974,000 (SGD 3,800,000) [Previous year Rs. 112,662,000 (SGD 3,300,000)].

Loan is repayable on demand.

17. During the financial year ended December 31, 2007, the Company had received nonrefundable licensee fee of Rs. 39,435,000 from one of its customer against sale of eighteen modules / licenses. As at December 31, 2008, the Company had been carrying Rs. 19,717,500 as deferred revenue against unconsumed modules / licensees. The management believed that it was unlikely that the customer will utilise any additional modules and the customer had confirmed that the Company did not have any outstanding obligation against the aforesaid sale of licenses. Accordingly revenue of Rs. 19,717,500 had been recognised during the year ended December 31, 2009.

18. As of December 31, 2010 there is uncertainty regarding ultimate realisation relating to some of the customers due to their current financial position, therefore revenue aggregating Rs. 11,915,759 (Previous year Rs. 18,190,787) has been deferred till the time the realisation becomes reasonably certain.

19. 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, 2010 and December 31, 2009 are as follows:

(Amount in Rs.)

Objects	Total Estimated Project Cost*	Amount incurred till December 31, 2010	Amount incurred till December 31, 2009
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	58,619,823	58,619,823
Meeting offer expenses*	101,137,175	101,137,175	101,137,175
Total	**706,250,000**	**605,810,198**	**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. Pending utilisation, balance funds as at December 31, 2010 have been invested in fixed deposit with nationalised banks.

20. CASH AND BANK BALANCES

Details of balances as on balance sheet dates:

(Amount in Rs.)

Sl. No.	Particulars	As at December 31, 2010	As at December 31, 2009
	Cash on hand (A)	**143,715**	168,760
	Cheques on hand (B)	**51,070**	-
	Balance with scheduled banks		
	On current accounts		
1	ICICI Bank Limited	**27,184,904**	2,152,455
2	HDFC Bank Limited	**475,691**	1,154,377
3	Oriental Bank of Commerce	**721,435**	1,113,405
4	Vijaya Bank	**50,264**	37,665
5	State Bank of India	**3,674,222**	2,256,349
6	Canara Bank	**104,744**	149,888
7	Axis Bank Limited	**776,613**	955,315
8	Citibank N.A.	**26,644**	26,643
9	State Bank of Bikaner & Jaipur	**496,612**	996,095
10	ABN Amro Bank N.V.	**366,729**	1,363,516
	Total (C)	**33,877,858**	10,205,708
	On cash credit / overdraft accounts		
1	State Bank of India	**7,320,939**	10,058,463
2	State Bank of Bikaner & Jaipur	**487**	39
	Total (D)	**7,321,426**	10,058,502
	On EEFC accounts		
1	ICICI Bank Limited - USD	**3,272,829**	28,687,442
2	HDFC Bank Limited - USD	**9,168**	9,502
3	State Bank of India - USD	**29,308,473**	32,397,938
4	State Bank of India - EURO	**21,370,861**	435,585
5	Citibank, N.A. - USD	**3,367**	3,491
6	Axis Bank Limited - USD	**26,379,257**	2,359,616
	Total (E)	**80,343,955**	63,893,574
	On deposit accounts		
1	Oriental Bank of Commerce	**124,368,536**	107,118,970
2	Vijaya Bank	**107,620,265**	2,752,759
3	State Bank of India	**5,757,666**	35,704,142
4	ICICI Bank Limited	**171,669,839**	228,633
5	State Bank of Bikaner & Jaipur	**202,733,450**	264,392,950
6	Axis Bank Ltd.	**33,126,825**	30,663,303
7	HDFC Bank Limited	**20,200,000**	-
8	Canara Bank	**64,715**	5,071,675
9	State Bank of Indore	**5,000,000**	141,200,000
	Total (F)	**670,541,296**	587,132,432
	On unclaimed dividend accounts		
1	HDFC Bank Limited	**481,063**	383,665
	Total (G)	**481,063**	383,665
	Balance with other banks		
	On current accounts		
1	Fortis Bank (Netherland) N.V., Netherlands	**311,550**	1,367,839
2	California Bank & Trust, USA	**17,607,220**	38,242,450
3	Sumitomo Mitsui Banking Company, Japan	**8,565,320**	5,681,450
	Total (H)	**26,484,090**	45,291,739
	Total as per Balance Sheet	**819,244,473**	717,134,380

21. 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.

22. Prior period expense for the year ended December 31, 2010 amounting to Rs. 1,729,293 represents communication cost related to prior year.

23. 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 & ASSOCIATES
Firm registration number: 101049W
Chartered Accountants

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

Sd/-	**Sd/-**	**Sd/-**	**Sd/-**	**Sd/-**	**Sd/-**
per Yogesh Midha	**Satinder Singh Rekhi**	**Lt. Gen. Baldev Singh (Retd.)**	**Raj Swaminathan**	**Shankar Seetharaman**	**Suresh Kumar Bhutani**
Partner Membership No. 94941	[Chairman & Managing Director]	[President & Senior Executive Director]	[Director & Chief Operating Officer]	[Chief Financial Officer]	[Company Secretary & Compliance Officer]
Place : GURGAON Date : February 20, 2011	Place : CA, U.S.A. Date : February 20, 2011	Place : NOIDA Date : February 20, 2011	Place : NOIDA Date : February 20, 2011	Place : NOIDA Date : February 20, 2011	Place : NOIDA Date : February 20, 2011

Statement Pursuant to Section 212 of the Companies Act, 1956, relating to Subsidiary Companies

	Name of the Subsidiary	R Systems (Singapore) Pte Limited, Singapore	R Systems, Inc., USA	Indus Software, Inc., USA	R Systems Solutions, Inc., USA	R Systems NV, Belgium	R Systems Europe B.V, Netherlands	R Systems S.A.S, France	ECnet Limited, Singapore	ECnet (M) Sdn. Bhd, Malaysia	ECnet, Inc., USA	ECnet (Hong Kong) Limited, Hong Kong	ECnet Systems (Thailand) Co. Limited, Thailand	ECnet Kabushiki Kaisha, Japan	ECnet (Shanghai) Co. Limited, China
1	The financial year of the subsidiary ended on	December 31, 2010	December 31, 2010	December 31, 2010	December 31, 2010	December 31, 2010	December 31, 2010	December 31, 2010	December 31, 2010	December 31, 2010	December 31, 2010	December 31, 2010	December 31, 2010	December 31, 2010	December 31, 2010
2	Date from which it become Subsidiary Company	September 19 , 2000	January 2, 2001	April 1, 2002	August 24, 2006	August 28, 2007	January 23, 2008	January 23, 2008	January 8, 2004	January 8, 2004	January 8, 2004	January 8, 2004	January 8, 2004	January 8, 2004	January 8, 2004
3 a	Shares held by the holding company in the subsidiary (including its nominees in the subsidiary)	4,070,000 ordinary shares of no par value	2,000 common shares of no par value	243,750 common shares of no par value	11,335,833 common shares of no par value and 8,666,884 series A preferred stock of no par value	200 common shares of Euro 310 each	3,170 ordinary shares of Euro 100 each	10,000 ordinary shares of Euro 15.24 each	98.59% of 17,904,335 ordinary shares of no par value	98.59% of 200,000 ordinary shares of RM 1 each	98.59% of 1,000 shares of US$ 2 each	98.59% of 2 ordinary shares of HK $1 each	98.59% of 400,000 ordinary shares of 5 THB each	98.59% of 200 shares of 50,000 Yen each	98.59% of shares of no par value
3 b	Extent of interest of holding company at the end of the financial year of the Subsidiary Company	100%	100%	100%	100%	100%	100%	100%	98.59%	98.59%	98.59%	98.59%	98.59%	98.59%	98.59%
4	The net aggregate amount of the Subsidiary Company Profit/(Loss) so far as it concerns the members of the Holding Company														
a	Not dealt with in the Holding Company's accounts														
i)	For the financial year ended December 31, 2010	Loss Rs. 15.39 lakhs	Profit Rs. 99.34 lakhs	Profit Rs. 14.66 lakhs	Loss Rs. 128.12 lakhs	Loss Rs. 6.37 lakhs	Profit Rs. 20.86 lakhs	Profit Rs. 12.88 lakhs	Loss Rs. 128.40 lakhs	Profit Rs. 4.26 lakhs	Loss Rs. 0.19 lakhs	Profit Rs.16.41 lakhs	Loss Rs.20.83 lakhs	Profit Rs.26.02 lakhs	Profit Rs.21.83 lakhs
ii)	For the previous financial years of the Subsidiary Company since it became the Holding Company 's Subsidiary	Loss Rs. 143.54 lakhs	Loss Rs. 1,240.46 lakhs	Loss Rs. 174.90 lakhs	Loss Rs. 1,580.67 lakhs	Loss Rs. 14.28 lakhs	Profit Rs. 397.78 lakhs	Profit Rs. 67.53 lakhs	Loss Rs. 1,906.70 lakhs	Profit Rs. 136.56 lakhs	Profit Rs. 2.09 lakhs	Profit Rs. 92.35 lakhs	Profit Rs. 107.34 lakhs	Profit Rs. 117.47 lakhs	Loss Rs. 137.93 lakhs
b	Dealt with in Holding Company's accounts														
i)	For the financial year ended December 31, 2010	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
ii)	For the previous financial years of the Subsidiary Company since it became the Holding Company 's Subsidiary	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL

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

Sd/-
Satinder Singh Rekhi
[Chairman & Managing Director]

Place : CA, U.S.A.
Date : February 20, 2011

Sd/-
Lt. Gen. Baldev Singh (Retd.)
[President & Senior Executive Director]

Place : NOIDA
Date : February 20, 2011

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

Place : NOIDA
Date : February 20, 2011

Sd/-
Shankar Seetharaman
[Chief Financial Officer]

Place : NOIDA
Date : February 20, 2011

Sd/-
Suresh Kumar Bhutani
[Company Secretary & Compliance Officer]

Place : NOIDA
Date : February 20, 2011

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	31 (Date) 12 (Month) 2010 (Year)			

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

Public Issues	NIL	Right Issues	NIL
Bonus Issues	NIL	Private Placements	NIL

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

Total Liablities	1905352	Total Assests	1905352
SOURCES OF FUND			
Paid-up Capital	122430	Reserve & Surplus	1777899
Secured Loans	5023	Unsecured Loans	NIL
APPLICATION OF FUNDS			
Net Fixed Assests	389449	Investments	329183
Net Current Assests#	1186720	Misc. Expenditures	NIL
Accumulated Losses	NIL		

Including deferred tax assets (net) of Rs. 22,033

IV. Performance of Company (Amount in Rs. Thousands)

Turnover*	1863860	Total Expenditure	1720829

* includes other income

Profit / Loss before Tax	+ √ 143031	Profit / Loss after Tax	+ √ 167537

(Please tick Appropriate Box + for Profit – for Loss)

Earning Per Shares in Rs.	13.60	Dividend Rate %	24

The diluted earning per share is Rs. 13.44

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

Item Code No. (ITC Code)

Product Description: SOFTWARE DEVELOPMENT & IT RELATED SERVICES

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

Sd/-
Satinder Singh Rekhi
[Chairman & Managing Director]
Place : CA, U.S.A.
Date : February 20, 2011

Sd/-
Lt. Gen. Baldev Singh (Retd.)
[President & Senior Executive Director]
Place : NOIDA
Date : February 20, 2011

Sd/-
Raj Swaminathan
[Director & Chief Operating Officer]
Place : NOIDA
Date : February 20, 2011

Sd/-
Shankar Seetharaman
[Chief Financial Officer]
Place : NOIDA
Date : February 20, 2011

Sd/-
Suresh Kumar Bhutani
[Company Secretary & Compliance Officer]
Place : NOIDA
Date : February 20, 2011

Financial Statements (Consolidated)

Auditors' Report

On Consolidated Financial Statement

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, 2010, 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. 206,374,727 (US$ 4,597,343) as at December 31, 2010, the total revenues of Rs. 539,730,923 (US$ 11,814,441) and cash inflows amounting to Rs. 10,254,322 (US$ 224,462) for the year then ended.

    (ii) in relation to Indus Software, Inc., USA subsidiary, total assets of Rs. 10,337,135 (US$ 230,277) as at December 31, 2010, the total revenues of Rs. 65,202,032 (US$ 1,427,240) and cash outflows amounting to Rs. 3,168,003 (US$ 69,346) for the year then ended.

    (iii) in relation to R Systems Solutions, Inc., USA subsidiary, total assets of Rs. 17,586,466 (US$ 391,768) as at December 31, 2010, the total revenues of Rs. 45,372,435 (US$ 993,180) and cash inflows amounting to Rs. 848,763 (US$ 18,579) for the year then ended.

    (iv) in relation to ECnet Limited and its subsidiaries, Singapore subsidiary, total assets of Rs. 94,518,077 (Sing $ 2,721,511) as at December 31, 2010, the total revenues of Rs. 199,080,496 (Sing $ 5,934,552) and cash inflows amounting to Rs. 6,647,610 (Sing $ 198,164) for the year then ended.

    (v) in relation to the R System (Singapore) Pte Ltd., Singapore subsidiary, total assets of Rs.118,489,487 (Sing $ 3,411,733) as at December 31, 2010, the total revenues of Rs. 20,061,290 (Sing $ 598,023) and cash inflows amounting to Rs. 761,628 (Sing$ 22,704) for the year then ended.

    (vi) in relation to R Systems S.A.S, France subsidiary, total assets of Rs. 52,675,536 (Euro 885,080) as at December 31, 2010 the total revenues of Rs. 71,488,788 (Euro 1,180,306) and cash inflows amounting to Rs. 412,589 (Euro 6,812) for the year then ended.

    (vii) in relation to R Systems Europe B.V., the Netherlands subsidiary, total assets of Rs. 138,597,282 (Euro 2,328,779) as at December 31, 2010 the total revenues of Rs. 351,811,400 (Euro 5,808,536) and cash outflows amounting to Rs. 16,174,745 (Euro 267,051) for the year then ended.

    (viii) in relation to R Systems NV, Belgium subsidiary, total assets of Rs. 1,962,276 (Euro 32,971) as at December 31, 2010 the total revenues of Rs. Nil (Euro Nil) and cash outflows amounting to Rs. 450,626 (Euro 7,440) for the year then ended.

4. 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.

5. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, notified pursuant to the Companies (Accounting Standards) Rules, 2006 (as amended) and on the basis of the separate audited financial statements of R Systems International Limited and its subsidiaries included in the consolidated financial statements.

6. 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, 2010;

(b) in the case of the Consolidated Profit and Loss Account, of the consolidated results of operations 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 & ASSOCIATES
Firm registration number: 101049W
Chartered Accountants

Sd/-
per Yogesh Midha
Partner
Membership No.: 94941

Place : GURGAON
Date : February 20, 2011

Consolidated Balance Sheet as at December 31, 2010

	Schedule No.	As at December 31, 2010 Rs.	As at December 31, 2009 Rs.
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	**122,429,880**	122,429,880
Reserves and surplus	2	**1,680,104,032**	1,551,499,811
		1,802,533,912	1,673,929,691
Minority interest	3	**-**	-
Loan funds			
Secured loans	4	**8,348,828**	14,520,120
		8,348,828	14,520,120
Deferred tax liability (net)	5	**-**	21,062,934
TOTAL		**1,810,882,740**	1,709,512,745
APPLICATION OF FUNDS			
Fixed assets	6		
Gross block		**1,096,754,472**	1,095,004,248
Less : Accumulated depreciation / amortisation		**652,615,030**	582,337,250
Net block		**444,139,442**	512,666,998
Capital work-in-progress including capital advances		**200,000**	17,604,314
		444,339,442	530,271,312
Investments	7	**25,000**	25,000
Deferred tax assets (net)	5	**22,032,582**	-
Current assets, loans and advances			
Sundry debtors	8	**555,689,887**	496,516,685
Cash and bank balances	9	**956,891,550**	871,975,170
Other current assets	10	**182,660,657**	191,029,999
Loans and advances	11	**164,831,851**	178,472,317
(A)		**1,860,073,945**	1,737,994,171
Less : Current liabilities and provisions			
Current liabilities	12	**356,742,173**	368,032,490
Provisions	13	**158,846,056**	190,745,248
(B)		**515,588,229**	558,777,738
Net current assets (A-B)		**1,344,485,716**	1,179,216,433
TOTAL		**1,810,882,740**	1,709,512,745
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 & ASSOCIATES
Firm registration number: 101049W
Chartered Accountants

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

Sd/-
per Yogesh Midha
Partner
Membership No. 94941
Place : GURGAON
Date : February 20, 2011

Sd/-
Satinder Singh Rekhi
[Chairman & Managing Director]
Place : CA, U.S.A.
Date : February 20, 2011

Sd/-
Lt. Gen. Baldev Singh (Retd.)
[President & Senior Executive Director]
Place : NOIDA
Date : February 20, 2011

Sd/-
Raj Swaminathan
[Director & Chief Operating Officer]
Place : NOIDA
Date : February 20, 2011

Sd/-
Shankar Seetharaman
[Chief Financial Officer]
Place : NOIDA
Date : February 20, 2011

Sd/-
Suresh Kumar Bhutani
[Company Secretary & Compliance Officer]
Place : NOIDA
Date : February 20, 2011

Consolidated Profit & Loss Account for the year ended December 31, 2010

	Schedule No.		For the Year ended December 31, 2010 Rs.		For the year ended December 31, 2009 Rs.
INCOME					
Sale of software products and rendering software development services			**2,876,331,363**		3,265,942,108
Sale of third party hardware and software			**29,135,043**		9,310,136
Other income	14		**69,128,289**		80,422,325
TOTAL			**2,974,594,695**		3,355,674,569
EXPENDITURE					
Personnel expenses	15		**1,909,858,903**		2,029,651,378
Operating and other expenses	16		**748,437,334**		860,810,989
Cost of third party hardwares and software			**28,766,073**		6,144,106
Depreciation / amortisation	6		**133,086,341**		134,818,322
Goodwill impairment (refer note 9 (b) & 9 (c) under Schedule 18)			**-**		208,713,911
Financial expenses	17		**7,136,983**		10,262,732
TOTAL			**2,827,285,634**		3,250,401,438
Profit before tax and prior period items			**147,309,061**		105,273,131
Prior period income / (expenses) (refer note 19 under Schedule 18)			**(1,729,293)**		-
Profit for the year before tax			**145,579,768**		105,273,131
Current tax [Including (excess provision written back) / tax related to earlier years (Rs. 5,928,913) (previous year 9,986,274)]		**31,169,109**		65,594,243	
Less: MAT credit entitlement [Including MAT credit (reversal) / entitlement relating to earlier year (Rs. 4,042,471) (Previous year Rs. 9,737,293)]		**(10,257,529)**		(42,678,064)	
Net current tax liability			**20,911,580**		22,916,179
Deferred tax charge / (credit) (refer note 18 under Schedule 18)			**(43,095,516)**		4,185,477
Fringe benefit tax			**-**		968,061
Total tax expense / (credit)			**(22,183,936)**		28,069,717
Profit available for appropriation			**167,763,704**		77,203,414
Appropriations					
Proposed final dividend (refer note 8 (c) under Schedule 18)			**29,560,527**		28,845,195
Tax on proposed final dividend (refer note 8 (c) under Schedule 18)			**4,909,635**		4,902,243
Transfer to General Reserve			**16,753,688**		6,551,586
Surplus carried to Balance Sheet			**116,539,854**		36,904,390
Earnings per share (refer note 11 under Schedule 18)					
Basic			**13.62**		6.09
Diluted			**13.46**		6.02
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 & ASSOCIATES
Firm registration number: 101049W
Chartered Accountants

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

Sd/-
per Yogesh Midha
Partner
Membership No. 94941
Place : GURGAON
Date : February 20, 2011

Sd/-
Satinder Singh Rekhi
[Chairman & Managing Director]
Place : CA, U.S.A.
Date : February 20, 2011

Sd/-
Lt. Gen. Baldev Singh (Retd.)
[President & Senior Executive Director]
Place : NOIDA
Date : February 20, 2011

Sd/-
Raj Swaminathan
[Director & Chief Operating Officer]
Place : NOIDA
Date : February 20, 2011

Sd/-
Shankar Seetharaman
[Chief Financial Officer]
Place : NOIDA
Date : February 20, 2011

Sd/-
Suresh Kumar Bhutani
[Company Secretary & Compliance Officer]
Place : NOIDA
Date : February 20, 2011

Consolidated Cash Flow Statement for the year ended December 31, 2010

	For the year ended December 31, 2010 Rs.	For the year ended December 31, 2009 Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before taxation	**145,579,768**	105,273,131
Adjustments for:		
Depreciation / amortisation	**133,086,341**	134,818,322
Goodwill impairment (refer note 9 (b) and 9 (c) under Schedule 18)	**-**	208,713,911
Debts and advances provided / written off	**31,680,929**	54,121,799
Loss on sale / discard of fixed assets (net)	**2,240,967**	2,108,558
Unrealised foreign exchange loss / (gain)	**1,099,560**	(42,838,878)
Interest income	**(49,515,177)**	(51,722,351)
Provision for doubtful debts and advances written back	**(12,132,912)**	(26,332,596)
Other excess provisions written back	**(2,938,999)**	(405,828)
Interest expense	**663,647**	2,799,326
Operating profit before working capital changes	**249,764,124**	386,535,394
Movements in working capital :		
(Increase) / Decrease in sundry debtors	**(71,170,531)**	252,704,779
(Increase) / Decrease in other current assets	**3,824,746**	(38,271,849)
(Increase) / Decrease in loans and advances	**15,767,133**	(18,811,687)
(Increase) / Decrease in margin money deposits	**5,337,589**	(25,311,864)
Increase / (Decrease) in current liabilities and provisions	**14,751,849**	(80,238,515)
Cash generated from operations	**218,274,910**	476,606,258
Direct taxes paid, net of refunds	**(50,183,041)**	(43,957,916)
Net cash from operating activities (A)	**168,091,869**	432,648,342
B. CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchase of fixed assets	**(79,543,459)**	(95,193,811)
Proceeds from sale of fixed assets	**868,119**	4,548,990
Deferred compensation to the erstwhile shareholders of R Systems Solutions, Inc., USA (refer note 9 (b) under Schedule 18)	**-**	(7,583,873)
Interest received	**42,906,094**	30,565,912
Investment in long term fixed deposits with scheduled banks	**(345,267,460)**	(547,427,379)
Proceeds from long term fixed deposits with scheduled banks	**347,901,778**	478,360,574
Net cash used in investing activities (B)	**(33,134,928)**	(136,729,587)
C. CASH FLOWS USED IN FINANCING ACTIVITIES		
Proceeds from borrowings	**3,762,885**	2,268,082
Repayment of borrowings	**(8,840,654)**	(19,060,808)
Margin money deposits against short term borrowings	**-**	(62,250,000)
Buyback of equity shares	**-**	(72,969,023)
Interest paid	**(663,647)**	(2,799,327)
Dividends paid	**(29,463,130)**	(30,927,538)
Tax on dividend paid	**(5,023,813)**	(5,264,659)
Net cash used in financing activities (C)	**(40,228,359)**	(191,003,273)
Net increase in cash and cash equivalents (A + B + C)	**94,728,582**	104,915,482
Cash and cash equivalents at the beginning of the year	**309,304,309**	204,388,827
Cash and cash equivalents at the end of the year	**404,032,891**	309,304,309

Components of cash and cash equivalents as at	December 31, 2010 Rs.	December 31, 2009 Rs.
Cash on hand	**399,890**	418,739
Cheques on hand	**51,070**	-
Balances with scheduled banks		
On current accounts	**33,877,858**	10,205,708
On cash credit / overdraft accounts	**7,321,426**	10,058,502
On EEFC accounts	**80,343,955**	63,893,574
On deposit accounts	**670,541,296**	587,132,432
On unclaimed dividend accounts *	**481,063**	383,665
Balances with other banks		
On current accounts	**153,043,793**	183,850,377
On cash credit / overdraft accounts	**6,350,134**	11,112,256
On deposit accounts	**4,481,065**	4,919,917
Total as per Balance Sheet	**956,891,550**	871,975,170
Less : Margin money deposits	**(202,288,150)**	(207,625,739)
Less : Long term deposits	**(357,022,375)**	(359,656,693)
Less : Unclaimed dividend accounts	**(481,063)**	(383,665)
Less : Unrealised loss / (gain) on foreign currency cash and cash equivalents	**6,932,929**	4,995,236
Net cash and cash equivalents	**404,032,891**	309,304,309

* 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" issued by the Institute of Chartered Accountants of India.

As per our report of even date.

For S.R. BATLIBOI & ASSOCIATES
Firm registration number: 101049W
Chartered Accountants

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

Sd/-	**Sd/-**	**Sd/-**	**Sd/-**	**Sd/-**	**Sd/-**
per Yogesh Midha	**Satinder Singh Rekhi**	**Lt. Gen. Baldev Singh (Retd.)**	**Raj Swaminathan**	**Shankar Seetharaman**	**Suresh Kumar Bhutani**
Partner Membership No. 94941	[Chairman & Managing Director]	[President & Senior Executive Director]	[Director & Chief Operating Officer]	[Chief Financial Officer]	[Company Secretary & Compliance Officer]
Place : GURGAON Date : February 20, 2011	Place : CA, U.S.A. Date : February 20, 2011	Place : NOIDA Date : February 20, 2011	Place : NOIDA Date : February 20, 2011	Place : NOIDA Date : February 20, 2011	Place : NOIDA Date : February 20, 2011

Consolidated Schedules

	As at December 31, 2010 Rs.	As at December 31, 2009 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 (refer note 8 (b) under Schedule 18)	**12,658,200**	12,658,200
1,265,820 (Previous year 1,265,820) equity shares of Rs.10 each fully paid-up		
	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, 2010 Rs.	As at December 31, 2009 Rs.
SCHEDULE 2: RESERVE AND SURPLUS		
Capital Redemption Reserve		
Balance as per last account	**12,658,200**	1,463,460
Add: Transferred from General Reserve (refer note 8 (b) under Schedule 18)	**-**	11,194,740
	12,658,200	12,658,200
Securties Premium Account		
Balance as per last account	**914,345,795**	976,120,078
Less: Utilised for buy back of equity shares (refer note 8 (b) under Schedule 18)	**-**	61,774,283
	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	**38,181,708**	42,824,862
Add: Transferred from current year Profit and Loss Account	**16,753,688**	6,551,586
Less: Transfer to Capital Redemption Reserve (refer note 8 (b) under Schedule 18)	**-**	11,194,740
	54,935,396	38,181,708
Profit and Loss Account		
Balance as per last account	**575,325,303**	538,420,913
Add: Transferred from current year Profit and Loss Account	**116,539,854**	36,904,390
	691,865,157	575,325,303

	As at December 31, 2010 Rs.	As at December 31, 2009 Rs.
SCHEDULE 2: RESERVE AND SURPLUS		
Foreign curreny translation reserve		
Balance as per last account	**13,239,807**	26,322,633
Less: Current year translation differences	**4,689,321**	13,082,826
	8,550,486	13,239,807
	1,680,104,032	1,551,499,811

	As at December 31, 2010 Rs.	As at December 31, 2009 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, 2010 Rs.	As at December 31, 2009 Rs.
SCHEDULE 4: SECURED LOANS		
- From banks		
For motor vehicles (refer note 1 below)	**88,742**	797,756
(Secured by hypothecation of underlying motor vehicles)		
- From others		
For motor vehicles (refer note 1 below)	**4,933,883**	2,355,657
(Secured by hypothecation of underlying motor vehicles)		
Finance lease obligation (refer note 2 below)	**3,326,203**	11,366,707
(Secured by respective assets taken on lease) (refer note 5(b) under Schedule 18)		
	8,348,828	14,520,120

Notes:

(1) Included in secured loans above, the amount payable within one year is Rs. 1,588,762 (Previous year Rs. 1,422,367).

(2) In case of finance lease obligation, amount repayable within one year is Rs. 2,485,366 (Previous year Rs.7,642,661)

	As at December 31, 2010 Rs.	As at December 31, 2009 Rs.
SCHEDULE 5: DEFERRED TAX ASSETS / (LIABILITY) (NET)		
Deferred tax assets		
Provision for gratuity	**18,555,113**	12,846,618
Provision for long term compensated absences	**15,466,872**	11,168,407
Provision for doubtful debts and advances	**29,545,166**	-
Other timing differences	**4,219,444**	-
Gross deferred tax assets	**67,786,595**	24,015,025
Deferred tax liability		
Differences in depreciation / amortisation and other differences in block of fixed assets as per tax books and financial books	**45,754,013**	45,077,959
Gross deferred tax liability	**45,754,013**	45,077,959
Deferred tax assets / (liability) (net)	**22,032,582**	(21,062,934)

Note:

Refer note 18 under Schedule 18.

SCHEDULE 6: FIXED ASSETS

(Amount in Rs.)

	Land - freehold	Land- leasehold	Building- freehold	Building leasehold (1)	Leasehold improve- ments	Computers (2)	Office and electrical equipment (2)	Furniture and fittings	Vehicle (3)	Software (2)	Product develop- ment cost (Internally generated software)	Total	Previous Year
Gross block													
As at January 1, 2010	4,765,674	10,005,968	31,198,298	88,465,162	49,234,109	382,242,829	143,400,088	140,617,594	32,850,910	192,655,663	19,567,953	**1,095,004,248**	1,217,551,358
Additions	-	-	-	518,039	1,957,655	11,089,272	3,642,904	443,447	5,895,266	33,786,794	15,012,946	**72,346,323**	125,752,356
Deletions / adjust- ments	-	-	-	-	7,315,253	24,433,429	7,410,723	5,417,658	2,434,687	23,584,349	-	**70,596,099**	39,585,555
Goodwill impairment (refer note 5 below)	-	-	-	-	-	-	-	-	-	-	-	**-**	208,713,911
At December 31, 2010	**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**	**202,858,108**	**34,580,899**	**1,096,754,472**	1,095,004,248
Depreciation / amortisation													
As at January 1, 2010	-	936,487	4,193,752	7,251,990	34,264,012	248,003,592	65,631,775	74,632,594	11,704,623	123,905,868	11,812,557	**582,337,250**	474,171,437
For the year	-	157,818	513,504	1,449,755	8,691,324	50,976,871	11,722,794	10,732,913	3,413,442	38,735,300	6,692,620	**133,086,341**	134,818,322
Deletions / adjust- ments	-	-	-	-	6,028,827	23,274,287	5,104,582	4,575,098	961,058	22,864,709	-	**62,808,561**	26,652,509
At December 31, 2010	**-**	**1,094,305**	**4,707,256**	**8,701,745**	**36,926,509**	**275,706,176**	**72,249,987**	**80,790,409**	**14,157,007**	**139,776,459**	**18,505,177**	**652,615,030**	582,337,250
Net block													
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**	**63,081,649**	**16,075,722**	**444,139,442**	512,666,998
At December 31, 2009	4,765,674	9,069,481	27,004,546	81,213,172	14,970,097	134,239,237	77,768,313	65,985,000	21,146,287	68,749,795	7,755,396		
Capital work in progress [including capital advances of Rs. 200,000 (Previous year Rs. 80,875)]												**200,000**	17,604,314
												444,339,442	530,271,312

Notes:

(1) Includes Rs. 21,155,390 (Previous Year Rs. 21,155,390) paid towards land and building under a composite lease 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. 9,160,270 (Previous year Rs. 8,735,500) are hypothecated against terms loans for vehicle finance from banks & others.

(4) 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).

(5) Refer note 9 (b) and 9 (c) under Schedule 18 for goodwill impairment.

	As at December 31, 2010 Rs.	As at December 31, 2009 Rs.
SCHEDULE 7: 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, 2010 Rs.	As at December 31, 2009 Rs.
SCHEDULE 8: SUNDRY DEBTORS		
Debts outstanding for a period more than six months		
Unsecured, considered good	**26,858,211**	29,631,105
Unsecured, considered doubtful	**120,122,367**	115,019,498
Other debts		
Unsecured, considered good	**528,831,676**	466,885,580
Unsecured, considered doubtful	**5,089,522**	3,298,230
	680,901,776	614,834,413
Less : Provision for doubtful debts	**125,211,889**	118,317,728
	555,689,887	496,516,685

	As at December 31, 2010 Rs.	As at December 31, 2009 Rs.
SCHEDULE 9: CASH AND BANK BALANCES		
Cash on hand	**399,890**	418,739
Cheques on hand	**51,070**	-
Balances with scheduled banks		
On current accounts	**33,877,858**	10,205,708
On cash credit / overdraft accounts (refer note 4 below)	**7,321,426**	10,058,502
On EEFC accounts	**80,343,955**	63,893,574
On deposit accounts	**670,541,296**	587,132,432
On unclaimed dividend accounts	**481,063**	383,665
Balances with other banks		
On current accounts	**153,043,793**	183,850,377
On cash credit / overdraft accounts (refer note 5 below)	**6,350,134**	11,112,256
On deposit accounts	**4,481,065**	4,919,917
	956,891,550	871,975,170

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. 114,555,707 (Previous year Rs. 124,623,420), against credit / derivative facilities taken Rs. 84,376,825 (Previous year Rs. 83,002,319) and performance guarantees given to customers Rs. 3,355,618 (Previous year Rs. Nil).

(2) Refer note 16 (c) under Schedule 18 for investment of balance funds from IPO proceeds pending its utilisation.

(3) Also refer note 17 under Schedule 18 for details of cash and bank balances.

(4) Cash credit facilities with schedule banks are secured by first charge over current assets and collateral charge over the immovable property and fixed assets.

(5) 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, 2010 Rs.	As at December 31, 2009 Rs.
SCHEDULE 10: OTHER CURRENT ASSETS		
Interest accrued on deposits	**25,419,797**	18,878,205
Interest accrued on staff advances	**128,215**	61,250
Unbilled revenue	**157,112,645**	172,090,544
	182,660,657	191,029,999

	As at December 31, 2010 Rs.	As at December 31, 2009 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	**62,225,256**	71,524,739
[including Rs. 7,037,160 (Previous year Rs. 7,259,862) considered doubtful]		
Mark-to-market on forward contracts	**6,372,744**	19,109,927
MAT credit receivables	**69,619,398**	59,361,869
Balances with customs, excise, etc.	**1,016,225**	4,164,272
Deposits - others	**31,990,990**	31,403,708
Advance fringe benefit tax [net of provisions amounting to Rs. 7,082,336 (Previous year Rs. 13,986,408)]	**167,664**	167,664
Advance income taxes [net of provisions amounting to Rs. 167,402,579 (Previous year Rs. Nil)]	**476,734**	-
	171,869,011	185,732,179
Less: Provision for doubtful loans and advances	**7,037,160**	7,259,862
	164,831,851	178,472,317

	As at December 31, 2010 Rs.	As at December 31, 2009 Rs.
SCHEDULE 12: CURRENT LIABILITIES		
Sundry creditors	**274,006,480**	298,691,791
Deferred payment compensation to the erstwhile shareholders of ECnet Limited	**9,352,294**	8,916,859
(refer note 9 (a) under Schedule 18)		
Book overdraft	**894,729**	1,438,598
Deferred revenue	**44,345,037**	21,775,942
Investor education and protection fund (not due) - Unclaimed dividend	**481,063**	383,665
Security deposits	**2,554,885**	1,687,662
Other liabilities	**25,107,685**	35,137,973
	356,742,173	368,032,490

	As at December 31, 2010 Rs.	As at December 31, 2009 Rs.
SCHEDULE 13: PROVISIONS		
Employee bonus	-	24,993,938
Income tax [net of advance taxes amounting to Rs. Nil (Previous year Rs.123,889,896)]	-	18,489,335
Proposed final dividend	**29,560,527**	29,560,527
Tax on proposed final dividend	**4,909,635**	5,023,813
Gratuity (refer note 12 under Schedule 18)	**57,825,653**	42,199,151
Long term compensated absences	**66,550,241**	70,478,484
	158,846,056	190,745,248

	For the year ended December 31, 2010 Rs.	For the year ended December 31, 2009 Rs.
SCHEDULE 14: OTHER INCOME		
Interest on bank deposits [Gross of tax deducted at source Rs. 5,611,354 (Previous year Rs. 6,408,588)]	**49,515,177**	51,722,351
Provision for doubtful debts and advances written back	**12,132,912**	26,332,596
Other excess provisions written back, as no longer required	**2,938,999**	405,828
Miscellaneous income	**4,541,201**	1,961,550
	69,128,289	80,422,325

	For the year ended December 31, 2010 Rs.	For the year ended December 31, 2009 Rs.
SCHEDULE 15: PERSONNEL EXPENSES		
Salaries, wages and bonus	**1,752,861,109**	1,863,720,761
Gratuity (refer note 12 under Schedule 18)	**19,376,372**	(2,682,419)
Contribution to provident fund and other payments	**113,533,982**	130,846,577
Staff welfare expenses	**24,087,440**	37,766,459
	1,909,858,903	2,029,651,378

	For the year ended December 31, 2010 Rs.		For the year ended December 31, 2009 Rs.	
SCHEDULE 16: OPERATING AND OTHER EXPENSES				
Recruitment and training expenses		**16,534,417**		13,641,047
Travelling and conveyance		**194,563,668**		197,007,179
Insurance		**11,185,192**		12,625,131
Commission - others		**4,941,349**		5,030,384
Repair and maintenance		**56,801,208**		55,960,433
Provision for doubtful debts and advances		**31,491,447**		47,881,700
Bad debts and advances written off		**189,482**		6,240,099
Rent - premises		**76,569,204**		82,500,826
Rent - equipment		**5,857,558**		6,746,765
Power and fuel		**40,471,981**		41,539,489
Communication costs		**58,629,493**		71,289,540
Printing and stationery		**6,448,132**		6,871,040
Advertising and sales promotion		**2,106,928**		11,691,825
Legal and professional fees		**220,162,867**		267,718,440
Auditor's remuneration				
As auditor:				
- Audit fee				
- Statutory audit fee	**1,350,000**		1,350,000	
- Quarterly audit fee	**1,900,000**		1,800,000	
- Limited review	**500,000**		450,000	
- Out-of-pocket expenses	**214,250**		212,850	
In other manner:				
- Certification	**362,500**		480,000	
- Other services	**250,000**	**4,576,750**	250,000	4,542,850
Directors' sitting fee		**269,997**		225,000
Loss on sale / discard of fixed assets (net)		**2,240,967**		2,108,558
Rates and taxes		**8,048,543**		7,720,415
Foreign exchange fluctuation (net)		**(6,199,255)**		5,685,688
Watch and ward expenses		**5,166,310**		4,991,737
Membership and subscription		**5,427,958**		4,676,961
Miscellaneous expenses		**2,953,138**		4,115,882
		748,437,334		860,810,989

	For the year ended December 31, 2010 Rs.	For the year ended December 31, 2009 Rs.
SCHEDULE 17: FINANCIAL EXPENSES		
Interest on loans	**663,647**	2,799,326
Bank charges	**6,473,336**	7,463,406
	7,136,983	10,262,732

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.

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 2011 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.

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
Office and electrical equipment's	3-20 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 asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

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, 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.

For translating income, expense and cash flows items, except cash and cash equivalents, during the year ended December 31, 2009, the rates used were US $ 1= Rs. 48.27, Euro 1= Rs. 67.27 and Singapore $ 1 = Rs. 32.72. For translating assets and liabilities at the year-end, the rates used were US $ 1= Rs. 46.54, Euro 1= Rs. 66.63 and Singapore $ 1= Rs. 33.11.

(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 period / 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, deferred and fringe benefit 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. 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 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 period 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.

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 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 fair value of foreign exchange forward contracts 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 eight 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%	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%	A company registered under the laws of Singapore in 1997 and subsidiary of the Company since September 19, 2000.
Indus Software, Inc., USA	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%	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%	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%	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%	A company registered under the laws of France in 2000 and subsidiary of the Company since January 23, 2008.
ECnet Limited, Singapore	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.

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

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. 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, 2010 and December 31, 2009:

(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,	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
REVENUE										
External sales	**2,326,289,776**	2,447,394,512	**579,176,630**	827,857,732	**-**	-	**-**	-	**2,905,466,406**	3,275,252,244
Inter-segment sales	**-**	1,222,019	**9,853,031**	9,228,581	**9,853,031**	10,450,600	**-**	-	**-**	-
Total revenue	**2,326,289,776**	2,448,616,531	**589,029,661**	837,086,313	**9,853,031**	10,450,600	**-**	-	**2,905,466,406**	3,275,252,244
RESULT										
Segment result	**150,362,226**	291,425,369	**(18,067,274)**	(189,222,174)					**132,294,952**	102,203,195
Unallocated corporate expenses							**41,898,422**	48,220,467	**41,898,422**	48,220,467
Operating profit									**90,396,530**	53,982,728
Interest expenses							**(663,647)**	(2,799,326)	**(663,647)**	(2,799,326)
Interest income							**49,515,177**	51,722,351	**49,515,177**	51,722,351
Other income							**6,331,708**	2,367,378	**6,331,708**	2,367,378
Income taxes (expense) / credit							**22,183,936**	(28,069,717)	**22,183,936**	(28,069,717)
Net profit									**167,763,704**	77,203,414

The following table provides required information for the primary segments as at December 31, 2010 and December 31, 2009:

(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,	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
OTHER INFORMATION										
Segment assets	**1,475,543,855**	1,426,956,292	**203,997,622**	278,263,556	**301,354,893**	267,502,784			**1,378,186,584**	1,437,717,064
Unallocated corporate assets							**855,988,007**	771,043,886	**855,988,007**	771,043,886
Income tax assets							**92,296,378**	59,529,533	**92,296,378**	59,529,533
Total assets	**1,475,543,855**	1,426,956,292	**203,997,622**	278,263,556	**301,354,893**	267,502,784	**948,284,385**	830,573,419	**2,326,470,969**	2,268,290,483
Segment liabilities	**384,488,934**	387,044,994	**405,851,791**	400,298,308	**301,354,893**	267,502,784			**488,985,832**	519,840,518
Unallocated corporate liabilities							**30,041,590**	29,944,192	**30,041,590**	29,944,192
Income tax liabilities							**4,909,635**	44,576,082	**4,909,635**	44,576,082
Total liabilities	**384,488,934**	387,044,994	**405,851,791**	400,298,308	**301,354,893**	267,502,784	**34,951,225**	74,520,274	**523,937,057**	594,360,792
Capital expenditures	**49,257,836**	103,665,430	**5,684,173**	36,477,836					**54,942,009**	140,143,266
Depreciation and amortisation	**88,676,732**	85,379,850	**44,409,609**	49,438,472					**133,086,341**	134,818,322
Goodwill impairment	**-**	-	**-**	208,713,911					**-**	208,713,911
Other non-cash expenses	**30,225,183**	51,768,732	**3,696,713**	4,461,625					**33,921,896**	56,230,357

Geographical segments:

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

The geographical segments considered for disclosure are based on the sales within India and sales outside India on the basis of location of customers.

The following is the distribution of the Group's revenue by geographical market:

	For the year ended December 31,	
	2010	2009
	Rs.	Rs.
India	**216,758,609**	168,310,666
USA	**1,715,246,749**	1,719,328,380
South East Asia	**282,110,014**	286,140,148
Europe	**577,383,992**	908,750,539
Others	**113,967,042**	192,722,511
Total	**2,905,466,406**	3,275,252,244

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

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

	Carrying amount of assets as at December 31,		Addition to fixed assets and intangible assets for the year ended December 31,	
	2010	2009	2010	2009
	Rs.	Rs.	Rs.	Rs.
India	**1,467,075,756**	1,365,961,330	**31,713,940**	114,564,285
USA	**444,454,653**	437,822,643	**3,752,795**	13,034,791
South East Asia	**130,904,330**	107,543,499	**14,667,272**	1,071,068
Europe	**216,706,432**	302,028,087	**4,808,002**	11,473,122
Others	**67,329,798**	54,934,924	**-**	-
Total	**2,326,470,969**	2,268,290,483	**54,942,009**	140,143,266

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	R Systems International Limited
		Director	R Systems, Inc., USA
		Director	R Systems (Singapore) Pte Ltd, Singapore
		Director	Indus Software, Inc., USA
		Director	R Systems Solution, Inc, USA
		Director	R Systems, NV, Belgium
		Director	R Systems Europe B.V., Netherlands
2	O'Neil Nalavadi (Resigned in 2009)	Director Finance & Chief Financial Officer	R Systems International Limited
		Director	R Systems, NV, Belgium
3	Lt. Gen. Baldev Singh (Retd.)	President and Senior Executive Director	R Systems International Limited
4	Raj Swaminathan	Director and Chief Operating Officer	R Systems International Limited
5	Tan Cant Wee (Resigned in 2010)	Director	ECnet Ltd, Singapore
		Director	R Systems (Singapore) Pte Ltd, Singapore
6	Tarun Shankar Mathur	Director	ECnet Ltd, Singapore
		Director	R Systems (Singapore) Pte Ltd, Singapore
7	Sartaj Singh Rekhi	Director	R Systems Solution, Inc., USA
		Director	R Systems Europe B.V., Netherlands
		Director	R Systems, NV, Belgium
		Executive Manager	R Systems, Inc., USA
8	Bart V Eunen	Director	R Systems Europe B.V., Netherlands
		Director	R Systems S.A.S ,France
9	Vinay Narjit Singh Behl	Director	R Systems, Inc., USA
10	Cai Li Ting	Director	ECnet Limited, Singapore
		Director	R Systems (Singapore) Pte Ltd

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)

(ii) Details of transactions with related parties for the years ended December 31, 2010 and December 31, 2009:

(Amount in Rs.)

Key management personnel and their relatives	For the year ended December 31, 2010	For the year ended December 31, 2009
Remuneration		
Satinder Singh Rekhi	**15,562,573**	15,587,029
O'Neil Nalavadi	**-**	9,342,009
Lt. Gen. Baldev Singh (Retd.)	**4,378,564**	5,094,444
Raj Swaminathan	**5,441,817**	5,386,449
Bart V Eunen	**7,606,212**	8,627,469
Tarun Shankar Mathur	**10,425,594**	7,176,040
Cai Li Ting	**2,975,899**	-
Tan Cant Wee	**-**	196,305
Sartaj Singh Rekhi	**3,110,674**	2,740,197
Vinay Narjit Singh Behl	**114,027**	-
Mandeep Singh Sodhi	**15,539,645**	13,511,065
Amrita Kaur	**402,096**	293,660
Rent		
Satinder Singh Rekhi	**6,030,512**	6,338,965
Total	**71,587,613**	74,293,632

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, 2010 Rs.	Year ended December 31, 2009 Rs.
Lease payments for the year	**80,320,488**	91,388,988
Minimum Lease Payments:		
Not later than one year	**67,862,631**	67,752,603
Later than one year but not later than five years	**113,581,456**	34,290,618
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 software, furniture and fixture, leasehold improvements, 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,	
	2010	2009	**2010**	2009
	Rs.	Rs.	**Rs.**	Rs.
Computers	**941,170**	4,513,773	**31,370**	245,871
Software	**-**	2,913,927	**-**	40,899
Office and electrical equipment	**25,726,002**	29,796,370	**4,565,569**	10,167,251
Total	**26,667,172**	37,224,070	**4,596,939**	10,454,021

Minimum lease payments and present values for assets obtained on finance lease are as follows:

	Year ended December 31, 2010 Rs.	Year ended December 31, 2009 Rs.
Total minimum lease payments during the year	**7,110,776**	11,936,684
Less : Amount representing finance charges	**163,824**	615,479
Present value of minimum lease payments	**6,946,952**	11,321,204
Minimum Lease Payments:		
Not later than one year [For finance lease: Present value Rs. 2,485,366 as on December 31, 2010 (Rs. 7,642,661 as on December 31, 2009)]	**2,490,008**	7,822,923
Later than one year but not later than five years [For finance lease: Present value Rs. 840,837 as on December 31, 2010 (Rs. 3,724,046 as on December 31, 2009)]	**840,837**	3,729,285
Later than five years [For finance lease: Present value Rs. Nil as on December 31, 2010 (Rs. Nil as on December 31, 2009)]	**Nil**	Nil

6. CAPITAL COMMITMENTS

	As at December 31, 2010 Rs.	As at December 31, 2009 Rs.
Commitments for purchase of fixed assets	**3,807,754**	392,493

7. CONTINGENT LIABILITIES NOT PROVIDED FOR:

	As at December 31, 2010 Rs.	As at December 31, 2009 Rs.
Performance guarantees given to Department of Telecommunication for Domestic and International 'Other Service Provider' licenses	**51,000,000**	102,000,000
Performance bank guarantee issued to a customer	**10,998,050**	-
Guarantees given on behalf of R Systems, Inc., USA (wholly owned subsidiary)	**-**	39,559,000
Total	**61,998,050**	141,559,000

8.(a) The Issued, subscribed and paid up equity share capital of the Company as on 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) The Board of Directors of the Company had recommended a dividend of Rs. 2.40 per share at its meeting held on February 12, 2009 subject to the approval of the shareholders at the Annual General Meeting and accordingly made an appropriation of Rs. 31,693,018 and Rs. 5,386,229 towards proposed dividend and dividend distribution tax respectively. Company had announced the record date for distribution of dividend as April 17, 2009 and accordingly reduced the appropriation of Rs. 715,332 and Rs. 121,570 made earlier towards proposed dividend and dividend distribution tax respectively, to adjust for shares bought back subsequent to the earlier appropriation.

For the year ended December 31, 2010, the Board of Directors have recommended a dividend of Rs. 2.40 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. 9,352,294 (Previous year Rs. 8,916,859) 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. The Company is in the process of obtaining relevant regulatory approvals for the restructuring.

(b) During the year ended December 31, 2006 the Company had completed the acquisition and integration of R Systems Solutions, Inc., a technical support company based in the USA. The Company had acquired 8,666,884 Series A convertible preferred stock of "no par" value and 10,335,833 common stock of no par value from the erstwhile shareholders of R Systems Solutions, Inc. The Company had recognised the investment at value of US$ 2.85 million i.e. Rs. 132,796,088 which represents the consideration assessed as probable to be paid. The goodwill arising on acquisition of Rs. 135,983,568 had been recorded in the books.

Out of such payables, US$ 1.17 million i.e. Rs. 54,803,268 had been paid at time of acquisition and US$ 1.41 million i.e. Rs. 62,167,878 had been paid from the date of acquisition till the year ended December 31, 2008. During the year ended December 31, 2008, the Company had reassessed the probable payment for purchase consideration and reversed US$ 0.07 million i.e. Rs. 3,264,820 against goodwill appearing in the books. The amount payable US$ 0.20 million i.e. Rs. 9,782,911 as at December 31, 2008 was shown under current liabilities

During the year ended December 31, 2009, the Company had reassessed the probable payment for purchase consideration and reversed US$ 0.02 million i.e. Rs. 706,177 against goodwill appearing in the books. The balance purchase consideration of US$ 0.18 million i.e. Rs. 7,583,873 has been paid during the year 2009.

Further during the year ended December 31, 2009, R Systems Solutions, Inc. had received termination notice from a significant customer. Consequently the management had assessed that there was impairment of goodwill recognised in the books on acquisition of these subsidiaries and had impaired the goodwill amounting to Rs 132,012,571.

(c) During the year ended December 31, 2008, the Company had completed the acquisition of R Systems Europe B.V., Netherlands and R Systems S.A.S, France, two wholly owned subsidiaries based in Europe effective January 23, 2008. The company had recognised the investment at a value of Rs. 42,053,275 and Rs. 32,593,766 for R Systems Europe B.V., Netherlands and R Systems S.A.S., France, respectively. The goodwill arising on acquisition amounting to Rs. 74,665,770 for R Systems Europe B.V., Netherlands and Rs. 2,035,570 for R Systems S.A.S., France had been recorded in the books.

During the year ended December 31, 2009, R Systems Europe B.V., Netherlands and R Systems S.A.S, France had received termination notices from two significant customers. Consequently the management had assessed that there was impairment of goodwill recognised in the books on acquisition of these subsidiaries and had impaired the goodwill amounting to Rs. 74,665,770 for R Systems Europe B.V., Netherlands and Rs. 2,035,570 for R Systems S.A.S., France.

(d) Subsequent to the year end, the Company has acquired 100% of shares of Computaris International Limited (Computaris) 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 condition by the erstwhile shareholders of Computaris over the next two years.

(e) 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.

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, 2010 and year ended December 31, 2009 is set out below:

	Year ended December 31, 2010 (Nos.)	Year ended December 31, 2009 (Nos.)
At the beginning		
- Grants outstanding under the plan (Rs. 10 per share)	**79,500**	83,275
- Grants pending determination by the Compensation Committee (Rs. 10 per share)	**65,165**	61,390
During the year		
- Options granted (Rs. 10 per share)	**-**	-
- Options exercised (Rs. 10 per share)	**-**	-
- Options lapsed or surrendered (Rs. 10 per share)	**6,120**	3,775
At the end		
- 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

(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, 2010 and the year ended December 31, 2009 is set out below:

	Year ended December 31, 2010 (Nos.)	Year ended December 31, 2009 (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

	Year ended December 31, 2010 (Nos.)	Year ended December 31, 2009 (Nos.)
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, 2010 and year ended December 31, 2009 is set out below :

	Year ended December 31, 2010 (Nos.)	Year ended December 31, 2009 (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, 2010 and year ended December 31, 2009 is set out below:

	Year ended December 31, 2010 (Nos.)	Year ended December 31, 2009 (Nos.)
At the beginning		
- Grants outstanding under the plan (Rs. 10 per share)	**530,000**	560,500
- Grants pending determination by the Compensation Committee (Rs. 10 per share)	**120,000**	89,500
During the year		
- Options granted (Rs. 10 per share)	**-**	-
- Options exercised (Rs. 10 per share)	**-**	-
- Options lapsed or surrendered (Rs. 10 per share)	**27,000**	30,500
At the end		
- 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

(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 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, 2010**	Year ended December 31, 2009
Profit after tax	**167,763,704**	77,203,414
Add: Intrinsic Value Compensation Cost	**-**	-
Less: Fair Value Compensation Cost	**1,527,947**	4,673,959
Adjusted Pro-forma Profit after tax	**166,235,757**	72,529,455
Earnings Per Share		
Basic		
- As reported	**13.62**	6.09
- Pro-forma	**13.50**	5.72
Diluted		
- As reported	**13.46**	6.02
- Pro-forma	**13.34**	5.65

11 EARNINGS PER SHARE*

	Year ended December 31, 2010	Year ended December 31, 2009
Net profit after tax (Rs.)	**167,763,704**	77,203,414
Weighted average number of equity shares for calculating Basic EPS	**12,316,886**	12,669,756
Add: Equity shares for no consideration arising on grant of stock options under ESOP.	**148,847**	156,836
Weighted average number of equity shares for calculating Diluted EPS	**12,465,733**	12,826,592
Basic (Rs.)	**13.62**	6.09
Diluted (Rs.)	**13.46**	6.02

**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 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, 2010**	Year ended December 31, 2009
Current service cost	**9,840,390**	14,719,256
Interest cost on benefit obligation	**3,821,864**	3,205,090
Expected return on plan assets	**-**	-
Net actuarial (gain) / loss recognised in the year	**(3,834,501)**	(20,606,765)
Past service cost	**9,548,619**	-
Net employee benefit expense	**19,376 ,372**	(2,682,419)

Details of defined benefit gratuity plan

(Amount in Rs.)

Particulars	**As at December 31, 2010**	As at December 31, 2009
Defined benefit obligation	**57,825,653**	42,199,151
Fair value of plan assets	**-**	-
Present value of unfunded obligations	**57,825,653**	42,199,151
Less: Unrecognised past service cost	**-**	-
Plan liability / (asset)	**57,825,653**	42,199,151

Changes in the present value of the defined benefit gratuity plan are as follows:

(Amount in Rs.)

Particulars	**Year ended December 31, 2010**	Year ended December 31, 2009
Opening defined benefit obligation	**42,199,151**	46,466,537
Interest cost	**3,821,864**	3,205,090
Current service cost	**9,840,390**	14,719,256
Benefits paid	**(3,749,870)**	(1,584,967)
Actuarial (gains) / losses on obligation	**(3,834,501)**	(20,606,765)
Past service cost	**9,548,619**	-
Closing defined benefit obligation	**57,825,653**	42,199,151

The principal assumptions used in determining defined benefit gratuity plan obligations is shown below:

Particulars	**Year ended December 31, 2010**	Year ended December 31, 2009
Discount rate	**7.95% p.a.**	7.60% 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, 2010 and year ended December 31, 2009 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, 2010	December 31, 2009	December 31, 2008	December 31, 2007	December 31, 2006
Defined benefit obligation	**57,825,653**	42,199,151	46,466,537	23,306,788	16,885,862
Plan assets	**-**	-	-	-	-
Surplus / (deficit)	**(57,825,653)**	(42,199,151)	(46,466,537)	(23,306,788)	(16,885,862)
Experience adjustments on plan liabilities	**(2,914,547)**	(6,981,759)	116,082	461,423	231,590
Experience adjustments on plan assets	**-**	-	-	-	-

13. PARTICULARS OF UNHEDGED FOREIGN CURRENCY EXPOSURE AS AT DECEMBER 31, 2010 AND DECEMBER 31, 2009:

	Currency	Foreign Currency amount		Closing foreign exchange rate		Amount (Rs.)	
		December 31,		December 31,		December 31,	
		2010	2009	2010	2009	2010	2009
Liabilities							
Deferred compensation to erstwhile shareholders of ECnet Limited							
	SGD	**269,286**	269,285	**34.73**	33.11	**9,352,294**	8,916,859
Creditors							
	USD	**559,760**	1,152,157	**44.89**	46.54	**25,127,616**	49,398,149
Deferred revenue							
	USD	**93,290**	135,694	**44.89**	46.54	**4,187,797**	6,315,200
	EURO	**140,746**	8,991	**59.52**	66.63	**8,376,498**	599,106
Assets							
Debtors Gross							
	USD	**7,759,424**	6,055,910	**44.89**	46.54	**348,320,543**	274,733,216
	EURO	**931,502**	1,494,674	**59.52**	66.63	**55,438,364**	99,595,485
	GBP	**774**	4,619	**69.48**	75.19	**53,797**	347,343
	JPY	**5,597,109**	2,296,907	**0.55**	0.50	**3,072,813**	1,150,750
	AUD	**34,500**	46,318	**45.48**	41.77	**1,568,888**	1,934,888
	CHF	**100,742**	-	**48.05**	-	**4,840,653**	-
Bank balances							
	USD	**1,776,958**	2,233,906	**44.89**	46.54	**79,767,657**	103,966,000
	EURO	**364,318**	27,065	**59.52**	66.63	**21,682,411**	1,803,424
	GBP	**1,977**	3,195	**69.48**	75.19	**137,370**	240,258
	JPY	**15,601,676**	11,340,219	**0.55**	0.50	**8,565,320**	5,681,450
Unbilled revenue							
	USD	**879,061**	1,289,621	**44.89**	46.54	**39,461,036**	59,889,386
	EURO	**236,299**	401,643	**59.52**	66.63	**14,063,335**	26,763,066
	THB	**16,823,637**	-	**1.49**	-	**25,067,220**	-
	JPY	**-**	2,306,178	**-**	0.50	**-**	1,155,395

As of December 31, 2010, the Company had derivative financial instruments to sell USD 4,050,000 and EURO 200,000 that are designated as ineffective cash flow hedges relating to highly probable forecasted transactions. The Company has recognised mark-to-market gain of Rs. 6,372,744 relating to such derivative financial instruments in the Profit and Loss Account for the year ended December 31, 2010.

14. During the financial year ended December 31, 2007, the Company had received non refundable licensee fee of Rs. 39,435,000 from one of its customer against sale of eighteen modules / licenses. As at December 31, 2008, the Company had been carrying Rs. 19,717,500 as deferred revenue against unconsumed modules / licensees. The management believed that it was unlikely that the customer will utilise any additional modules and the customer had confirmed that the Company did not have any outstanding obligation against the aforesaid sale of licenses. Accordingly revenue of Rs. 19,717,500 had been recognised during the year ended December 31, 2009.

15. As of December 31, 2010 there is uncertainty regarding ultimate realisation relating to some of the customers due to their current financial position, therefore revenue aggregating Rs. 11,915,759 (Previous year Rs. 18,190,787) has been deferred till the time the realisation becomes reasonably certain.

16. 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 sharecomprising 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, 2010 and December 31, 2009 are as follows:

(Amount in Rs.)

Objects	Total Estimated Project Cost*	Amount incurred till December 31, 2010	Amount incurred till December 31, 2009
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	58,619,823	58,619,823
Meeting offer expenses *	101,137,175	101,137,175	101,137,175
Total	**706,250,000**	**605,810,198**	**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. Pending utilisation, balance funds as at December 31, 2010 have been invested in fixed deposit with nationalised banks.

17. CASH AND BANK BALANCES

Details of balances as on balance sheet dates:

(Amount in Rs.)

Sl. No.	Particulars	As at December 31, 2010	As at December 31, 2009
	Cash on hand (A)	**399,890**	418,739
	Cheques on hand (B)	**51,070**	-
	Balance with scheduled banks		
	On current accounts		
1	ICICI Bank Limited	**27,184,904**	2,152,455
2	HDFC Bank Limited	**475,691**	1,154,377
3	Oriental Bank of Commerce	**721,435**	1,113,405
4	Vijaya Bank	**50,264**	37,665
5	State Bank of India	**3,674,222**	2,256,349
6	Canara Bank	**104,744**	149,888
7	Axis Bank Limited	**776,613**	955,315
8	Citibank N.A.	**26,644**	26,643
9	State Bank of Bikaner & Jaipur	**496,612**	996,095
10	ABN Amro Bank N. V.	**366,729**	1,363,516
	Total (C)	**33,877,858**	10,205,708
	On cash credit / overdraft accounts		
1	State Bank of India	**7,320,939**	10,058,463
2	State Bank of Bikaner & Jaipur	**487**	39
	Total (D)	**7,321,426**	10,058,502
	On EEFC accounts		
1	ICICI Bank Limited - USD	**3,272,829**	28,687,442
2	HDFC Bank Limited - USD	**9,168**	9,502
3	State Bank of India - USD	**29,308,473**	32,397,938
4	State Bank of India - EURO	**21,370,861**	435,585
5	Citibank, N.A. - USD	**3,367**	3,491
6	Axis Bank Limited - USD	**26,379,257**	2,359,616
	Total (E)	**80,343,955**	63,893,574
	On deposit accounts		
1	Oriental Bank of Commerce	**124,368,536**	107,118,970
2	Punjab National Bank	**-**	-
3	Vijaya Bank	**107,620,265**	2,752,759
4	State Bank of India	**5,757,666**	35,704,142
5	ICICI Bank Limited	**171,669,839**	228,633
6	State Bank of Bikaner & Jaipur	**202,733,450**	264,392,950
7	HDFC Bank Limited	**33,126,825**	-
8	Canara Bank	**20,200,000**	5,071,675
9	State Bank of Indore	**64,715**	141,200,000
10	Axis Bank Ltd.	**5,000,000**	30,663,303
	Total (F)	**670,541,296**	587,132,432

(Amount in Rs.)

Sl. No.	Particulars	As at December 31, 2010	As at December 31, 2009
	On unclaimed dividend		
1	HDFC Bank Limited	**481,063**	383,665
	Total (G)	**481,063**	383,665
	Balance with other banks		
	On current accounts		
1	California Bank Trust, USA	**65,182,000**	80,184,764
2	Citibank Singapore Ltd, Singapore	**10,800,122**	13,515,173
3	DBS Bank Ltd, Singapore	**1,318,372**	1,012,284
4	Malayan Banking Berhad, Malaysia	**6,499,954**	10,195,794
5	Hang Seng Bank Limited, Hong Kong	**584,797**	436,058
6	Citibank NA, Thailand	**10,085,185**	3,004,006
7	Bank of China, China	**10,965,597**	9,732,867
8	Industrial and Commercial Bank of China Ltd, China	**715,798**	677,124
9	Sumitomo Mitsui Banking Corporation, Japan	**8,826,308**	5,710,966
10	Mizuho Bank Ltd, Japan	**219,406**	92,852
11	The Bank of Tokyo-Mitsubishi UFJ, Ltd., Japan	**166,100**	396,446
12	Citibank N.A., USA	**-**	2,014,546
13	ING Belgium NV, Belgium	**1,621,335**	2,311,036
14	Fortis Bank (Netherland) N.V., Netherlands	**34,000,246**	52,207,770
15	ABN AMRO Bank, Netherlands	**957,639**	1,570,287
16	ABN AMRO Bank, France	**1,100,934**	788,404
	Total (H)	**153,043,793**	183,850,377
	On cash credit / overdraft account		
1	Fortis Bank N.V., Netherlands (Fortis FCF)	**6,350,134**	11,112,256
	Total (I)	**6,350,134**	11,112,256
	On deposit accounts		
1	California Bank Trust, USA	**224,450**	232,700
2	ABN AMRO Bank, Netherland	**4,256,615**	4,687,217
	Total (J)	**4,481,065**	4,919,917
	Total as per Balance sheet	**956,891,550**	871,975,170

18. 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.

19. Prior period expense for the year ended December 31, 2010 amounting to Rs. 1,729,293 represents communication cost related to prior year.

20. 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 & ASSOCIATES
Firm registration number: 101049W
Chartered Accountants

Sd/-
per Yogesh Midha
Partner
Membership No. 94941

Place : GURGAON
Date : February 20, 2011

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**	**Shankar Seetharaman**	**Suresh Kumar Bhutani**
[Chairman & Managing Director]	[President & Senior Executive Director]	[Director & Chief Operating Officer]	[Chief Financial Officer]	[Company Secretary & Compliance Officer]
Place : CA, U.S.A.	Place : NOIDA	Place : NOIDA	Place : NOIDA	Place : NOIDA
Date : February 20, 2011	Date : February 20, 2011	Date : February 20, 2011	Date : February 20, 2011	Date : February 20, 2011

Information of Subsidiary Companies disclosed as per terms of exemption under Section 212 (8) of the Companies Act,1956 granted by the Central Government.

(Rs. in lakhs)

	Name of the Subsidiary	R Systems (Singapore) Pte Limited, Singapore	R Systems, Inc., USA	Indus Software, Inc., USA	R Systems Solutions, Inc., USA	R Systems NV, Belgium	R Systems Europe B.V, Netherlands	R Systems S.A.S, France	ECnet Limited, Singapore	ECnet (M) Sdn. Bhd, Malaysia	ECnet, Inc., USA	ECnet (Hong Kong) Limited, Hong Kong #	ECnet Systems (Thailand) Co. Limited, Thailand	ECnet Kabushiki Kaisha, Japan	ECnet (Shanghai) Co. Limited, China
1	The financial year of the subsidiary ended on	December 31, 2010	December 31, 2010	December 31, 2010	December 31, 2010	December 31, 2010	December 31, 2010	December 31, 2010	December 31, 2010	December 31, 2010	December 31, 2010	December 31, 2010	December 31, 2010	December 31, 2010	December 31, 2010
2	Holding company's Interest	100%	100%	100%	100%	100%	100%	100%	98.59%	98.59%	98.59%	98.59%	98.59%	98.59%	98.59%
3	Shares held by the holding company in the subsidiary (including its nominees in the subsidiary)	100% of 4,070,000 ordinary shares of no par value	100% of 2,000 common shares of no par value	100% of 243,750 common shares of no par value	100% of 11,335,833 common shares of no par value and 8,666,884 series A preferred stock of no par value	100% of 200 common shares of Euro 310 each	100 % of 3,170 ordinary shares of Euro 100 each	100% of 10,000 ordinary shares of Euro 15.24 each	98.59% of 17,904,335 ordinary shares of no par value	98.59% of 200,000 ordinary shares of RM 1 each	98.59% of 1,000 shares of US$ 2 each	98.59% of 2 ordinary shares of HK $1 each	98.59% of 400.000 ordinary shares of 5 THB each	98.59% of 200 shares of 50,000 Yen each	98.59% of shares of no par value
4	Capital	1,059.30	278.00	107.86	827.27	34.75	182.14	87.59	21,282.91	23.93	0.91	0.00	23.40	42.88	91.22
5	Reserves	94.17	795.00	(308.18)	(999.80)	(17.83)	(50.11)	300.56	(22,733.55)	(57.84)	(1,423.68)	19.02	118.37	(271.12)	(179.82)
6	Total assets	1,180.59	1,912.41	104.89	172.77	19.63	1,267.89	660.35	871.19	154.49	1.34	21.74	222.84	7.71	134.48
7	Total liabilities	27.11	839.41	305.21	345.30	2.71	1,135.86	272.20	2,321.83	188.40	1,424.11	2.72	81.07	235.95	223.08
8	Details of investments (except in case of investment in subsidiaries)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Turnover	200.61	5,397.31	652.02	453.72	-	3,518.11	714.89	1,376.07	378.97	-	36.54	252.17	26.91	228.38
10	Profit / (loss) before taxation	(14.41)	106.12	17.58	(127.69)	(6.38)	20.86	20.72	(128.40)	5.26	(0.19)	19.65	(20.79)	26.02	21.83
11	Provisions for taxation / (benefit)	0.98	6.78	2.92	0.43	(0.01)	-	7.84	-	1.00	-	3.24	0.04	-	-
12	Profit / (loss) after taxation	(15.39)	99.34	14.66	(128.12)	(6.37)	20.86	12.88	(128.40)	4.26	(0.19)	16.41	(20.83)	26.02	21.83
13	Proposed dividend	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
14	Material change between the end of the financial year of the subsidiary company and the Company's financial year ended December 31, 2010														
a	Fixed assets	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
b	Investments	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
c	Money lent	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
d	Money borrowed other than those for meeting current liabilities	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Note :

The absolute amount of share capital in ECnet (Hong Kong) Limited, Hong Kong is Rs. 12 /- (2 ordinary shares of HKD 1 each).

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

Sd/-
Satinder Singh Rekhi
[Chairman & Managing Director]

Place : CA, U.S.A.
Date : February 20, 2011

Sd/-
Lt. Gen. Baldev Singh (Retd.)
[President & Senior Executive Director]

Place : NOIDA
Date : February 20, 2011

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

Place : NOIDA
Date : February 20, 2011

Sd/-
Shankar Seetharaman
[Chief Financial Officer]

Place : NOIDA
Date : February 20, 2011

Sd/-
Suresh Kumar Bhutani
[Company Secretary & Compliance Officer]

Place : NOIDA
Date : February 20, 2011

Statement Pursuant to Section 215(2) of the Companies Act, 1956

As per Section 215 of the Companies Act, 1956 every balance sheet and every profit and loss account of a company shall be signed on behalf of the Board of Directors - by its manager or secretary, if any, and by not less than two directors of the company one of whom shall be the managing director where there is one.

Since Mr. Satinder Singh Rekhi, Chairman and Managing Director of R Systems International Limited (the "Company"), was travelling overseas for business reasons he could not sign the financial statements as required under Section 215 of the Companies Act, 1956 in India and has signed the financial statements in CA, U.S.A. This statement of explanation is therefore attached along with the balance sheet and the profit and loss account of the Company for the year ended December 31, 2010.

It may please be noted that the annual report of the Company contains amongst others the following financial statements:

- Balance Sheet as at December 31, 2010 (standalone);
- Profit and loss account for the year ended December 31, 2010 (standalone);
- Cash flow statement for the year ended December 31, 2010 (standalone);
- Statements pursuant to Section 212 of the Companies Act, 1956 relating to the subsidiary companies;
- Balance Sheet as at December 31, 2010 (consolidated);
- Profit and loss account for the year ended December 31, 2010 (consolidated) and;
- Cash flow statement for the year ended December 31, 2010 (consolidated).

These were placed before the Board of Directors at its meeting held on February 20, 2011 for its approval. The Board of Directors has approved the aforementioned financial statements and authorised Mr. Satinder Singh Rekhi, Chairman and Managing Director, Lt. Gen. Baldev Singh (Retd.), President and Senior Executive Director, Mr. Raj Swaminathan, Director and Chief Operating Officer, Mr. Shankar Seetharaman, Chief Financial Officer and Mr. Suresh Kumar Bhutani, Company Secretary and Compliance Officer of the Company to sign the same on behalf of the Board. The Board also took note of the fact that Mr. Satinder Singh Rekhi, Chairman and Managing Director of the Company, could not physically attend the said Board meeting as explained above. He has however attended the meeting via teleconference. The Board therefore authorised Mr. Satinder Singh Rekhi to simultaneously sign the financial statements in CA, U.S.A. and forward the same to India.

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

Sd/-	**Sd/-**
Lt. Gen. Baldev Singh (Retd.)	**Raj Swaminathan**
[President and Senior Executive Director]	[Director and Chief Operating Officer]
Place : NOIDA	Place : NOIDA
Date : February 20, 2011	Date : February 20, 2011

Notice

R SYSTEMS INTERNATIONAL LIMITED

NOTICE OF SEVENTEENTH 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 Seventeenth Annual General Meeting of the shareholders of R SYSTEMS INTERNATIONAL LIMITED (the "Company" / "R Systems") will be held on Wednesday, May 25, 2011 at 9:30 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, 2010 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, 2010.
3. To appoint a director in place of Mr. Gurbax Singh Bhasin, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint a director in place of Mr. Suresh Paruthi, who retires by rotation and, being eligible, offers himself for reappointment.

AS SPECIAL BUSINESS

5. Appointment of Statutory Auditors

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

   "RESOLVED THAT the unwillingness expressed by M/s S. R. Batliboi & Associates for being reappointed as the statutory auditors of the Company be and is hereby taken note of and approved by the members of the Company.

   RESOLVED FURTHER THAT pursuant to Section 224 and other applicable provisions of the Companies Act, 1956, M/s S. R. Batliboi & Co., Chartered Accountants, (Firm Registration No. 301003E with the Institute of Chartered Accountants of India) be and are hereby appointed as the statutory auditors of the Company, to hold office from the conclusion of seventeenth Annual General Meeting until the conclusion of the next Annual General Meeting on the remuneration to be fixed by the board of directors.

   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."

6. Reappointment and payment of remuneration to Mr. Satinder Singh Rekhi as Chairman & Managing 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 to 168 of the Articles of Association of the Company and other applicable provisions 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 granted for the reappointment of and payment of remuneration to Mr. Satinder Singh Rekhi as Chairman & Managing Director of the Company not liable to retire by rotation, for a period of three years i.e. from January 01, 2011 to December 31, 2013 in accordance with the provisions of the Companies Act, 1956 and applicable R Systems policies on the following terms and conditions:

   1. Compensation: He will be paid at the rate of USD 300,000 (USD Three lakhs only) per annum as base salary. This will be payable semi-monthly on the 15th of each month and again on the last day of the month. Applicable taxes will be deducted from his gross earnings;
   2. Automobile: The Company will furnish him with an automobile including maintenance and fuel expenses, comparable to his position, while employed with the Company;
   3. Health Insurance: He and his qualified dependents will be eligible to receive health insurance coverage through the Company or its subsidiaries insurance carriers. The terms, conditions and eligibility requirements for such insurance coverage are set forth in the summary plan description(s) describing the coverage;

4. Other benefits: He will be eligible to participate in the Company's or R Systems, Inc.'s retirement plans in accordance with the prevalent policies;

5. Bonus: He will also be entitled for an annual bonus of 2% of the consolidated net profits subject to a maximum of USD 100,000;

6. Annual Increment: He will be entitled for an annual increment of 15% on his base salary of the immediate previous year on January 01, 2012 and January 01, 2013.

RESOLVED FURTHER THAT in the event of absence or inadequacy of profits in any financial year during the tenure of Mr. Satinder Singh Rekhi as Chairman & Managing Director of the Company, the Company shall pay him the remuneration as specified above as minimum remuneration.

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."

7. 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 in the following manner:

(i) substitute the following Article for existing Article 4

"The Authorised Share Capital of the Company shall be of such amount and be divided into such shares as may be provided in Clause V of the Memorandum of Association of the Company, from time to time."

(ii) substitute the following Article for existing Article 68

"The Company may, from time to time in General Meeting increase its share capital by the creation and issue of new shares of such amount as it thinks expedient. Subject to the provisions of the Act the shares shall be issued upon such terms and on conditions and with such rights and privileges annexed thereto as the General Meeting creating the same shall direct and if no direction be given, as the Directors shall determine. Such shares may be issued with a preferential or qualified right as to dividends, and in the distribution of assets of the Company, and with a right of voting at a General Meeting of the Company in conformity with Sections 85, 86 and 87 of the Act. Whenever the capital of the Company has been increased under the provision of this Article, the Directors shall comply with the provisions of Section 97 of the Act."

(iii) substitute the following Clause for existing Clause (b) of Article 165

"Subject to the provisions of Section 269 and other applicable provisions of the Act, the Board may from time to time, appoint any Director as whole time Director of the Company, and may from time to time remove, dismiss him from office and appoint another in his place."

(iv) substitute the following Article for existing Article 188

"The Company in General Meeting may, subject to the provisions of Section 205 read with Section 207 of the Act, declare a dividend to be paid to the members according to their respective rights and interests in the profit and subject to the provisions of the Act may fix the time for its payment. When a dividend has been so declared either the dividend shall be paid or the warrant in respect thereof shall be posted within 30 days of the date of the declaration to the shareholders entitled to the payment of the same."

(v) substitute the following Article for existing Article 190

"Subject to the provisions of the Act, the Directors may, from time to time, pay to the members such interim dividends as in their judgement the position of the Company justifies."

(vi) substitute the following Clause for existing Clause (8) of Article 208

"A person other than a retiring Auditor, shall be appointed at the General Meeting in accordance with the provisions of the Act."

(vii) substitute the following Clause for existing Clause (6) of Article 211

"The Auditors' Report shall also comply with the requirements of the Companies (Auditor's Report) Order, 2003 issued under Section 227 (4A) of the Act as may be applicable in the case of this Company."

(viii) substitute the following Article for existing Article 212

"Every account when audited and approved by a General Meeting shall be conclusive."

(ix) substitute the following Article for existing Article 213

"Save as otherwise expressly provided in the Act or these Articles, a document or proceedings requiring authentication by the Company may be signed by a Director, the Manager, the Managing Director, the Secretary or other authorised officer of the Company, and need not be under its Common Seal."

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/-
Suresh Kumar Bhutani
(Company Secretary & Compliance Officer)

Place : NOIDA
Date : April 15, 2011

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 May 17, 2011 to May 25, 2011 (both days inclusive).

(v) The dividend of 24% for the year ended December 31, 2010 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 as at opening business hours on May 17, 2011 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 May 16, 2011.

(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. Suresh Kumar Bhutani, 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 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 divided 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 numbers 5, 6 and 7 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 Mr. Satinder Singh Rekhi, Chairman & Managing Director under item number 6 are 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. 5

APPOINTMENT OF STATUTORY AUDITORS

It is hereby informed that M/s S. R. Batliboi & Associates have expressed their unwillingness to be reappointed as the statutory auditors of the Company.

The Board on the recommendation of the Audit Committee have identified M/s S. R. Batliboi & Co., Chartered Accountants, as the statutory auditors of the Company from the conclusion of seventeenth Annual General Meeting until the conclusion of the next Annual General Meeting. M/s S. R. Batliboi & Co., have confirmed their eligibility and willingness to act as the statutory auditors of the Company and have further confirmed that their appointment, if made, shall be within the limits prescribed under Section 224(1B) of the Companies Act, 1956.

The Board at its meeting held on April 15, 2011 has taken note of the unwillingness expressed by M/s S. R. Batliboi & Associates to be reappointed as the statutory auditors of the Company and subject to the approval of shareholders, consented to the appointment of M/s S. R. Batliboi & Co., Chartered Accountants as the statutory auditors to hold office from the conclusion of seventeenth Annual General Meeting until the conclusion of the next Annual General Meeting.

The resolution is recommended for the approval of the members.

None of the directors of your Company are interested in the aforesaid resolution.

ITEM NO. 6

REAPPOINTMENT AND PAYMENT OF REMUNERATION TO MR. SATINDER SINGH REKHI AS CHAIRMAN & MANAGING DIRECTOR OF THE COMPANY

Mr. Satinder Singh Rekhi aged about 60 years founded R Systems in 1993. Mr. Rekhi is a technocrat with over 28 years of experience in the information technology industry. Prior to R Systems, Mr. Rekhi held senior management positions with HCL Technologies and DISC (now Synergex) in the United States, Singapore and India. Mr. Rekhi received a Bachelor of Technology from IIT, Kharagpur, India and a Masters in Business Administration from California State University, Sacramento. He has also attended several senior management programs from University of Berkeley and Harvard Business School.

At the time of his previous appointment, Mr. Satinder Singh Rekhi was appointed as Chairman & Managing Director of the Company up to January 01, 2011. The present term of his appointment had completed and considering his continued contributions and efforts towards the success of the Company, the Board on the approval and recommendation of the Remuneration Committee reappointed him as Chairman & Managing Director of the Company not liable to retire by rotation, for a further term of three years i.e. from January 01, 2011 to December 31, 2013 subject to the approval of the members, Central Government and other authorities, if applicable. As a Chairman & Managing Director, Mr. Rekhi is responsible for overall business development and working of the Company and his presence is crucial for the effective and efficient operations of the business.

As on the date of this notice, Mr. Rekhi holds 90,600 equity shares (being 0.74% of the total paid up share capital) of the Company in his own name and 1,921,718 equity shares (being 15.60% of the total paid up share capital) of the Company as trustee of Satinder & Harpreet Rekhi Family Trust. Further, the offices of R Systems U.S.A. Branch and R Systems, Inc., a wholly owned subsidiary of R Systems based in United States is jointly owned by Mr. Satinder Singh Rekhi and Mrs. Harpreet Rekhi and the said office is obtained on lease from them on a monthly rental of USD 11,000. Further, Mr. Rekhi is holding the office of director in the following ten bodies corporate, which are incorporated and based outside India as on the date of this notice namely R Systems, Inc., R Systems (Singapore) Pte Limited, RightMatch Holdings Ltd., Indus Software, Inc., ECnet Systems (Thailand) Company Limited, ECnet, Inc., R Systems Solutions, Inc., R Systems NV, R Systems Europe B. V. and Computaris International Limited.

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 Mr. Satinder Singh Rekhi and Lt. Gen. Baldev Singh (Retd.) being the relative of Mr. Satinder Singh Rekhi 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		
	31.12.2010	31.12.2009	31.12.2008
Total Income	**18,638.60**	20,031.17	21,013.01
Profit before depreciation, exceptional items and tax	**2,311.46**	4,189.39	3,183.88
Less : Depreciation	**862.65**	804.62	663.18
Less: Exceptional item (Provision for diminution in value of long term investments)	**18.50**	2,473.21	-
Profit before tax	**1,430.31**	911.56	2,520.70
Less : Current tax (net of MAT credit)	**185.89**	204.87	151.66
Less : Deferred tax	**(430.95)**	41.85	(75.52)
Less : Fringe benefit tax	**-**	9.68	79.80
Profit after tax (available for appropriation)	**1,675.37**	655.16	2,364.76
Proposed final dividend	**295.60**	288.45	316.93
Corporate dividend tax on final dividend	**49.10**	49.02	53.86
Transfer to General Reserve	**167.54**	65.52	236.48
Balance carried forward to Balance Sheet	**1,163.13**	252.17	1,757.49

(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		
	31.12.2010	31.12.2009	31.12.2008
(a) Earnings (Accrual Basis)	**16,400.32**	18,192.74	19,772.75
(b) Expenditure (Accrual Basis)	**3,468.33**	3,360.05	3,447.24
(c) CIF value of imports	**117.95**	973.15	397.72

(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:

Mr. Satinder Singh Rekhi aged about 60 years founded R Systems in 1993. Mr. Rekhi is a technocrat with over 28 years of experience in the information technology industry. Prior to R Systems, Mr. Rekhi held senior management positions with HCL Technologies and DISC (now Synergex) in the United States, Singapore and India. Mr. Rekhi received a Bachelor of Technology from IIT, Kharagpur, India and a Masters in Business Administration from California State University, Sacramento. He has also attended several senior management programs from University of Berkeley and Harvard Business School. As a Chairman & Managing Director, Mr. Rekhi is responsible for overall business development and working of the Company.

(2) Past remuneration:

Income during the last 3 years

	Total Cost to the Company (Rs.)	Per Month (Rs.)
For the year ended December 31, 2010	15,562,573	1,296,881
For the year ended December 31, 2009	15,587,029	1,298,919
For the year ended December 31, 2008	15,455,824	1,287,985

(3) Recognition or awards:

Mr. Satinder Singh Rekhi was awarded with a Bachelor of Technology from IIT, Kharagpur, India and a Masters in Business Administration from California State University, Sacramento.

(4) Job profile and his suitability:

Mr. Satinder Singh Rekhi, being the Chairman & Managing Director of the Company is entrusted with substantial powers of management in relation to the normal business matters. Mr. Rekhi is the founder of the Company and since then he is continuously providing his guidance and support on the Board. His presence is crucial for the effective and efficient operations of the business. R Systems will benefit from his capabilities and wishes to reappoint him as the Chairman & Managing Director.

(5) Remuneration proposed:

Mr. Satinder Singh Rekhi is proposed to be appointed on the following remuneration:

1. Compensation: He will be paid at the rate of USD 300,000 (USD Three lakhs only) per annum as base salary. This will be payable semi-monthly on the 15th of each month and again on the last day of the month. Applicable taxes will be deducted from his gross earnings;
2. Automobile: The Company will furnish him with an automobile including maintenance and fuel expenses, comparable to his position, while employed with the Company;
3. Health Insurance: He and his qualified dependents will be eligible to receive health insurance coverage through the Company or its subsidiaries insurance carriers. The terms, conditions and eligibility requirements for such insurance coverage are set forth in the summary plan description(s) describing the coverage;
4. Other benefits: He will be eligible to participate in the Company's or R Systems, Inc.'s retirement plans in accordance with the prevalent policies;
5. Bonus: He will also be entitled for an annual bonus of 2% of the consolidated net profits subject to a maximum of USD 100,000;
6. Annual Increment: He will be entitled for an annual increment of 15% on his base salary of the immediate previous year on January 01, 2012 and January 01, 2013.

(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 in U.S.A.

(7) Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any:

As on the date of this notice, Mr. Rekhi holds 90,600 equity shares (being 0.74% of the total paid up share capital) of the Company in his own name and 1,921,718 equity shares (being 15.60% of the total paid up share capital) of the Company as trustee of Satinder & Harpreet Rekhi Family Trust. Further, the offices of R Systems U.S.A. Branch and R Systems, Inc., a wholly owned subsidiary of R Systems based in United States is jointly owned by Mr. Satinder Singh Rekhi and Mrs. Harpreet Rekhi and the said office is obtained on lease from them on a monthly rental of USD 11,000. Except the proposed remuneration and as stated above, he does not have any pecuniary or other relationship with the Company and with any of the managerial personnel. Mr. Satinder Singh Rekhi is related to Lt. Gen. Baldev Singh (Retd.), President and Senior Executive Director.

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, 2010. R Systems total income decreased to Rs. 18,638.60 lakhs as against Rs. 20,031.17 lakhs during the same period in the previous year, a decline of 6.95%. Profit after tax for the year ended December 31, 2010 was Rs. 1,675.37 lakhs as against Rs. 655.16 lakhs during the same period in the previous year, a growth of 155.72%.

(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 Corporate Governance Report which forms part of Directors' Report.

ITEM NO. 7

ALTERATION OF ARTICLES OF ASSOCIATION

The alteration are proposed by the Board to make the articles in compliance with the amendments made in the Companies Act, 1956, Listing Agreement entered into with the stock exchanges and applicable guidelines issued by the Securities & Exchange Board of India and other authorities.

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 recommends that the members approve the aforementioned resolution as special resolution in the interest of the Company.

None of the directors is in any way concerned or interested in the resolution, except to the extent of holding their office as director in the Company.

By Order of the Board
For R Systems International Limited

Sd/-
Suresh Kumar Bhutani
(Company Secretary & Compliance Officer)

Place : NOIDA
Date : April 15, 2011

PROFILE OF DIRECTORS SEEKING APPROVAL FOR REAPPOINTMENT AT THE ANNUAL GENERAL MEETING PURSUANT TO CLAUSE 49 OF THE LISTING AGREEMENT

Particulars	Mr. Gurbax Singh Bhasin	Mr. Suresh Paruthi	Mr. Satinder Singh Rekhi
Date of Birth	September 01, 1956	November 01, 1950	January 08, 1951
Qualification	Bachelor of Engineering	Bachelor of Technology (Hons.) from IIT, Kharagpur, India	Bachelor of Technology from IIT, Kharagpur, India and Masters in Business Administration from California State University, Sacramento
Expertise and experience in specific functional areas	Mr. Gurbax Singh Bhasin holds a degree in Bachelor of Engineering. He has been involved in the textile / fashion apparel industry and import / export for over 29 years and understands well the intricacies of international business. Mr. Bhasin's wide diversification and experience helps R Systems to attain even higher levels in customer satisfaction by constantly striving to be the best in all it does through a combination of product excellence, creativity and technological innovation.	Mr. Paruthi had completed his Bachelor of Technology (Hons.) from IIT, Kharagpur in 1972. He has also completed a certificate course in export marketing from the Indian Institute of Foreign Trade, New Delhi. He is having a wide experience of efficiently serving various multinationals; some of them are Siemens Limited, Bhartia Cutler Hammer Ltd. & Omron Asia Pacific Pte. Ltd.	Mr. Satinder Singh Rekhi is a technocrat with 28 years of experience in the information technology industry. Prior to R Systems, Mr. Rekhi held senior management positions with HCL Technologies and DISC (now Synergex) in the United States, Singapore and India. He has also attended several senior management programs from University of Berkeley and Harvard Business School. As a Chairman & Managing Director, Mr. Rekhi is responsible for overall business development and working of the Company. Mr. Rekhi is related to Lt. Gen. Baldev Singh (Retd.), President and Senior Executive Director.
Directorship / Membership in other board / committees / bodies corporate	1. Prego, Inc. (U.S.A.), President 2. Agro Foods, Inc. (U.S.A.), President 3. Newlands Capital, Inc. (U.S.A.), President 4. Quinby Willshire, LLC, Manging Member 5. Shivam Investments, LLC (U.S.A.), Manging Member 6. Suraj Victorville, LLC (U.S.A.), Manging Member 7. Corporativo Alberdy S.A. DE C.V. (Mexico), Partner 8. Comercializadora Y Distribuidora Sauces S.A. (Mexico), Partner 9. Bonneville Holdings Ltd. (Belize), President	1. MEC Solutions, Inc., CEO 2. Paruthi Consultants and Engineers, CEO	1. R Systems, Inc., Director 2. R Systems (Singapore) Pte Limited, Director 3. RightMatch Holdings Ltd., Director 4. Indus Software, Inc., Director 5. ECnet Systems (Thailand) Company Limited, Director 6. ECnet, Inc., Director 7. R Systems Solutions, Inc., Director 8. R Systems NV, Director 9. R Systems Europe B.V., Director 10. Computaris International Limited, Director
Shareholding in the Company	Nil	Nil	As on the date of this notice, he holds 90,600 equity shares (being 0.74% of the total paid up share capital) of the Company in his own name and 1,921,718 equity shares (being 15.60% of the total paid up share capital) of the Company as trustee of Satinder & Harpreet Rekhi Family Trust.

NOTES

NOTES

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
Seventeenth Annual General Meeting to be held on Wednesday, May 25, 2011 at 9:30 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 Seventeenth Annual General Meeting of the Company to be held on Wednesday, May 25, 2011 at 9.30 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 2011

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
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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 Seventeenth Annual General Meeting of the Company to be held on Wednesday, May 25, 2011 at 9:30 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.

A WYATT SOLUTION (info@wyatt.co.in)

R SYSTEMS INTERNATIONAL LIMITED
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www.rsystems.com