

Notice

Notice is hereby given that the Ninth Annual General Meeting of the member of the Company will be held on Tuesday, the 30th day of September 2003 at 9.30 A.M at Plot No. 1 & 9, IDA, Phase II, Cherlapally, Hyderabad - 500 051, to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the Audited Profit and Loss Account for the period ended 31st March, 2003 and the Balance Sheet as on the date and the reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Shri. L. P. Sashikumar, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mrs. Mahitha Prasad Caddell, who retires by rotation and being eligible, offers herself for re-appointment.
4. To consider and, if thought fit, to pass with or without modification, the following resolution as an ordinary resolution.

“RESOLVED THAT M/s. P. R. Pramodkumar & Co., Chartered Accountants, be and are hereby appointed as Auditors of the Company in place of M/s Srivas & Pramodkumar to hold office from the conclusion of this meeting till the conclusion of next Annual General Meeting at such remuneration as may be determined by the Board”.

SPECIAL BUSINESS

APPOINTMENT OF DIRECTORS

5. To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution.

“Resolved that Mr. Douglas R Mellinger, be and is hereby appointed as Director of the Company liable to retire by rotation”.

6. To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution.

“Resolved that Dr. M V S R Kamesam, be and is hereby appointed as Director of the Company liable to retire by rotation”.

7. **DE-LISTING OF EQUITY SHARES:**

To consider and if thought fit, to pass with or without modification the following resolution as a special resolution.

“RESOLVED that subject to the provisions of the Companies Act, 1956, Securities Contracts (Regulations) Act, 1956, and the rules framed there under, and in terms of SEBI (Delisting of Securities) Guidelines, 2003, Listing Agreements, and all other applicable laws, rules, regulations and guidelines and subject to such approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any authority while granting such approvals, permissions and sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the ‘Board’, which term shall be deemed to include any committee thereof for the time being exercising the powers conferred on the Board by the resolution), the Consent of the Company be and is hereby accorded to the Board of Directors of the Company to de-list the Equity Shares of the Company from the Stock Exchanges located at Hyderabad (Regional Stock Exchange), Ahmedabad, Madras, New Delhi.”

“Further resolved that the Board be and is hereby authorized to do all such acts, deeds and things as may be necessary for the purpose and to settle any questions, difficulties or doubts that may arise in this regard.”

8. **INCREASE IN THE AUTHORISED CAPITAL**

To consider and if thought fit to pass with or without modification the following resolution as a **Special Resolution:**

“RESOLVED FURTHER THAT the authorised capital of the company be increased from Rs. 20,00,00,000/- (Rupees Twenty Crores Only) to Rs. 25,00,00,000/- (Rupees Twenty Five Crores Only) by Creation of 2,50,00,000 Equity Shares of Rs. 10/- each ranking for dividend and in all other respects *pari passu* with the existing Clause V of the Memorandum of Association of the Company relating to the Share Capital be and is hereby amended by deleting the words and figures i.e., Rs. 20,00,00,000/- (Rupees Twenty Crores Only) divided into 2,00,00,000 (Two Crores Only) Equity Shares of Rs. 10/- (Rupees Ten Only) each and substituting in its place the words and figures Rs. 25,00,00,000/- (Rupees Twenty Two Crores Only) divided into 2,50,00,000 (Two Crores Twenty Lakhs Only) Equity Shares of Rs. 10/- (Rupees Ten Only) each.

9. ALTERATION IN THE ARTICLES OF ASSOCIATION:

To consider and if thought fit to pass with or without modification the following resolution as a **Special Resolution:**

“RESOLVED THAT Article 3(a) of the Articles of Association of the Company be substituted by the following:

- a) The Authorised Share Capital of the Company is as mentioned in Clause V of the Memorandum of Association of the Company.

10. ISSUE OF EQUITY WARRANTS / SHARES ON PREFERENTIAL BASIS

To consider and if thought fit to pass with or without modification the following resolution as a **Special Resolution:**

“RESOLVED THAT in conformity with the provisions of Section 81 (1A) and all other applicable provisions, if any, of the Companies Act, 1956; Listing Agreements entered with the Stock Exchanges; Guidelines issued by RBI under FEMA 1999 and by SEBI on preferential issue of Shares and its other regulations/ guidelines, if any, and subject to the consent of all other concerned authorities, if any and to the extent required and subject to such conditions and modifications as may be prescribed or imposed while according such consents, which may be considered appropriate by the Board of Directors of the Company and / or a duly authorised committee thereof (herein after called as ‘The Board’) in its absolute discretion, consent of the Company be and is hereby conveyed to the Board to create, offer, issue, allot and deliver in one or more tranches, to (1) M/s SBD Technologies Inc, (2) M/s West Coast Technologies Inc, (3) Mr. Douglas K Mellinger, (4) Mr. Milledge Hart, (5) Mrs. Marty Pine, (6) Mr. J A Rao, (7) Mr. Vasudeva Rao K, (8) Mr. Ravindra Pendekanti, (9) Mr. Kasi Reddy Nalamalapu (10) Mrs. Shailaja Domala, (11) Mrs. Padmaja Bottu, (12) Mr. Venkateshwara Rao Nekkhalapu, (13) Mr. Krishna Kumar Pavuluru, (14) Mr. Sridhar Potluru, (15) Mr. Sanjay Moyya, (16) Mr. Sridha Paidi, (17) Mrs. Madhavi Gutti, (18) Mr. Sanjeev Chopra (19) Mr. Hanumantha Rao Podile (20) Mrs. Shobha Rani Chennuri (21) Mr. Murthy Vakkalagadda (22) Mr. Murthy Kalki (23) Mr. Murthy V, (24) Mr. Srinivas Rao Veeramasu (25) Mr. Anil Patibandla, (26) Mr. Prasad Navaratna Jasti, (27) Mr. Ranjan B, (28) Mr. Sandeep Khosla,

(29) Mr. Rao Karnam persons mentioned, on preferential Basis up to 60,00,000 (Sixty Lakhs only) Equity Shares/Equity Warrants, where each warrant is convertible into one Equity share of the face value of Rs. 10/- each, at a price Rs. 25/- per share (including premium of Rs. 15/- each), resulting in the aggregate after conversion / exercise of rights attached to those instruments, not exceeding 60,00,000 Equity shares of the Company, on the following terms and conditions.

- (a) Conversion of warrants into equity shares can be exercised at any time within a period of 18 months from the date of issue of such warrants.
- (b) An amount equal to 10 percent of the share price shall be payable on the date of issue of warrants, with the balance amount being payable at the time of conversion.
- (c) The amount paid on issue of warrants shall be forfeited if the warrants are not exercised within a period of 18 months from the date of issue of warrants.
- (d) Other terms and conditions as may be prescribed by the Board at its absolute discretion consider fit.

“RESOLVED FURTHER THAT the Relevant date for the purpose of determining the issue price of Equity Shares or Equity Shares arising out of conversion of Warrants under the SEBI Guidelines for preferential Issues shall be one month prior to the date of Annual General Meeting on 30th September 2003.”

“RESOLVED FURTHER THAT the equity shares so issued shall rank pari passu with the existing equity shares of the Company except that the shares allotted during the Financial year shall be entitled to the dividend declared for that Financial year on pro-rata basis from the date of allotment of the shares and on the amount for the time being paid – up thereon”.

“FURTHER RESOLVED THAT the Board be and is hereby authorised to do all such acts, deeds and things as may be necessary for the purpose and to settle any questions, difficulties or doubts that may arise in this connection and incidental thereto, in their absolute discretion consider fit without being required to seek any further consent or approval of the company or otherwise to the end and intent that they shall

be deemed to have given their approval thereto expressly by the authority of this resolution”.

11. RE-APPOINTMENT OF EXECUTIVE DIRECTOR

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

“RESOLVED THAT pursuant to Sec. 198,269,309,310 and other applicable provisions, if any, of the Companies Act, 1956 with Schedule XIII thereof, the consent of the Company be and is hereby accorded for re-appointment of Mr. K Vasudeva Rao as Executive Director of the Company for a period of One Year w. e. f 1st December 2003 on the following terms and conditions:

The remuneration payable by way of salary and perquisites be as follows:

a) Salary: Rs.80, 000 Per Month

Perquisites:

Category A:

1. Housing: Rent Free Accommodation or House Rent Allowance of Rs. 10,000 Per month.
2. Other Allowances like Maintenance of house office, Subscription to internet, Professional Development Allowance, Dress Allowance,

Gardener, Servant etc; not exceeding Rs. 10,000 Per month.

Category B:

1. Contribution to Provident Fund, Superannuation Fund or Annuity Fund. This will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act, 1961. Gratuity payable shall not exceed half month’s salary for each completed year of service.
2. Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.

Category C:

Provision of Car for use on Company’s business and Telephone at residence. These will not be considered as perquisites. The company shall bill personal long distance calls on telephone and the use of the car for private purpose.”

For and on behalf of the Board

Sd/-
Dr. K. K. Krishnan Kutty
Chairman

Place : Secunderabad
Date : 1st September 2003

Notes:

- a) The Explanatory Statements relating to Item Number(s) 5 to 11 of the Special Business of the Meeting referred to above is annexed to this Notice as required by Section 173 of the Companies Act, 1956.
- b) A Member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and proxy need not be a member of the company. The Proxy in order to be effective must be deposited at the Registered Office of the Company not less than 48 hours before the meeting.
- c) The Register of Members and Share Transfer Books of the Company shall remain closed from Thursday, 25th September 2003 to Tuesday, 30th September 2003 (both days inclusive) for the purpose of Annual General Meeting.
- d) The members are requested to intimate to the Company at 9-1-83 & 84, Amarchand Sharma Complex, S.D.Road, Secunderabad – 500 003,

changes, if any, in their Registered address along with Pin Code number.

- e) Members who are having multiple Folios with identical names are requested to inform Folio Numbers, to enable the Company to consolidate the same into Single Folio.
- f) Queries on accounts and operations of the Company, if any, may please be sent to the Company at least seven days in advance of the Meeting so that the answers may be made readily available at the Meeting.
- g) Members / Proxies are requested to deposit the enclosed Attendance Slip duly filled in and signed for attending the meeting.

For and on behalf of the Board

Sd/-
Dr. K. K. Krishnan Kutty
Chairman

Place: Secunderabad
Date : 1st September 2003

Additional Information on Directors Recommended for Appointment/Seeking Re-election at the Ensuing Annual General Meeting

L P Sashikumar:

Mr. L P Sashikumar, is a Promoter Director of Goldstone Technologies Limited. He is a BS Graduate from the Union University, USA and has over 22 years of experience in industry and business. He has been looking after the operations of Goldstone Teleservices Limited as its Managing Director since 2001.

K. Vasudeva Rao

Mr. K Vasudeva Rao is a Chartered Accountant with over 15 years of experience in industry. He has been associated with Goldstone Technologies Limited as President and Executive Director. Before joining Goldstone Technologies Limited he has worked as the Sr. Vice President for Six Years in XL Telecom Limited and Kirloskar Group.

Mahitha Prasad Caddell

Mrs. Mahitha Prasad Caddell, is a Director of Goldstone Technologies Limited. She is a MS (Information Systems) Graduate from the Union University, USA and has 5 years of experience in industry and business.

M V S R Kamesam

Dr M V S R Kamesam aged 53 years is an M. Tech from IIT Kharagpur. He also holds Post Graduate Diploma in Management from IIM Bangalore and Ph. D in Organisational Transformation. He has over 30 years of Industrial experience in various reputed Companies.

Douglas K Mellinger

Mr Douglas K Mellinger is the Founder and Vice-Chairman of Foundation Source. He was earlier a partner with Interact Capital Partner (IPC), an Investor and Investment Banker for early stage Technology Companies. He is also the founder of Enherent a Global Software Development and Services Company.

Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956

Item 5 & 6

Dr M V S R Kamesam and Douglas K Mellinger were appointed as Additional Directors of the Company in the Board Meeting held on 31st July 2003 and they hold office till the conclusion of the ensuing Annual General Meeting.

Notices pursuant to the provisions of Sec 257 of the Companies Act, 1956, together with the requisite deposit have been received from the members proposing his/their candidature for the office of Director(s) liable to retire by rotation.

Your Directors recommend the resolution for approval of the members.

None of the Directors except Dr. M V S R Kamesam and Mr Douglas K Mellinger, is in anyway concerned or interested in this resolution.

Item 7

Presently the Company's securities are listed at the Six Exchanges namely, Hyderabad Stock Exchange Limited (HSE)-Regional Stock Exchange; National Stock Exchange of India Limited (NSE); Stock Exchange Mumbai (BSE); Madras Stock Exchange Limited (MSE); Delhi Stock Exchange Association Limited (DSE) and Stock Exchange Ahmedabad (ASE).

With the extensive networking of BSE and NSE and the extension of BSE/NSE terminals to other cities as well, investors have access to trade and deal in the Company's securities across the country. After the commencement of Electronic Trading, the Shares of the Company are not frequently traded on Hyderabad, Delhi, Ahmedabad and Madras Stock

Exchanges. Hence it is proposed to De-list the securities of the Company from these four exchanges. This is proposed to reduce the regulatory formalities in complying the Listing Agreements of different Stock Exchanges and duplication of work of the Company. Besides there will be substantial saving in the cost to the Company.

The proposed de-listing of the Company's securities from the above four exchanges, as and when the same takes place, will not adversely affect the investors. The Company's securities will continue to be listed on BSE and NSE. The de-listing will take effect after all approvals; permissions and sanctions are received from the appropriate authorities

In line with the SEBI (De-listing of Securities) Guidelines 2003, members' approval is being sought by a Special Resolution for enabling voluntary de-listing of its securities from the Stock Exchanges and hence this resolution.

Your directors recommend the resolution for your approval.

None of the Directors of the Company are in any way concerned or interested in the resolution.

Item 8 & 9:

The present Authorised Capital of the Company is Rs. 20,00,00,000/- (Rupees Twenty Crores Only). The present Authorised Capital of the Company is not sufficient with the increase in the capital as proposed in the Item NO 10. Keeping this in view it is proposed to increase the Authorised Capital of the Company to Rs. 25,00,00,000 (Rupees Twenty Five Crores Only). The increase in the Authorised Capital to the proposed level of Rs. Twenty Five Crores, if adopted by the Shareholders would enable the Board of Directors of your Company till such appropriate times as the Board may decide to issue and allot further shares to augment the financial resources.

The increase in the Authorised Capital of the Company requires consequential amendment of the Capital Clause in the Memorandum & Articles of Association. This requires to be sanctioned by the Members at the General Meeting by a Special Resolution. Hence the proposed resolutions 8&9.

Your Directors commend the resolution (s) for your approval.

None of the Directors of your Company is, in any way concerned or interested in the resolution.

Item 10:

To augment resources for long term Working Capital needs, capital expenditure for increased outsourcing opportunities of the Company and other corporate actions, your Company has proposed to issue further 60,00,000 Equity Shares and/or Warrants convertible into Equity Shares to the persons detailed below on preferential allotment basis.

Your Directors commend the resolution for shareholders approval for issue of Equity Shares by way of preferential allotment as mentioned in the proposed resolution, pursuant to Section 81(1A) of the Companies Act, 1956.

Disclosures as per 13.1A of SEBI (Disclosure and Investor Protection) Guidelines 2000, the required details are furnished as under:

a. Objects of the issue through preferential offer:

The objects of the proposed issue of Equity Shares and warrants to proposed allottees is to augment resources for:

- 1 Long Term Working Capital Requirements
- 1 Capital Expenditure
- 1 General Corporate Requirements

b. Intention of Promoters/Directors/key management persons to subscribe to the offer:

None of the Persons proposed for Preferential Offer fall under the category of 'Promoter or Promoters Group'. Mr. Douglas K Mellinger, Mr. J A Rao and Mr. K Vasudeva Rao are the Directors of the Company. Mr. V Srinivas Rao, Mr. Anil Patibandla, Mr. J N Prasad and Mr. Ranjan Bhaduri are the persons holding key managerial positions. All the persons proposed intend to subscribe to the Preferential Offer proposed by the Company.

c. **The pre and post Shareholding pattern will be as follows:**

The shareholders in their Eighth Annual General Meeting held on 30th September 2002 have approved the Special Resolution for allotment of 50.00 Lakh Equity Shares/Warrants. Accordingly the company has allotted 50.00 Lakh Equity Warrants to the promoters of the Company and they are yet to be converted into Equity Shares.

The Shareholding pattern before and after this issue not considering the preferential issue of Equity Warrants allotted in terms of the special resolution passed on 30th September 2002, is presented in the table A and the Shareholding Pattern after this issue considering the preferential issue of Equity Warrants allotted in terms of the special resolution passed on 30th September 2002, is presented in the table B.

TABLE A

Shareholding Pattern Based on Proposed Resolution

Sl.No	Category	Pre Issue		Post Issue	
		No. of Shares	% of Shares	No. of Share holding	% of Shares holding
1	Promoters				
	Indian	2210912	20.40	2210912	13.13
	Foreign	739846	6.83	739846	4.39
2	NRI's / FII's/OCB's	418481	3.86	5168481	30.70
3	Govt/ Banks/ Mutual Funds	296448	2.74	296448	1.76
4	Bodies Corporate	1730036	15.96	1730036	10.27
5	General Public	5442677	50.21	6692677	39.75
	Total	10838400	100.00	16838400	100.00

TABLE B

Shareholding Pattern including the Issue of Equity Warrants Convertible into Equity Shares

Sl.No	Category	Pre Issue		Post Issue	
		No. of Shares	% of Shares	No. of Share holding	% of Shares holding
1	Promoters				
	Indian	7210912	45.54	7210912	33.01
	Foreign	739846	4.67	739846	3.39
2	NRI's/FII's/OCB's	418481	2.64	5168481	23.67
3	Govt/Banks/Mutual Funds	296448	1.87	296448	1.36
4	Bodies Corporate	1730036	10.92	1730036	7.92
5	General Public	5442677	34.36	6692677	30.65
	Total	15838400	100.00	21838400	100.00

d. Proposed time with in which the allotment shall be completed

The allotment of Equity Shares/Warrants convertible into Equity Shares will be completed with in a period of 3 months from 30th September 2003 being the date on which shareholders sanction is obtained for preferential allotment.

e. The identity of the proposed allottees and the percentage of post-preferential issue capital that may be held by them.

The percentage of Post – Preferential Issue Capital held by the Proposed Investors, including the Equity Warrants issued in terms of resolution passed by the shareholders at their AGM held on 30th September 2002 on (21838400 Equity Shares) and excluding the same (16838400) is presented in table C.

TABLE C

Percentage of Post -Preferential Holding based on Proposed Resolution (A)/inclusion of Warrants issued as per the resolution at the General Meeting passed on 30th September 2002 (B**)*

Sl.No	Name of the Party	Shares allotted in the Present Issue	% Equity to A	% Equity to B
1	M/s. SBD Technologies Ltd	600000	3.56	2.75
2	M/s. West Coast Tech Limited	600000	3.56	2.75
3	Mr. Douglas K Mellinger	250000	1.48	1.14
4	Mr. Milledge Hart	250000	1.48	1.14
5	Mrs. Marty Pine	200000	1.19	0.92
6	Mr. J A Rao	400000	2.38	1.83
7	Mr. Vasudeva Rao Kaipa	400000	2.38	1.83
8	Mr. Ravindra Pendekanti	150000	0.89	0.69
9	Mr. Kasi Reddy Nalamalapu	150000	0.89	0.69
10	Mrs. Shailaja Domala	150000	0.89	0.69
11	Mrs. Padmaja Bottu	150000	0.89	0.69
12	Mr. Venkateswara Rao N	150000	0.89	0.69
13	Mr. Krishna Kumar Pavuluru	150000	0.89	0.69
14	Mr. Sridhar Potluru	150000	0.89	0.69
15	Mr. Sanjay Moyya	150000	0.89	0.69
16	Mr. Sridha Paidi	150000	0.89	0.69
17	Mrs. Madhavi Gutti	150000	0.89	0.69
18	Mr. Sanjeev Chopra	150000	0.89	0.69
19	Mr. Hanumantha Rao Podile	150000	0.89	0.69
20	Mrs. Shobha Rani Chennuri	150000	0.89	0.69
21	Mr. Murthy Vakkalagadda	150000	0.89	0.69
22	Mr. Murthy Kalki	150000	0.89	0.69
23	Mr. Murthy V	150000	0.89	0.69
24	Mr. Srinivas Rao Veeramasu	150000	0.89	0.69
25	Mr. Anil Patibandla	150000	0.89	0.69
26	Mr. Prasad Navaratna Jasti	150000	0.89	0.69
27	Mr. Ranjan B	150000	0.89	0.69
28	Mr. Sandeep Khosla	150000	0.89	0.69
29	Mr. Rao Karanam	150000	0.89	0.69
	TOTAL	6000000	16838400	21838400

None of the persons proposed for Preferential Issue will be allotted shares, which will result in their holdings to 5% or more of the Post Issue Capital.

f. Change in the control or composition of the Board

There will neither be any change in the composition of the Board nor any change in the control of the Company on account of the proposed preferential allotment. However, there will be corresponding change in the shareholding pattern as well as voting rights consequent to preferential allotment.

g. Non Transferability of Financial Instruments

The Financial Instruments issued and allotted on a preferential basis hereunder will be subject to lock-in-period of one year from the date of their allotment.

h. Price at which allotment is proposed

The issue price of Rs. 25/- is higher than the price worked out on the basis of the formula enumerated in Clause 13.1.1 of the SEBI (Disclosure and Investor Protection) Guidelines 2000.

The Relevant Date for the purpose of determining the issue price of Equity Shares arising out of conversion of warrants shall be one month prior to the date of Annual General Meeting on 30th September 2003.

The trading volume for the last six months in the share of the Company is higher in the National Stock Exchange of India Limited. Accordingly the pricing under the preferential allotment guidelines has been computed keeping in mind the price of the equity in the National Stock Exchange of India Limited.

The Certificate issued by M/s Srivas & Pramodkumar Chartered Accountants, Statutory Auditors of the Company stating that this preferential issue of securities is being made in accordance with the Guidelines on Preferential Allotment issued by SEBI will be placed before the shareholders at the AGM, where this resolution is being considered.

As per Section 81 (1A) of the Companies Act, 1956, approval of the shareholders in the General Meeting is required for allotment of Equity Shares/Warrants convertible into Equity Shares/Other Securities on Preferential basis and hence this resolution is placed before the Shareholders.

Your Directors recommend the resolution for your approval.

None of the Directors of the Company except Mr. K Vasudeva Rao and Mr. J A Rao to the extent the number of Securities that may be offered to them. Is any way concerned or interested in the proposed resolution.

ITEM 11:

Mr. K Vasudeva Rao is a Chartered Accountant and has 15 years of experience in industry. He has been associated with Goldstone Technologies Limited as President and then Executive Director. Before joining Goldstone Technologies Limited he has worked as the Sr. Vice President for Six Years in XL Telecom Limited and Kirloskar Group.

The term of office of Mr. K Vasudeva Rao who was appointed as Executive Director in the Eighth Annual General Meeting for a period of one year expires on 30th November 2003 and the Board of Directors in their meeting held on 1st September, 2003, on the recommendation of the remuneration committee, have resolved to re-appoint him as a Executive Director of the Company for further period of One Year on the terms and conditions detailed in the resolution number 9 of this notice.

Approval of the Members is required in the Annual General Meeting for his appointment as Executive Director and hence your Directors recommend the resolution for your approval.

None of the Directors of the Company is in any way concerned or interested in this resolution except Mr. K Vasudeva Rao

For and on behalf of the Board

Place : Secunderabad
Date : 1st September 2003

Sd/-
Dr. K. K. Krishnan Kutty
Chairman

Directors' Report

The Members

Goldstone Technologies Limited

Your Directors have pleasure in presenting the Ninth Annual Report on the business and operations of your company and the Audited Accounts for the fiscal year ended on 31st March 2003.

Financial Results

Particulars	(Rs in Lakhs)	
	2002-03	2001-02
Net Sales/Income from Operations Software	4874.90	2828.91
Other Income	14.21	71.11
Total Income	4889.11	2900.02
Operating Profit	355.00	(563.66)
Interest	94.22	112.39
Depreciation and Write Offs	98.65	475.60
Profit Before Tax	163.43	(1151.65)
Provision for Tax	(9.94)	—
Deferred Tax	15.03	(23.81)
-Prior Period Adjustments	(117.56)	—
Profit after Tax	50.96	(1175.46)
Equity Share Capital (1,08,38,400 Shares of Rs.10/- each)	1083.84	1083.84
E.P.S (Before Extra-ordinary items)	0.47	—
E.P.S (After Extra-ordinary items)	0.47	—
Net Worth	1367.97	1357.13
Book Value (face value Rs. 10/-)	12.62	12.52

Dividend

Your directors, in order to conserve the resources for the future plans do not propose declaration of dividends for the year ending 31st March, 2003.

Review of Operations

During the period under Review, your Company has registered revenue of Rs.4889.00 lakhs as against Rs.2900.02 lakhs for the previous financial year (for nine months) ending 31st March 2002. The Net Profit for the period was Rs.122.00 lakhs as against Loss of Rs. 1175.46 lakhs during the previous period.

Fixed deposits

The Company has not accepted any Fixed Deposits, falling within the purview of Section 58A of the Companies Act, 1956.

Insurance

All the properties of your Company including its building, plant & machinery and stocks have been adequately insured.

Auditors

The retiring Auditors M/s. Srivas & Pramodkumar, Chartered Accountants, Statutory Auditors of your Company have expressed their inability to continue as Auditors of the Company due to re-organisation and as such they have requested that their candidature be not considered for re-appointment. M/s. P. R. Pramodkumar & Co., Chartered Accountants, have been proposed by a Member of the Company for their appointment as Statutory Auditors of the Company from the conclusion of this Annual General Meeting. M/s. P. R. Pramodkumar & Co., Chartered Accountants, have confirmed their eligibility and willingness to accept office, if appointed.

Directors

Mr. L P Sashikumar and Mrs. Mahitha Prasad Caddell Director(s) retire by rotation and being eligible offer themselves for re-appointment. Mr Douglas M Mellinger and Dr M V S R Kamesam Additional Directors of the Company retire in the ensuing AGM. The Company has received notices from the members together with the requisite deposit for their appointment as Directors of the Company liable to retire by rotation. The resolutions are placed before the shareholders for the same. Mr. K Vasudeva Rao whose term of office as Executive Director expires on 30th November 2003 is proposed for re-appointment as Executive Director for a further period of one year. During the year Mr. M Gopalakrishna has resigned as Director of the Company. The Board places on record the valuable services rendered by him during his tenure as Director.

Director's Responsibility Statement

In accordance with the Section 217(2AA) of the Companies Act, 1956, the Board of Directors affirm:

- That in the preparation of the Accounts for the financial year ended as on 31st March 2003, the applicable accounting standards have been followed and there are no material departures there from.

- (b) That the accounting policies have been selected and applied consistently and judgements and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2003 and of the profit or loss of the Company for the period ended on that date.
- (c) That proper and sufficient care has been taken 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.
- (d) That the accounts for the financial year ended 31st March 2003 have been prepared on a going concern basis.

Corporate Governance

A report on Corporate Governance including Auditor Certificate thereon as per Clause 49 of the Listing Agreement is contained elsewhere in the Annual Report.

Issue of Equity Warrants and utilisation of proceeds

During the year your Company has allotted 50,00,000 Equity Warrants convertible into Equity Shares in accordance with SEBI Guidelines and the proceeds received on allotment of Equity Warrants have been utilized for General Corporate requirements

Particulars of Employees

The particulars of Employees pursuant to the provisions of Section 217(2A) of the Companies Act, 1956, are given in the Statement Annexure II included in this report

Conservation of energy / technology absorption, foreign exchange earnings and outgoings

Information as per Section 217(1) (e) of the Companies Act, 1956 is set out in Annexure – I, included in this Report.

Acknowledgements

Your Directors convey their sincere thanks to the Government of India, Government of Andhra Pradesh, Industrial Development Bank of India and State Bank of Hyderabad, for their support and assistance.

Your Directors thank all the Employees of your company for their dedicated service, which enabled your company to achieve excellent results and performance during the year. Your Directors thank the shareholders for their support and confidence reposed in the company and the management and look forward to their continued co-operation and support.

For and on behalf of the Board

Place : Secunderabad
Date : 1st September 2003

Dr K K Krishnan Kutty
Chairman

Management Discussion and Analysis Report

Overview

Goldstone Technologies Limited (GTL) was originally incorporated as Goldstone Engineering Limited on 18th March 1994 in Hyderabad for Manufacturing of Heat Shrinkable Sleeves. Later the Company expanded its operations to manufacture other telecom equipment and in 1998 GTL has diversified into software development. It then changed its name to Goldstone Technologies Limited, to reflect its entire operations. Later, GTL has undergone a restructuring exercise and the Telecom division of the Goldstone Technologies Limited along with its Investments in telecom subsidiaries has been transferred to Goldstone Teleservices Limited. Today GTL is a pure play Company with its focus on Software Technology Development Business

Fiscal

The financial year of the Company commenced from 01st April 2002 and ended on 31st March 2003, consisting of 12 months as compared to previous financial year of nine months.

Industry Structure and developments

The IT Budgets worldwide have been muted, the IT services component is witnessing growth with budgets for offshore outsourcing on the rise. The quality work at better value has prompted many Global Customers to include off shoring as a part of their outsourcing strategy. In a bid to widen their service portfolio, Indian Companies are gearing up to enter service lines dominated by American and European Vendors. Most of the IT Companies added BPO to their service offering last year and increasingly looking at getting good opportunities in IT outsourcing business.

While India has become synonymous with off shoring, there are low cost countries such as China, Philippines who are gearing up for being considered as possible off shore destinations. However it is likely to take some time before these countries achieve service quality and project size comparable with those rendered in India.

Opportunities, Threats, Risks and Concerns:

The increased recognition of the Indian IT services companies coupled with the undergoing efforts to increase the services portfolio would make us serious contenders for the large application outsourcing deals in future, which is one of the avenues of growth going forward.

The increased interest in the offshore model in the relatively under penetrated European geography and Japan holds a lot of opportunities.

Geo-political disturbances such as September 11, 2001 Indo Pak hostilities, Iraq War, Severe Acute Respiratory Syndrome (SARS) have cast their shadow on the business prospects of global corporations and we are no exception, though the quantification of the same may

not be possible. Inadequate control over such events or recurrence of similar events might impact business going forward. However, we believe that such events may have only postponed business and not erased the prospects. During the past year significant investments have been made into business continuity practices both in India and abroad to mitigate any risk arising from geo political disturbances and in line with customer requirements.

The continued uncertainty in the business of our customers has resulted in lower than anticipated ramp up from new customers added over the last one year. However, their thrust on offshoring continues to be high, presenting opportunities for long-term sustainable partnerships and growth.

The past year saw a dip in margins and net profit on account of the appreciation in the rupee against the US dollar. In view of the fact that our business proceeds are largely denominated in US dollar, further appreciation is bound to effect our financial performance.

The proposals to reduce the annual H1 B Visa from the current limit of 195,000 to 65,000 from October 1, 2003 have created fresh concerns on operations of the Indian IT services companies. NASSCOM is working on behalf of the industry to ensure that the Indian companies are not adversely affected by the reduction in visas.

Other potential risks to the business performance of the Indian IT services companies include slower than expected recovery in the global economy, especially in the US and Europe, enhanced concerns on the geopolitical front and rising non-tariff barriers of customer countries to protect own players/jobs.

Outlook:

The Company's outlook for the financial year ending March 31, 2004 is as follows:-

For Financial Year 2003-04 income from Software services is expected to grow between 30% to 40%. Accordingly income is expected to be between Rs. 65 Crores to 70 Crores and EPS is expected to be between Rs. 7 and Rs. 8.

Internal Control System and its Adequacy:

An Audit Committee of the Board of Directors has been constituted as per Section 292 A of the Companies Act 1956 and Corporate Governance requirements specified under Clause 49 of the Listing Agreement.

The Company has adequate Internal Control Systems in place. The Internal Audit Report has been structured to conduct a review and evaluation and to present its report to the Audit Committee and the Management. The Internal Audit Reports dealing with internal control systems are considered by the Audit Committee of the Company, at regular intervals.

Financial Performance & Operational Performance:

Financial Condition:

Capital Structure:

The Authorised Share Capital of the Company is Rs. 2000 Lakhs divided into 200 Lakh Equity Shares of Rs. 10/- each.

The Company has only one Class of Shares, i.e., Equity Shares and as on 31st March 2003 the Equity paid up capital of the Company consist of 10838400 Equity Shares of face value of Rs.10/- each.

Reserves and Surplus:

The reserves and Surplus of the Company as on 31st March 2003 stood at Rs.374.67 lakhs as compared to Rs.325.67 lakhs in the previous year.

Fixed Assets:

During the year, the Company added Rs. 407.75 lakhs worth of in Fixed Assets, of which Rs.397.52 lakhs were spent towards Computer systems & software.

Investments:

Investments as on 31st March 2003 stood at Rs.166.98 lakhs as against Rs.15.00 lakhs as on 31st March 2002. There are no current investments in Mutual funds.

Sundry Debtors:

Sundry Debtors amounted to Rs 997.39 lakhs as on 31st March 2003 as against Rs.1343.38 lakhs as on 31st March 2002. These debtors are considered good and are realizable.

Cash and Bank Balances:

Cash and Bank balances with scheduled banks as on 31st March 2003 amounting to Rs.189.65 lakhs as against Rs.110.15 lakhs as on 31st March 2002.

Loans and Advances:

Loans and Advances as on 31st March 2003 include Rs. 384.26 lakhs as against Rs. 254.50 lakhs as on 31st March 2002 representing advances paid to suppliers, advance tax, etc.,

Current Liabilities& Provisions:

Sundry Creditors represents the amount payable to vendors for supply of goods amounting to Rs.250.40 lakhs as on 31st March 2003 as against Rs.177.51 lakhs as on 31st March 2002.

Provisions are for gratuity, leave encashment and income tax, and deferred tax etc., at Rs.120.78 lakhs as on 31st March 2003 as against Rs. 125.38 lakhs as on 31st March 2002.

Miscellaneous Expenditure:

Miscellaneous Expenditure as on 31st March 2003 stood at Rs. 90.54 lakhs as against Rs. 52.38 lakhs as on 31st March 2002.

Operational Results:

Revenue:

Revenues of the Company, during the year, are not comparable with that of the previous year since, the

Previous financial year of the Company, consist of only nine months.

The other income for the year was Rs.14.21 lakhs as compared to Rs.71.11 lakhs in the previous year.

Expenditure:

The expenditure of current and previous year is not comparable for reasons as stated above

Financial Charges:

The Company has incurred a sum of Rs.94.22 lakhs towards Financial Charges for the year as against Rs.112.39 lakhs in the previous year of nine months.

Depreciation:

The Company has provided a sum of Rs.91.07 Lakhs towards depreciation for the year as against Rs.160.79 lakhs in the previous year.

Write Offs:

Miscellaneous Expenditure: the expenditure incurred by the Company in Research and Development during the earlier year was written down to the extent of Rs.6.59 lakhs as against Rs.314.81 lakhs during the Previous year.

Provision for Tax:

The Company has provided a sum of Rs. 9.94 as against Rs. Nil in the previous year

Net Profit/Loss:

The Company has made a Net Profit of Rs.163.43 Lakhs as against loss of Rs.1151.65 during the previous year

Earning Per Share:

The Earning Per Share of the Company for the year is Rs.0.47 per share of face value Rs.10/- as against Nil in the previous year.

Human Resource Development and Industrial Relations:

The Company believes that the quality of its employees is the key to its success in the long run and is committed to provide necessary human resource development and training opportunities to equip them with skills, which enables them to adapt to contemporary technological advancements.

Employee Relations during the year continued to be cordial and the company is committed to maintain good relations.

As on 31st March 2003 the Company has a total strength of 220 employees.

Cautionary Statement

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations, may be 'forward-looking statements' within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand, supply and price conditions in the domestic/ overseas markets in which the company operates, changes in the government regulations, tax laws, other statutes and other incidental factors.

Report On Corporate Governance

Company's Philosophy on Code of Governance

The Company envisages the attainment of highest level of transparency in all facets of its operations and in all its interactions with its shareholders, employees and the company.

The company is committed to the best governance norms. It strongly believes in setting the highest standards in all its endeavors.

Board of Directors

The Board of Directors comprises of 6 directors as on 31st March 2003, of whom 5 are Non-executive and Independent Viz., K K Krishnan Kutty, L P Sashikumar, J A Rao, P. Ramesh Babu, Mahitha Prasad Caddell and one Executive Director- K Vasudeva Rao.

Seven Board Meetings were held during the financial year 2002 - 2003 on the following dates:

30th April, 2002; 26th June, 2002; 31st July, 2002; 31st August, 2002, 31st October, 2002; 27th December 2002; 29th January, 2003.

The attendance at the Board Meetings and at AGM and Number of other Directorships and committee Memberships of Directors is given below.

Name of Director	Designation of Board Meetings held	Number of Board Meetings Attended	Number Committee Positions held in	No.of Directors hips in other Companies	No.of at Last AGM (Yes\No) Copanies	Attendance
Mr. K. K. Krishnan Kutty	Non-E.D	7	7	3	1	Yes
Mr. L.P. Sashi Kumar	Non-E.D	7	6	3	10	Yes
Mr. J.A. Rao	Non-E.D	7	7	4	4	Yes
Mr. K.V. Vasudeva Rao	E.D	7	5	Nil	1	No
Mr. P. Ramesh Babu	Non-E.D	7	7	Nil	9	No
Ms.Mahita Prasad Caddell	Non-E.D	7	Nil	Nil	1	No
Mr.Kishore V.Khandavalli (Resigned on 12.11.2002)	Non-E.D	7	Nil	Nil	Nil	No
Mr.Ramana Kumar Peddu (Resigned on 26.06.2002)	Non-E.D	7	Nil	Nil	Nil	No
Mrs.Preetha Priyadarshini (Resigned on 26.06.2002)	Non-E.D	7	Nil	Nil	Nil	No
Mr.M.Gopalakrishan (Resigned on 30.01.2003)	Non-E.D	7	4	Nil	Nil	Yes

Audit Committee

The Audit Committee Comprises of Dr K.K. Krishna Kutty Chairman, Sri. J.A. Rao and Sri L.P. Sashikumar, as its Members. The role, terms of reference and authority and powers of the Audit Committee are in conformity with the requirements of Companies Act, 1956 and provisions made in paragraph C and D in sub-clause II of Clause 49 of the listing agreement.

The Audit Committee held four meetings during the year 2002-2003 and attendance at the meeting was as under

Name of the Director	Position held in the Committee	No.of meetings attended	Committee meetings held on
Dr. K. K. Krishnan Kutty	Chairman	4	24th June 2002
Mr. L. P. Sashikumar	Member	4	29th July 2002
Mr. J. A. Rao	Member	4	28th October 2002
			27th January 2003

Remuneration / Compensation Committee

The Constitution of the Compensation/Remuneration Committee has undergone change during the year owing to the resignation of Mr. Gopalakrishna. Dr. K. K. Krishnan Kutty, was nominated on the Remuneration / Compensation Committee.

Name of the Director	Position held in the Committee	No.of meetings attended	Committee meetings held on
Mr. L. P. Sashikumar	Chairman	2	23rd October, 2002
Dr. K. K. Krishnan Kutty	Member	2	20th March, 2003
Mr. J. A. Rao	Member	2	

Details of remuneration to all the directors in the financial year 2002-2003

The aggregate of Salary, perquisites paid for the year 200-2003 to Sri K.Vasudeva Rao, Executive Director of the company is Rs.7,20,000/-.

Shareholders / Investors Grievance Committee

The Shareholders\Investor Grievance Committee has undergone change during the year owing to the resignation of Mr. Gopalakrishna. Mr.L.P.Sashikumar, was nominated on the Shareholders/Investor Committee. Presently the committee consists of Dr.K.K.Krishan Kutty, Chairman, Mr.L.P.Sashikumar and Mr.J.A.Rao, as its members.

Number of Investor Queries/Complaints received during the year 2002-03 were as follows

Nature of Complaint	Received during the year	Resolved during the year
Letters received from NSE	5	5
Letter from SEBI	1	1
Letter from BSE	1	1
Non-Receipt of Dividend/Warrant	-	-
Non-receipt of Share Certificate/Transfer	-	-
Total	7	7

Share Transfer Committee

The Members of the shareholders /Investors Grievance Committee are also entrusted with the responsibility of Share Transfer Committee, which looks into the matters relating to transfers/transmissions, issue of duplicate certificates etc. The details regarding the transfers, dematerializations, issue of duplicate Share certificate, etc., are as under:

No. of share transfer Committee Meetings	No. of Shares approved for transfer	Duplicate Shares Issued	Re-materialization of Shares	Total
11	16780	Nil	40	16820

General Body Meetings

YearNo. of Meeting	Location	Date & Day	Time
2001 – 2002 08th	Plot No. 1 & 9, IDA, Phase II, Cherlapally, Hyderabad - 500 051	30th September 2002, Monday	11.00 A. M
2000 - 2001 07th	Plot No. 1 & 9, IDA, Phase II, Cherlapally, Hyderabad-500 051	31st December, 2001, Monday	4.30 P. M
1999 - 2000 06th	8-3-987/2, Sri Satya Sai Nigamagamam, (Kalyana Mandapam), Srinagar Colony, Hyderabad – 500 073	15th December, 2000, Friday	10.00 A. M

No postal Ballots were required to be used \ invited for voting at these meetings in respect of the special resolutions passed nor it is proposed during the year.

Details of the Special resolution passed during the last three Annual General Meetings of the Company.

In the 8th AGM the special resolutions for issue of Equity Shares on Preferential basis to employees under ESOPS and appointment of Mr. K. Vasudeva Rao, as Executive Director of the company were passed.

In the 7th AGM the special resolutions for Alteration of Articles of Association to include the Buy Back of Securities Exchange Board of India, issue of Equity Shares on Preferential basis and De-listing of Equity shares were passed.

In the 06th AGM, the special resolutions for issue of shares to employees of the Company and its Subsidiaries under ESOPS and also issue of Shares on preferential basis were passed

Disclosures

There were no transactions of material nature between the company and the directors or management and their relatives or promoters that may have a potential conflict with interest of the company. The remuneration to Whole-time Directors and key management personnel has been disclosed in the Annual Report

There has been no Non-Compliance by the company on any matter related to capital markets, Listing Agreement, Filing of the requisite Forms, Returns and Documents with the Registrar of Companies (ROC) and hence no penalties were paid nor any strictures were imposed on the company by the stock exchanges or SEBI or any statutory authority.

Means of Communication

The company publishes its Quarterly results in Business Standard (English), Andhra Bhoomi (Telugu). These results are submitted to the stock exchanges in accordance with the Listing Agreements and they are also being filed with the Stock Exchanges under EDIFAR facility.

Management Discussion & Analysis

The Management Discussion & Analysis Report is enclosed as part of the Annual Report.

GENERAL SHAREHOLDERS' INFORMATION

1. General Shareholders Information:

The Ninth Annual General Meeting of the Company will be held on Tuesday, 30th September, 2003 at 9.30 A.M at Plot No 1 & 9 Phase II, IDA Cherlapally, Hyderabad- 500051

(a) Financial Calendar:

The Quarter Results are proposed to be published by 31st July, 2003, 31st October, 2003, 31st January, 2004, 30th April, 2004 for the First, Second, Third and Fourth Quarter respectively and the Annual results are proposed to be published by 30th June, 2004.

Dates of Book Closure: 25th September – 30th September 2003 (Inc. of both days)

Stock Exchanges where Listed

- | | |
|--|---|
| 1. National Stock Exchange of India Limited
Exchange Plaza, 5th Floor Plot No C/1
G Block Bandra Kurla Complex
Bandra (E), Mumbai - 400 051 | 2. The Stock Exchange Mumbai
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai - 400 001 |
| 3. The Hyderabad Stock Exchange Limited
Administrative Office 6-3-654
Adjacent to Erramanzil Bus Stop
Somajiguda Hyderabad – 500 082 | 4. The Stock Exchange Ahmedabad
Kamadhenu Complex
Opp Sahajanand College
Panjarapole, Ahmedabad – 3800 015 |
| 5. Madras Stock Exchange Limited,
Exchange Building Post Box No 183
II Second Line Beach
Chennai - 600 001 | 6. Delhi Stock Exchange Association Limited
DSE House 3/1
Asaf Ali Road
New Delhi - 110 002 |

Stock Code:

NSE - GOLDTECH

BSE - 531439

Listing fees has been paid to all the stock exchanges except ASE, DSE and MSE for the year 2003-04

The resolution is placed before the members for the de-listing of Equity shares at the Stock Exchanges at HSE, MSE, DSE, AND ASE. The justification for de-listing has been provided under the Explanatory Statement in the Notice of the Annual General Meeting.

Market Price Data (in Rs.):

Month	NSE		BSE	
	High	Low	High	Low
April 2002	42.50	17.60	46.00	18.00
May 2002	43.90	22.40	44.00	22.25
June 2002	31.00	21.30	34.00	21.00
July 2002	33.40	22.50	33.20	18.25
August 2002	23.35	19.60	26.00	18.40
September 2002	22.60	17.15	23.30	16.10
October 2002	17.90	14.00	18.00	13.60
November 2002	20.00	14.20	20.00	14.60
December 2002	32.70	18.00	36.75	17.50
January 2003	47.70	32.25	47.90	32.25
February 2003	42.70	29.00	41.95	29.00
March 2003	35.00	22.80	34.45	23.10

Outstanding GDRs/ADRs/Warrants or convertible instruments and impact on Equity:

The Company has not issued any GDRs/ADRs. The Company has allotted 50 Lakh Equity Warrants. No person holding equity warrants so far have exercised their option during the year. However as and when they exercise their option they will be eligible for allotment of Equity Shares which will rank pari passu with the existing Equity Shares of the Company and there will be consequential change in the Equity Share Capital.

Registrar and Transfer Agents

M/s Venture Capital and Corporate & Investment Limited
6-2-913/914, 3rd Floor, Progressive
Towers, Khairtabad Hyderabad – 04
Tel: +91-40-3322262/64
Fax: +91-40-3324803
Email: vccil_hyd@yahoo.co.in

Distribution of Shareholding as on 31st March 2003

Share or Debentures Holding of nominal value of	Share/Debentures Holders		Share/Debenture Amount	
	Number	% of Total	In Rs	% of Total
(1)	(2)	(3)	(4)	(5)
Upto - 5000	9,930	83.73	16966990	15.65
5001 - 10000	1,031	8.69	8540380	7.88
10001 - 20000	452	3.81	6836930	6.31
20001 - 30000	183	1.54	4727620	4.36
30001 - 40000	61	0.51	2162360	2.00
40001 - 50000	57	0.48	2705190	2.50
50001 - 100000	70	0.59	4919490	4.54
100001 and above	76	0.64	61525040	56.77
TOTAL	11860	100.00	108384000	100.00

Shareholding Pattern as on 31st March 2003

Category	No. of Equity Shares Held	% of Shareholding	No. of Share-Holders	% to Total Shareholders
1 Promoters	3282112	30.28%	8	0.07%
2 Mutual Funds & IFI's	334000	3.08%	4	0.04%
3 Private Bodies Corporate	1803867	16.64%	545	4.59%
4 Public	5024200	46.36%	11054	93.19%
5 NRI'S	394221	3.64%	249	2.10%
GRAND TOTAL	10838400	100.00%	11860	100.00%

Dematerialization of Shares and Liquidity

The International Security Identification Number (ISIN) allotted to the Company Scrip is INE805A01014. Investors have better liquidity in Dematerialized Form and are therefore advised to open a Demat Account with a Depository Participant of their choice to trade in Dematerialized form. Over 93.50% of the company Shares are now held in Electronic Form. The list of depository participants is available with National Securities Depository (NSDL) at www.nsdl.co.in.

Location of Software Divisions

India	United States of America
9-1-83 & 84 Amarchand Sharma Complex S D Road, Secunderabad – 500 003	8603 Westwood Center Drive Suite 200, Vienna Virginia –22182 U S A

Address for Correspondence:

Goldstone Technologies Limited,
Shares Department,
9-1-83 & 84 Amarchand Sharma Complex,
S D Road Secunderabad – 500 003
Tel: +91 – 40 - 27807640, Fax +91 – 040 - 27801910,

Compliance Certificate of the Auditors

The Company has obtained a certificate from the statutory auditors regarding compliance of conditions of corporate governance as stipulated in Clause 49, which is annexed herewith.

Auditors' Certificate on Corporate Governance

To

The Members

We, the Statutory Auditors of Goldstone Technologies Limited have reviewed the relevant records for the year ended on 31st March 2003 relating to compliance with the requirements of Corporate Governance and state that in our opinion and to the best of our knowledge and according to the information and explanation given to us, the Company has complied with the provisions of Clause 49 of the Listing Agreement

For Srivas & Pramodkumar.,

Place : Secunderabad
Date : 1st September 2003

Sd/-
P R Pramodkumar
Partner

Auditors' Report

To
The Members of
Goldstone Technologies Limited

1. We have audited the attached Balance Sheet of Goldstone Technologies Limited as at 31st March 2003 and also the Profit and Loss Account 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 have 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 Manufacturing and Other Companies (Auditor's Report) Order, 1988 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, to the extent applicable to the company.
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 purposes 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 and Profit and Loss Account dealt with by this report are in agreement with the books of account;
 - iv. In our opinion, the Balance Sheet and Profit and Loss Account 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 written representations received from the directors as on 31st March 2003, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2003 from being appointed as a director in terms of clause (g) of sub-section (1) of the 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 Balance Sheet, of the state of affairs of the Company as at 31st March 2003; and
 - b. In the case of the Profit and Loss Account, of the Profit for the year ended on that date.
 - c. In the case of Cash Flow Statement, of the Cash Flows for the year ended on that date.

For **Srivas and Pramodkumar**
Chartered Accountants

Secunderabad
30th June, 2003

Sd/-
P R Pramodkumar
Partner

Annexure to the Auditors' Report

(Annexure Referred in paragraph 3 of our Report of even date on the accounts of Goldstone Technologies Limited as at 31st March 2003)

1. The Company has maintained proper records showing fully particulars including quantitative details and situation of Fixed Assets. We are informed that the management physically verified the same and that no discrepancies were noticed thereon as compared to book records.
2. Fixed Assets were not revalued during the year.
3. The Company has not taken any loans from Companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956. Provisions of section 370 (1B) have since been made inoperative.
4. The Company has not granted any loans, secured or unsecured to companies, firms, or other parties required to be listed in the register maintained under section 301 of the Companies Act, 1956. Provisions of section 370 (1B) have since been made inoperative.
5. In the absence of specific terms and conditions in respect of loans/advances in the nature of loans given by the Company, we are unable to comment whether the parties are repaying the principal amount as stipulated and whether they are also regular in payment of interest.
6. In our opinion and according to the information and explanations given to us, there is an adequate internal control procedure commensurate with the size of the Company and the nature of its business, for the purchase of Computer hardware and software, consumables, Plant & Machinery, Equipment and other assets. The activity of the company do not involve sale of goods.
7. In our opinion and according to the information and explanations given to us, the transaction of sale of services, made in pursuance of contract or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 Rs. 50,000/- (Rupees Fifty Thousand Only) or more in respect of a party have been made at prices which are reasonable having regard to prevailing market prices of such services or the prices at which transactions of similar services have been made with other parties.
8. The Company has not accepted any deposits from the public during the year under audit.
9. In our opinion, the Company's present internal audit system is commensurate with its size and nature of business.
10. We are informed that the Central Government has not prescribed maintenance of cost records under section 209(1) (d) of the Companies Act, 1956 in respect of the Company.
11. The Company was regular in the payment of Provident Fund, Employees State Insurance dues to the appropriate authorities.
12. There are no amounts outstanding as on 31st March 2003 in respect of undisputed income-tax, wealth tax, sales tax, customs duty and excise duty which were due for more than six months from the date they became payable.
13. During the course of our examination of the books of account, we have not come across any personal expenses which have been charged to Profit and Loss Account other than those payable in respect of contractual obligations or in accordance with generally accepted business practices nor have we been informed of such cases by the management.
14. The Company is not a sick industrial company within the meaning of clause (o) of subsection (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
15. The Company allocates required manpower to relative jobs. In our opinion and according to the information and explanations given to us, such allocations are reasonable considering the size of the Company and nature of its business.

For **Srivas & Pramodkumar**
Chartered Accountants

Sd/-
P R Pramodkumar
Partner

Place : Secunderabad
Date : 30th June, 2003

Balance Sheet as at 31st March, 2003

	Sch.	As at 31st March, 2003 Rupees	As at 31st March, 2002 Rupees
I SOURCES OF FUNDS			
1 SHAREHOLDERS' FUNDS			
a. Share capital	1	108,384,000	108,384,000
b. Reserves and Surplus	2	37,466,506	32,566,973
		145,850,506	140,950,973
2 LOAN FUNDS			
a. Secured Loans	3	72,000,000	90,000,000
		72,000,000	90,000,000
Total		217,850,506	230,950,973
II APPLICATION OF FUNDS			
1 FIXED ASSETS	4		
a. Gross block		147,680,699	106,905,706
b. Less : Depreciation		47,954,102	33,628,279
Net block		99,726,597	73,277,427
Add : Capital Work in Process (Including Capital Advances)		68,111,399	111,993,560
		167,837,996	185,270,987
2 INVESTMENTS	5	16,698,000	1,500,000
3 CURRENT ASSETS, LOANS & ADVANCES			
a. Sundry Debtors	6	99,738,750	134,338,231
b. Cash and Bank Balances	7	18,965,377	11,015,022
c. Loans and Advances	8	38,426,256	25,450,833
Total		157,130,384	170,804,086
Less: Current Liabilities & Provisions			
a. Current Liabilities	9	107,785,685	104,814,520
b. Provisions	10	12,077,891	12,538,249
Total		119,863,576	117,352,769
NET CURRENT ASSETS		37,266,807	53,451,317
4 Miscellaneous Expenditure	11	9,054,201	5,238,237
5 Deferred Tax Liability		(13,006,498)	(14,509,568)
Total		217,850,506	230,950,973
Notes to Accounts	17		

as per our report attached
for **Srivas & Pramodkumar**
Chartered Accountants

On behalf of the Board

Sd/-

P.R. Pramodkumar
Partner

Place: Secunderabad
Date : 30.06.2003

Sd/-

Dr. K.K. Krishnan Kutty
Chairman

Sd/-

K Vasudeva Rao
Executive Director

Profit & Loss Account for the Year Ended 31st March, 2003

	Sch.	For the year ended 31-03-2003 Rupees	For the Nine Months ended 31-03-2002 Rupees
INCOME			
Software development	12	487,489,999	282,891,170
Other income	13	1,420,685	7,110,981
Total		488,910,684	290,002,151
EXPENDITURE			
Personnel cost	14	300,942,931	224,021,176
Administration and other expenses	15	152,437,539	122,346,590
Finance Charges	16	9,421,816	11,239,507
Depreciation		9,106,888	16,079,212
Miscellaneous Expenses Written off		658,572	31,480,791
Total		472,567,746	405,167,276
Profit/(Loss) before Taxation		16,342,938	(115,165,125)
Provision for taxation		(993,749)	—
Deferred Tax A/c		1,503,070	(14,509,568)
Profit/(Loss) after tax		16,852,259	(129,674,693)
Diminution in the value of Investments		—	(5,844,170)
Prior period adjustments (-)		(11,755,777)	7,412,588
Profit /(Loss) after Adjustment		5,096,482	(128,106,275)
Brought forward from previous year		(73,191,485)	55,111,739
Balance carried to Balance Sheet		(68,095,003)	(72,994,536)
Earnings per Share			
(Equity Shares nominal value Rs. 10/- each)			
Basic & Diluted		0.470	—
Number of shares used in Computing EPS			
Basic & Diluted		10,838,400	—
Notes to Accounts	17		

as per our report attached
for **Srivas & Pramodkumar**
Chartered Accountants

On behalf of the Board

Sd/-

P.R. Pramodkumar
Partner

Place: Secunderabad
Date : 30.06.2003

Sd/-

Dr. K.K. Krishnan Kutty
Chairman

Sd/-

K Vasudeva Rao
Executive Director

Schedules Forming Part of the Accounts

	As at 31.03.2003 Rupees	As at 31.03.2002 Rupees
1: SHARE CAPITAL		
Authorised:		
2,00,00,000 Equity Shares of Rs.10/-	<u>200,000,000</u>	<u>200,000,000</u>
Issued, Subscribed and Paid up:		
1,08,38,400 Equity Shares of Rs. 10/- each, fully paid up	<u>108,384,000</u>	<u>108,384,000</u>
Total	<u>108,384,000</u>	<u>108,384,000</u>
2: RESERVES AND SURPLUS		
1 Capital Reserve	<u>1,280,538</u>	<u>1,280,538</u>
2 Share Premium Account	<u>85,980,292</u>	<u>85,980,292</u>
3 General Reserve	<u>18,300,679</u>	<u>18,300,679</u>
4 Profit & Loss Account balance	<u>-68,095,003</u>	<u>-72,994,536</u>
Total	<u>37,466,506</u>	<u>32,566,973</u>
3: SECURED LOANS		
Term Loan from IDBI	<u>72,000,000</u>	<u>90,000,000</u>
Total	<u>72,000,000</u>	<u>90,000,000</u>

Schedules Forming Part of the Accounts

4: FIXED ASSETS

Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 01.04.2002 Rupees	Additions during the year Rupees	Deductions during the year Rupees	As on 31.03.2003 Rupees	Upto 01.04.2002 Rupees	For the year Rupees	Deductions during the year Rupees	Upto 31.03.2003 Rupees	As on 31.03.2003 Rupees	As on 31.03.2002 Rupees
1. Land	8,062,000	-	-	8,062,000	-	-	-	-	8,062,000	8,062,000
2. Buildings	21,819,122	554,931	-	22,374,053	1,945,171	363,599	-	2,308,770	20,065,283	19,873,951
3. Leasehold Improvements	4,726,112	11,464	-	4,737,576	609,377	4,128,199	-	4,737,576	-	4,116,735
4. Plant & Machinery	3,062,462	-	-	3,062,462	2,487,750	115,400	-	2,603,150	459,312	574,712
5. Furniture & Fixures	4,716,870	30,446	-	4,747,316	1,134,102	1,253,630	-	2,387,732	2,359,584	3,582,768
6. Electrical Equipment/ Installation	5,611,083	-	-	5,611,083	522,918	285,373	-	808,291	480,292	5,088,165
7. Vehicles	945,083	-	-	945,083	278,079	89,537	-	367,616	577,467	667,004
8. Computer system	47,226,040	39,751,505	-	86,977,545	23,768,147	7,736,925	-	31,505,072	55,472,473	23,457,893
9. Electronic equipment & Office Equipment	10,736,934	426,645	-	11,163,579	2,882,735	353,161	-	3,235,896	7,927,683	7,854,199
Total	106,905,706	40,774,991	-	147,680,697	33,628,279	14,325,824	-	47,954,103	99,726,594	73,277,427
Previous period	208,107,651	25,947,936	127149881	106,905,706	17,793,853	16,079,212	244786	33,628,279	73,277,427	190,313,798

Schedules Forming Part of the Accounts

	As at 31.03.2003 Rupees	As at 31.03.2002 Rupees
5: INVESTMENTS- AT COST		
Long Term Investment		
Unquoted		
i) Investment in Preferential Stock of Enherent Corporation (i. 2,750,000 convertible preferred Stock,Face Value US\$ 1 each) (ii. 1,875,000 Warrants of common stock,Face value US\$ 0.001 per Warrant)	16,698,000	—
Trade (Unquoted)		
i) Prudential ICICI Liquid fund (128112.247 Units of Rs.11.71 each) Less: Repurchased during the year	1,500,000 <u>1,500,000</u>	— <u>1,500,000</u>
Total	16,698,000	1,500,000
6: SUNDRY DEBTORS		
(UNSECURED, CONSIDERED GOOD)		
a. Debts outstanding for a period exceeding six months	22,917,732	12,04,875
b. Other Debts	76,821,018	133,133,356
Total	99,738,750	134,338,231
7: CASH & BANK BALANCES		
Cash on hand	270,218	102,727
Bank balances		
With Scheduled Banks:		
- In Current Accounts	1,234,269	103,875
Balances with others		
- Allfirst Bank	17,460,890	10,808,420
(Maximum Balance outstanding during the year \$ 733,540)		
Total	18,965,377	11,015,022

Schedules Forming Part of the Accounts

	As at 31.03.2003 Rupees	As at 31.03.2002 Rupees
8: LOANS & ADVANCES.		
(UNSECURED, CONSIDERED GOOD)		
Advances recoverable in cash or kind or for value to be received:	—	5,762,419
Advance to suppliers	5,855,150	—
Advance to Staff	8,619,960	4,497,582
Deposits	4,279,240	3,137,755
Advance Income Tax	11,747,609	11,156,791
Prepaid Expenses	7,924,297	896,286
Total	<u>38,426,256</u>	<u>25,450,833</u>
9: CURRENT LIABILITIES		
Sundry Creditors		
- SSI Units	—	—
- Others	25,040,289	17,751,114
Other Creditors/ Liabilities	81,072,412	85,159,041
Statutory Liabilities	802,985	891,865
Interest Accrued but not due on Loans	870,000	1,012,500
Total	<u>107,785,685</u>	<u>104,814,520</u>
10: PROVISIONS		
Provision for Taxation	11,456,665	11,000,000
Provision for Gratuity and Leave Encashment	621,226	1,538,249
Total	<u>12,077,891</u>	<u>12,538,249</u>
11: MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)		
Preliminary Expenditure	55,873	
Less : Written Off during the year	18,680	37,193
Public Issue Expenses	2,789,178	55,873
Less : Written Off during the year	166,458	2,622,720
Deferred Revenue Expenditure	2,393,186	2,789,178
Add: Addition during the year	4,474,536	
	6,867,722	
Less : Written Off during the year	473,434	6,394,288
Total	<u>9,054,201</u>	<u>5,238,237</u>

Schedules Forming Part of the Accounts

	For the year ended 31.03.2003 Rupees	For the Nine Months ended 31-03-2002 Rupees
12: SALES		
Software - Domestic	4,998,690	934,663
- Exports	482,491,309	281,956,507
Total	<u>487,489,999</u>	<u>282,891,170</u>
13: OTHER INCOME		
Insurance Claims received	1,266,760	143,990
Interest on Fixed Deposits	153,925	—
Gain on Foreign Exchange Fluctuations	—	6,530,429
Miscellaneous Income	—	294,872
Dividend Received	—	141,690
Total	<u>1,420,685</u>	<u>7,110,982</u>
14: PERSONNEL EXPENDITURE		
Salaries, Wages and other Benefits	298,742,693	222,479,846
Staff Welfare	177,358	877,650
Staff Recruitment & Training	2,022,880	663,680
Total	<u>300,942,931</u>	<u>224,021,175</u>

Schedules Forming Part of the Accounts

	For the year ended 31.03.2003 Rupees	For the Nine Months ended 31-03-2002 Rupees
15: ADMINISTRATIVE AND SELLING EXPENSES		
Directors Remuneration	180,000	1,456,300
Advertisement	332,846	135,015
Electricity	432,423	1,343,369
Rent	6,617,226	3,897,297
Legal Fees	1,874,122	883,232
Consumables	64,919	518,275
Printing and Stationary	98,921	487,925
Postage ,Telephones and Internet	10,157,641	8,669,380
Insurance	2,135,682	54,575
Professional and Consultancy	2,661,627	10,644,074
Sub-Contract Services	90,870,218	55,849,119
Rates and Taxes	321,985	918,943
Meeting Expenses	—	291,553
Marketing Expenses	7,891,025	1,436,660
Gifts and Donations	—	125,164
Books & Periodicals	64,375	76,739
Membership & Subscription	644,029	178,225
Vehicle Maintenance	449,504	419,395
Travelling Expenses		
- Directors	532,939	792,899
- Others	16,319,294	17,021,814
Conveyance	8,493	1,020,875
Business Promotion	239,434	410,561
Auditors Remuneration	125,000	125,000
Office Maintenance	2,177,515	1,955,680
Repairs & Maintenance	2,178,488	1,957,137
Miscellaneous Expenses	4,227,587	119,524
Listing Fees	—	69,100
Bad Debts written off	—	1,729,310
Foreign Exchange Fluctuation loss	1,549,469	—
Security Charges	78,439	176,584
Licence Fee	204,339	514,409
Loss on Sale of Product	—	9,086,458
Total	152,437,539	122,364,592
16: FINANCIAL EXPENSES		
Interest on Term Loan	83,345,25	11,110,891
Bank Charges & Commission	171,043	128,616
Other Financial Charges	916,248	—
Total	9,421,816	11,239,507

17. SIGNIFICANT ACCOUNTING POLICIES

A) Statement on Significant Accounting Policies

(i) Basis of Accounting

The Financial Statements of the Company are prepared under the historical cost convention and comply with the applicable accounting standards issued by the Institute of Chartered Accountants of India, and the relevant provisions of the Companies Act, 1956 as adopted consistently by the Company.

(ii) Revenue Recognition:

- a) All incomes and expenditure are accounted on accrual basis except insurance claims and dividend incomes, which are accounted on cash basis.
- b) Revenue from Software Development contracts, priced on time and material basis, is recognised on the basis of billable time spent by employees working on the project, at the contracted rate.
- c) Revenue from fixed price contracts is recognised on milestones achieved as per the terms of specific contracts.

(iii) Fixed Assets:

- a) Fixed Assets are capitalized at acquisition costs and include freight, installation cost, finance cost, duties and taxes and other incidental expenses incurred during construction/installation stage. Project expenses are capitalised to the respective asset heads on a proportionate basis.

Any capital grant or subsidy received is reduced from the cost of eligible assets.

- b) Depreciation on Fixed Assets is provided on straight-line method in the manner and at the rates specified in Schedule XIV to the Companies Act, 1956.

(iv) Investments:

Investments are classified into current Investments and Long-term investments. Current Investments are carried at the lower of cost or fair value. Any reduction in carrying amount and any reversals of such reductions are charged or credited to the profit and loss account. Long-term investments are carried at cost less provision made to recognize any decline, other than temporary, in the value of such investments.

(v) Foreign Currency Transactions:

Transactions in foreign currency are recorded at the exchange rate prevailing on the date of transaction. In respect of foreign branches, all revenue and expense transactions during the year are reported at average rate. Monetary assets and liabilities are translated at the rate prevailing on the balance sheet date whereas non-monetary assets and liabilities are translated at the rate prevailing on the date of the transaction. Balance in 'Head office account' whether debit or credit, is reported at the amount of the balance in the 'branch account' in the books of the head office after adjusting for unresponded transaction. Net gain/loss on foreign currency translation is recognized in the profit and loss account.

(vi) **Miscellaneous Expenditure:**

- a) Preliminary Expenditure is amortised over a period of ten years.
- b) Public Issue expenses are amortised over a period of ten years.
- c) Deferred Revenue Expenditure is charged to revenue over a period of five years.

(vii) **Retirement Benefits to Employees**

Contributions to defined Schemes such as Provident Fund, Employees State Insurance Scheme are charged as incurred on accrual basis. The Company provides the retirement benefits in the form of Gratuity and Leave Encashment on the basis of actuarial valuation made by Independent actuary as at balance sheet date.

B) NOTES FORMING PART OF ACCOUNTS:

1) Preferential Allotment:

During the year, the Company received an amount of Rs. 1,35,00,000/- (Rs. One Crore and thirty five lakhs only) towards preferential offer of 5000000 warrants @ Rs. 2.7 per unit (face value of each warrant Rs. 27/-) as per the approval of the shareholders at the eight Annual General Meeting of the company.

2) Secured Loans:

Loans from IDBI is secured by mortgage and charge on the immovable properties, both present and future, first charge by way of hypothecation of all movables including movable

machinery, machinery spares, tools and accessories, present and future, subject to prior charges created and/or to be created on stock of raw materials, semi-finished goods, work-in-progress, book debts.

3) Fixed Assets:

Capital Work-in-progress as at 31.03.2003 includes advances of Rs. 1,25,00,000/- paid in the previous years by the Company for acquisition of immovable property pending registration.

4) Investment:

During the year, the company has invested 11% of voting stock in Enherent Corporation, USA a NASDAQ listed Company.

5) Current Assets and Current Liabilities:

Sundry Debtors, Loans & Advances and Sundry Creditors balances are subject to confirmation by the parties.

6) Deferred Tax Liability:

Deferred Tax Asset/Liabilities is recognized in accordance with accounting standard on Deferred Taxes (AS – 22)

7) Related Party Disclosure:

The Company had transactions with the following related parties.

- a. **Subsidiary:** Prime Soft LLC
- b. **Remuneration** to Mr. K Vasudeva Rao (Director) Rs. 7.20 Lakhs.

8) Earnings Per Share:

Calculation of EPS (Basic & Diluted):

Rs. In Lakhs

Particulars	Current Year 2002-03	Previous period 2001-02
Total No. of Shares Outstanding	1,08,38,400	1,08,38,400
Profit after Taxes before Prior Period Adjustments	168.52	-1175.46
Profit after Taxes after Prior Period Adjustments	50.96	-1159.78
EPS after Taxes before Prior Period Adjustments	1.55	—
EPS after Taxes after Prior Period Adjustments	0.47	—

9) Segment Reporting:

The Company is primarily engaged in the business of software Development comprising both onsite and offshore operations. Since the nature of the activities is governed by the same nature of risks, these are grouped as a single segment.

10) Additional Information required as per paras 3 & 4 of Part II of Schedule VI to the companies Act, 1956.

The Company is engaged in Software Development. The production and sale of such Software cannot be expressed in Units, Hence, it is not possible to give the quantitative details and information as required under paragraphs 3,4 of Part II of Schedule VI to the Companies Act, 1956.

a) Contingent Liability:

Particulars	Current Year 2002-03	Previous period 2001-02
Taxation Matters		
Demand raised against the Company by the Income Tax Department, in respect of which the Company has preferred an appeal, which is pending.	Rs. 42,06,082	Rs. 31,66,000

b) Managerial Remuneration:

Particulars	Current Year 2002-03	Previous period 2001-02
Executive – Director		
Salary	7,20,000	Rs. 3,60,000
Commission	Nil	Nil
Other perquisite	Nil	Rs. 1,80,000
Whole time Director		
Salary	Nil	Rs. 1,60,000
Other perquisite	Nil	Rs. 7,56,300

c) Foreign Exchange Transaction: Particulars	Rs. In Lakhs	
	Current Year 2002-03	Previous period 2001-02
1) Value of Imports on CIF Basis		
a) Capital Goods – Computer Systems	—	7.01
b) Capital Goods – Computer Software	—	23.35
2) Expenditure in Foreign Currency		
a) Travelling Expenses	22.44	40.00
3) Earnings in Foreign Currency (on Receipt basis)		
a) Software Exports	384.75	406.77
d) Auditors Remuneration: Particulars	Current Year 2002-03	Previous period 2001-02
Audit Fees	Rs. 1,10,000	Rs. 1,10,000
Taxation Matters	Rs. 15,000	Rs. 15,000

11) No amount is due to any small-scale industry in excess of Rs. 1,00,000/- for more than 30 days.

12) Figures have been rounded off to the nearest rupee.

13) Figures for the corresponding year wherever necessary have been regrouped, recast and rearranged to conform to those of the current year.

Per our report attached
For **Srivas & Pramodkumar**
Chartered Accountants

On behalf of the Board

Sd/-
P R Pramodkumar
Partner

Sd/-
Dr K K Krishnan Kutty
Chairman

Sd/-
K Vasudeva Rao
Executive Director

Place : Secunderabad
Date : 30th June, 2003

Statement of Cash Flows for the year ended 31.03.2003

(Amounts in Rs. Lakhs)

	31.03.2003	31.03.2002
A. Cash Flow from operating activity		
Net Profit before tax	163.43	(1151.65)
Adjustments for:		
Depreciation	143.26	160.79
Miscellaneous expenditure written off	6.59	314.81
Provision for Gratuity & Earned Leave	6.21	15.38
Other Income	(14.21)	(71.11)
Loss on sale of assets	0.00	90.86
Interest on Long Term Loan	83.35	111.11
Operating Profit before working capital changes	388.63	(529.81)
Adjustments for:		
Trade and other receivables	346.00	(240.37)
Trade Advances	(123.85)	683.47
Trade Payable	29.71	395.77
Cash generated from operations	640.49	309.06
Direct Taxes paid	(11.89)	(3.39)
Interest paid	(83.35)	(111.11)
Cash Flow before extraordinary items	545.25	194.56
Extraordinary items	(117.56)	0.00
Cash flow after extraordinary items	427.69	194.56
B. Cash Flow from Investing Activity		
Purchase of fixed assets	(16.75)	(259.48)
Adj. Of Capital Work-in-progress	31.08	7.51
Purchase of Investments	(151.98)	(15.00)
Miscellaneous Expenditure	(44.75)	0.00
Interest received	1.54	1.44
Other income	12.67	68.25
Dividend Received	0.00	1.42
Net Cash used for investing activity	(168.19)	(195.86)
C. Cash Flow from financing activities		
Repayment of Term Loan	(180.00)	(89.87)
Net cash generated from financing activity	(180.00)	(89.87)
Net increase in Cash & Cash equivalents (A+B+C)	79.50	(91.17)
Cash & Cash equivalents (Opening Balance)	110.15	201.32
Cash & Cash equivalents (Closing Balance)	189.65	110.15

for Srivas & Pramodkumar

Chartered Accountants

Sd/-

P.R. Pramodkumar

Partner

Sd/-

Dr.K.K.Krishnan Kutty

Chairman

Sd/-

K Vasudeva Rao

Executive Director

Place: Secunderabad

Date : 30.06.2003

Balance Sheet Abstract and Company's Business Profile:

I. Registration Details :

Registration No.

		1	7	2	1	1
--	--	---	---	---	---	---

 State Code:

0	1
---	---

 Balance Sheet Date:

	3	1	0	3	0	3
--	---	---	---	---	---	---

 Date Month Year

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

Public Issue:

				N	I	L
--	--	--	--	---	---	---

 Rights Issue:

				N	I	L
--	--	--	--	---	---	---

 Bonus Issue:

				N	I	L
--	--	--	--	---	---	---

 Private Placement:

				N	I	L
--	--	--	--	---	---	---

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

Total Liabilities:

2	1	7	8	.	5	1
---	---	---	---	---	---	---

 Total Assets:

2	1	7	8	.	5	1
---	---	---	---	---	---	---

Sources of Funds:

Paid-up Capital

1	0	8	3	.	8	4
---	---	---	---	---	---	---

 Reserves and Surplus

	3	7	4	.	6	7
--	---	---	---	---	---	---

 Secured Loans:

	7	2	0	.	0	0
--	---	---	---	---	---	---

 Unsecured Loans:

				N	I	L
--	--	--	--	---	---	---

Application of Funds:

Net Fixed Assets:

1	6	7	8	.	3	8
---	---	---	---	---	---	---

 Investments

	1	6	6	.	0	0
--	---	---	---	---	---	---

 Net Current Assets

	2	4	2	.	6	1
--	---	---	---	---	---	---

 Misc. Expenditure

		9	0	.	5	4
--	--	---	---	---	---	---

* Includes Deferred Tax Liabilities

Accumulated Losses

				N	I	L
--	--	--	--	---	---	---

IV. Performance of company (Amount in Rs. lacs)

Turnover/Income

4	8	8	9	.	1	1
---	---	---	---	---	---	---

 Total Expenditure

4	7	2	5	.	6	8
---	---	---	---	---	---	---

 Profit before tax

	1	6	3	.	4	3
--	---	---	---	---	---	---

 Profit / Loss after tax

	1	6	8	.	5	2
--	---	---	---	---	---	---

 Earning per Share in Rs.

			0	.	4	7
--	--	--	---	---	---	---

 Dividend Rate

						-
--	--	--	--	--	--	---

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

Item Code No. (ITC Code) : 85249009.10
 Product Description : Computer Software

On behalf of the Board

Sd/-
K K Krishnan Kutty
 Chairman

Sd/-
K Vasudeva Rao
 Executive Director

Auditors' Report

To the Board of Directors on the consolidated financial statements of **Goldstone Technologies Limited & its Subsidiary.**

1. We have audited the attached Consolidated Balance Sheet of Goldstone Technologies Limited as at 31st March 2003 and also the Profit and Loss Account for the year ended on that date annexed thereto and the consolidated Cash Flow Statement for the year ended on that date. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We have 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. We did not audit the financial statements of the subsidiary of Goldstone Technologies Limited, whose financial statements reflect total assets of Rs. 7.78 Lakhs as at 31st March, 2003 and total revenues of Rs. 74.21 Lakhs for the year ended on that date. These financial statements have not been audited as the same, being U.S.A based, are not statutorily required in the said country. Our opinion in so far as it relates to the said amounts included in respect of the subsidiary is based solely on the accounts prepared by the management.
4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company and its subsidiary included in the consolidated financial statements.
5. On the basis of the information and explanation given to us, and on consideration of the separate audit reports on individual audited financial statements of the company and its subsidiary, In our opinion the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i. In the case of the Consolidated Balance Sheet of the consolidated state of affairs of the Company and its subsidiary as at March 31, 2003;
 - ii. In the case of Consolidated Profit & Loss Account, of the consolidated results of operations of the Company and its subsidiary for the year ended March 31, 2003;
 - iii. In the case of the Consolidated Cash Flow statement, of the consolidated cash flows of the Company and its subsidiary for the year ended March 31, 2003.

For **Srivas and Pramodkumar**
Chartered Accountants

Sd/-

P R Pramodkumar
Partner

Place: Secunderabad
Date : 30 June, 2003

Consolidated Balance Sheet as at 31st March, 2003

	Sch.	As at 31st March, 03 Rupees	As at 31st March, 02 Rupees
I SOURCES OF FUNDS			
1 SHAREHOLDERS' FUNDS:			
a. Share capital	1	108,384,000	108,384,000
b. Reserves and Surplus	2	37,796,427	34,059,638
		146,180,427	142,443,638
2 LOAN FUNDS			
a. Secured Loans	3	72,000,000	90,000,000
		72,000,000	90,000,000
Total		218,180,427	232,443,638
II APPLICATION OF FUNDS			
1 FIXED ASSETS			
a. Gross block	4	147,680,699	106,905,706
b. Less : Depreciation		47,954,102	33,628,279
Net block		99,726,597	73,277,427
Add : Capital Work in Process (Including Capital Advances)		68,111,399	111,993,560
		167,837,996	185,270,987
2 INVESTMENTS			
	5	16,698,000	1,500,000
3 CURRENT ASSETS, LOANS & ADVANCES			
a. Sundry Debtors	6	100,209,473	134,338,231
b. Cash and Bank Balances	7	18,965,377	11,324,170
c. Loans and Advances	8	38,734,009	25,455,756
Total		157,908,859	171,118,157
Less : Current Liabilities & Provisions			
a. Current Liabilities	9	108,234,240	103,635,926
b. Provisions	10	12,077,891	12,538,249
Total		120,312,131	116,174,175
NET CURRENT ASSETS		37,596,729	54,943,982
4 Miscellaneous Expenditure	11	9,054,201	5,238,237
5 Deferred Tax Liability		(13,006,498)	(14,509,568)
Total		218,180,427	232,443,638
Notes to Accounts	17	—	—

as per our report attached
for **Srivas & Pramodkumar**
Chartered Accountant

On behalf of the Board

Sd/-
P.R. Pramodkumar
Partner

Sd/-
Dr. K.K. Krishnan Kutty
Chairman

Sd/-
K Vasudeva Rao
Executive Director

Place: Secunderabad
Date : 30.06.2003

Consolidated Profit & Loss Account for the Year Ended 31st March, 2003

	Sch.	For the year ended 31-03-2003	For the Nine Months ended 31-03-2002
INCOME			
Software development	12	494,911,399	415,913,096
Other income	13	1,426,385	7,110,981
Total		496,337,784	423,024,077
EXPENDITURE			
Personnel cost	14	308,431,574	338,392,951
Administration and other expenses	15	153,452,189	139,959,409
Finance Charges	16	9,470,392	11,394,851
Depreciation		9,106,888	16,079,212
Miscellaneous Expenses Written off		658,572	31,480,791
Total		481,119,614	537,307,214
Profit/(Loss) before Taxation		15,218,169	(114,283,137)
Provision for taxation		(993,749)	—
Deferred Tax A/c		1,503,070	(2,381,232)
Profit/(Loss) after tax		15,727,490	(116,664,369)
Diminution in the value of Investments		—	(5,844,170)
Prior period adjustments (-)		(11,755,777)	7,412,588
Profit /(Loss) after Adjustment		3,971,713	(115,095,951)
Brought forward from previous year		(71,736,795)	43,594,080
Balance carried to Balance Sheet		(67,765,082)	(71,501,871)
Earnings per Share			
(Equity Shares nominal value Rs. 10/- each)			
Basic & Diluted		0.366	—
Number of shares used in Computing EPS			
Basic & Diluted		10,838,400	—
Notes to Accounts	17		

as per our report attached
for **Srivas & Pramodkumar**
Chartered Accountants

On behalf of the Board

Sd/-
P.R. Pramodkumar
Partner

Sd/-
Dr. K.K. Krishnan Kutty
Chairman

Sd/-
K Vasudeva Rao
Executive Director

Place: Secunderabad
Date : 30.06.2003

Schedules Forming Part of the Accounts

	As at 31.03.2003 Rupees	As at 31.03.2002 Rupees
1: SHARE CAPITAL		
Authorised:		
2,00,00,000 Equity Shares of Rs.10/-	<u>200,000,000</u>	<u>200,000,000</u>
Issued, Subscribed and Paid up:		
1,08,38,400 Equity Shares of Rs. 10/- each, fully paid up	<u>108,384,000</u>	<u>108,384,000</u>
Total	<u>108,384,000</u>	<u>108,384,000</u>
2: RESERVES AND SURPLUS		
1 Capital Reserve	1,280,538	1,280,538
2 Share Premium Account	85,980,292	85,980,292
3 General Reserve	18,300,679	18,300,679
4 Profit & Loss Account balance	-67,765,082	-71,501,871
Total	<u>37,796,427</u>	<u>34,059,638</u>
3: SECURED LOANS		
Term Loan from IDBI	72,000,000	90,000,000
Total	<u>72,000,000</u>	<u>90,000,000</u>

Schedules Forming Part of the Accounts

4 : FIXED ASSETS

Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 01.04.02	Additions during the year	Deductions during the year	As on 31.03.03	Upto 01.04.02	For the year	Deductions during the year	Upto 31.03.03	As on 31.03.03	As on 31.03.02
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
1. Land	8,062,000	-	-	8,062,000	-	-	-	-	8,062,000	8,062,000
2. Buildings	21,819,122	554,931	-	22,374,053	1,945,171	363,599	-	2,308,770	20,065,283	19,873,951
3. Leasehold Improvements	4,726,112	11,464	-	4,737,576	609,377	4,128,199	-	4,737,576	-	4,116,735
4. Plant & Machinery	3,062,462	-	-	3,062,462	2,487,750	115,400	-	2,603,150	459,312	574,712
5. Furniture & Fixures	4,716,870	30,446	-	4,747,316	1,134,102	1,253,630	-	2,387,732	2,359,584	3,582,768
6. Electrical Equipment / Installation	5,611,083	-	-	5,611,083	522,918	285,373	-	808,291	4,802,792	5,088,165
7. Vehicles	945,083	-	-	945,083	278,079	89,537	-	367,616	577,467	667,004
8. Computer system	47,226,040	39,751,505	-	86,977,545	23,768,147	7,736,925	-	31,505,072	55,472,473	23,457,893
9. Electronic equipment & Office Equipment	10,736,934	426,645	-	11,163,579	2,882,735	353,161	-	3,235,896	7,927,683	7,854,199
Total	106,905,706	40,774,991	-	147,680,697	33,628,279	14,325,824	-	47,954,103	99,726,594	73,277,427
Previous period	208,107,651	25,947,936	127,149,881	106,905,706	17,793,853	16,079,212	244,786	33,628,279	73,277,427	190,313,798

Schedules Forming Part of the Accounts

	As at 31.03.2003 Rupees	As at 31.03.2002 Rupees
5: INVESTMENTS- AT COST		
Long Term Investment		
Unquoted		
i) Investment in Preferential Stock of Enherent Corporation	16,698,000	—
(i. 2,750,000 convertible preferred stock, face value US\$ 1each)		
(ii. 1,875,000 Warrants of common stock, face value US\$ 0.001 per warrant)		
Trade (Unquoted)		
i) Prudential ICICI Liquid fund	1,500,000	
(128112.247 Units of Rs. 11.71 each)		
Less: Repurchased during the year	1,500,000	1,500,000
Total	<u>16,698,000</u>	<u>1,500,000</u>
6: SUNDRY DEBTORS		
(UNSECURED, CONSIDERED GOOD)		
a. Debts outstanding for a period exceeding six months	22,917,732	1,204,875
b. Other Debts	77,291,741	133,133,356
Total	<u>100,209,473</u>	<u>134,338,231</u>
7: CASH & BANK BALANCES		
Cash on hand	270,218	102,727
Bank balances		
With Scheduled Banks:		
-In Current Accounts	1,234,269	413,023
Balances with others		
-Allfirst Bank	17,460,890	10,808,420
(Maximum Balance outstanding during the year \$ 733,540)		
Total	<u>18,965,377</u>	<u>11,324,170</u>

Schedules Forming Part of the Accounts

	As at 31.03.2003 Rupees	As at 31.03.2002 Rupees
8: LOANS & ADVANCES		
(UNSECURED, CONSIDERED GOOD)		
Advances recoverable in cash or kind or for value to be received:	—	
Advance to suppliers	5,855,150	5,762,419
Advance to Staff	8,619,960	4,497,582
Deposits	4,279,240	3,137,755
Advance Income Tax	12,055,361	11,161,714
Prepaid Expenses	7,924,297	896,286
Total	38,734,009	25,455,756
9 CURRENT LIABILITIES		
Sundry Creditors		
- SSI Units	—	—
- Others	25,488,843	18,378,791
Other Creditors/ Liabilities	81,072,412	83,352,770
Statutory Liabilities	802,985	891,865
Interest Accrued but not due on Loans	870,000	1,012,500
Total	108,234,240	103,635,926
10 PROVISIONS		
Provision for Taxation	11,456,665	11,000,000
Provision for Gratuity and Leave Encashment	621,226	1,538,249
Total	12,077,891	12,538,249
11 MISCELLANEOUS EXPENDITURE		
(to the extent not written off or adjusted)		
Preliminary Expenditure	55,873	
Less : Written Off during the year	18,680	37,193
Public Issue Expenses	2,789,178	
Less : Written Off during the year	166,458	2,622,720
Deferred Revenue Expenditure	2,393,186	
Add: Addition during the year	4,474,536	
	6,867,722	
Less : Written Off during the year	473,434	6,394,288
Total	9,054,201	5,238,237

Schedules Forming Part of the Accounts

	For the year ended 31-03-2003 Rupees	For the Nine Months ended 31-03-2002 Rupees
12: SALES		
Software - Domestic	4,998,690	934,663
- Exports	489,912,709	414,978,433
Total	<u>494,911,399</u>	<u>415,913,096</u>
13: OTHER INCOME		
Insurance Claims received	1,266,760	—
Interest on Fixed Deposits	153,925	143,990
Gain on Foreign Exchange Fluctuations	—	6,530,428
Miscellaneous Income	5,700	294,872
Dividend Received	—	141,690
Total	<u>1,426,385</u>	<u>7,110,981</u>
14: PERSONNEL EXPENDITURE		
Salaries, Wages and other Benefits	306,231,336	336,034,980
Staff Welfare	177,358	914,208
Staff Recruitment & Training	2,022,880	1,443,764
Total	<u>308,431,574</u>	<u>338,392,951</u>

Schedules Forming Part of the Accounts

	For the year ended 31-03-2003 Rupees	For the Nine Months ended 31-03-2002 Rupees
15: ADMINISTRATIVE AND SELLING EXPENSES		
Directors Remuneration	180,000	1,456,300
Advertisement	332,846	331,193
Electricity	432,423	1,399,224
Rent	6,617,226	5,642,090
Legal Fees	1,874,122	883,232
Consumables	64,919	857,367
Printing and Stationary	98,921	487,925
Postage ,Telephones and Internet	10,157,641	9,811,701
Insurance	2,135,682	54,575
Professional and Consultancy	2,716,981	12,483,827
Sub-Contract Services	90,870,218	62,084,016
Rates and Taxes	326,939	1,946,640
Meeting Expenses	—	291,553
Marketing Expenses	7,891,025	1,534,503
Gifts and Donations	—	125,164
Books & Periodicals	64,375	87,805
Membership & Subscription	644,029	498,447
Vehicle Maintenance	449,504	509,077
Travelling Expenses		
- Directors	532,939	792,899
- Others	16,319,294	18,917,265
Conveyance	8,493	1,409,955
Business Promotion	239,434	410,561
Auditors Remuneration	125,000	125,000
Office Maintenance	2,177,515	2,441,293
Repairs & Maintenance	2,178,488	2,594,487
Miscellaneous Expenses	4,227,587	119,524
Listing Fees	—	69,100
Bad Debts written off	954,342	2,804,027
Foreign Exchange Fluctuation loss	1,549,469	—
Security Charges	78,439	176,584
Licence Fee	204,339	527,618
Loss on Sale of Product	—	9,086,458
Total	153,452,189	139,959,411
16: FINANCIAL EXPENSES		
Interest on Term Loan	8,334,525	11,164,485
Bank Charges & Commission	219,619	230,366
Other Financial Charges	916,248	—
Total	9,470,392	11,394,851

Consolidated Statement of Cash Flows for the year ended 31.03.2003

		(Amounts in Rs. Lakhs)
		31.03.2003
A	Cash Flow from operating activity	
	Net Profit before tax	152.18
	Adjustments for:	
	Depreciation	143.27
	Miscellaneous expenditure written off	6.59
	Provision for Gratuity & Earned Leave	6.21
	Other Income	(14.27)
	Interest on Long Term Loan	83.35
	Operating Profit before working capital changes	377.33
	Adjustments for:	
	Trade and other receivables	341.29
	Trade Advances	(124.18)
	Trade Payable	45.98
	Cash generated from operations	640.42
	Direct Taxes paid	(14.97)
	Interest paid	(83.35)
	Cash Flow before prior period & extraordinary items	542.10
	Prior period & Extraordinary items	(117.56)
	Cash flow after prior period & extraordinary items	424.54
B	Cash Flow from Investing Activity	
	Purchase of fixed assets	(16.75)
	Adjustment Of Capital Work-in-progress	31.08
	Purchase of Investments	(151.98)
	Miscellaneous Expenditure	(44.75)
	Interest received	1.54
	Other income	12.73
	Net Cash used for investing activity	(168.13)
C	Cash Flow from financing activities	
	Repayment of Term Loan	(180.00)
	Net cash generated from financing activity	(180.00)
	Net increase in Cash & Cash equivalents (A+B+C)	76.41
	Cash & Cash equivalents (Opening Balance)	113.24
	Cash & Cash equivalents (Closing Balance)	189.65

for Srivas & Pramodkumar

Chartered Accountants

Sd/-

P R Pramodkumar

Partner

Sd/-

Dr. K K Krishnan Kutty

Chairman

Sd/-

K .Vasudeva Rao

Executive Director

Place : Secunderabad

Date : 30.06.2003

17 SIGNIFICANT ACCOUNTING POLICIES

A) Statement on Significant Accounting Policies

(i) Basis of Accounting / Consolidation.

The Consolidated Financial Statements of the Company with the wholly owned subsidiary Primesoft LLC have been prepared under the historical cost convention in accordance with generally accepted accounting principles applicable and the Accounting Standards 21 on Consolidation of financial statements issued by the Institute of Chartered Accountants of India, and the relevant provisions of the Companies Act, 1956 as adopted consistently by the Company.

(ii) Revenue Recognition:

- a) All incomes and expenditure are accounted on accrual basis except insurance claims and dividend incomes, which are accounted on cash basis.
- b) Revenue from Software Development contracts, priced on time and material basis, is recognised on the basis of billable time spent by employees working on the project, at the contracted rate.
- c) Revenue from fixed price contracts is recognised on milestones achieved as per the terms of specific contracts.

(iii) Fixed Assets:

- a) Fixed Assets are capitalized at acquisition costs and include freight, installation cost, finance cost, duties and taxes and other incidental expenses incurred during construction/installation stage. Project expenses are capitalised to the respective asset heads on a proportionate basis. Any capital grant or subsidy received is reduced from the cost of eligible assets.
- b) Depreciation on Fixed Assets is provided on straight-line method in the manner and at the rates specified in Schedule XIV to the Companies Act, 1956.

(iv) Investments:

Investments are classified into current Investments and Long-term investments. Current Investments are carried at the lower of cost or fair value. Any reduction in carrying amount and any reversals of such reductions are charged or credited to the profit and loss account. Long-term investments are carried at cost less provision made to recognize any decline, other than temporary, in the value of such investments.

(v) Foreign Currency Transactions:

Transactions in foreign currency are recorded at the exchange rate prevailing on the date of transaction. In respect of foreign branches, all revenue and expense transactions during the year are reported at average rate. Monetary assets and liabilities are translated at the rate prevailing on the balance sheet date whereas non-monetary assets and liabilities are translated at the rate prevailing on the date of the transaction. Balance in 'Head office account' whether debit or credit, is reported at the amount of the balance in the 'branch account' in the books of the head office after adjusting for unresponded transaction. Net gain/loss on foreign currency translation is recognized in the profit and loss account.

(vi) Miscellaneous Expenditure:

- a) Preliminary Expenditure is amortised over a period of ten years.
- b) Public Issue expenses are amortised over a period of ten years.
- c) Deferred Revenue Expenditure is charged to revenue over a period of five years.

(vii) Retirement Benefits to Employees

Contributions to defined Schemes such as Provident Fund, Employees State Insurance Scheme are charged as incurred on accrual basis. The Company provides the retirement benefits in the form of Gratuity and Leave Encashment on the basis of actuarial valuation made by Independent actuary as at balance sheet date.

B NOTES FORMING PART OF ACCOUNTS:

1. Subsidiaries considered for Conso-olidation:

Primesoft LLC, an US incorporated Company is the wholly owned subsidiary and is considered for Consolidation.

2. Deferred Tax Liability:

Deferred Tax Asset/Liabilities is recognized in accordance with accounting standard on Deferred Taxes (AS – 22)

3. Related Party Disclosure:

The Company had transactions with the following related parties.

a. Subsidiary: Prime Soft LLC - A Wholly Owned Subsidiary Company

b. Remuneration to Mr. K Vasudeva Rao (Directors) Rs. 7.20 Lakhs.

4. Earnings Per Share:

Calculation of EPS (Basic & Diluted):

Particulars	Rs. In Lakhs	
	Current Year 2002-03	Previous period 2001-02
Total No. of Shares Outstanding	1,08,38,400	1,08,38,400
Profit after Taxes before Prior Period Adjustments	157.27	-1166.64
Profit after Taxes after Prior Period Adjustments	39.72	-1150.96
EPS after Taxes before Prior Period Adjustments	1.45	—
EPS after Taxes after Prior Period Adjustments	0.37	—

5. Segment Reporting:

The Company is primarily engaged in the business of software Development comprising both onsite and offshore operations. Since the nature of the activities is governed by the same nature of risks, these are grouped as a single segment.

6. Figures have been rounded off to the nearest rupee.

7. Figures for the corresponding year wherever necessary have been regrouped, recast and rearranged to conform to those of the current year.

Per our report attached
For **Srivas & Pramodkumar**
Chartered Accountants

On behalf of the Board

Sd/-
P R Pramodkumar
Partner

Sd/-
Dr K K KrishnanKutty
Chairman

Sd/-
K Vasudeva Rao
Executive Director

Place : Secunderabad
Date : 30thth June, 2003

Directors' Report

To
The Members of
Primesoft LLC

Your directors have pleasure in presenting the Seventh Annual Report on the business and operations of the Company and the accounts for the period ending 31st March, 2003.

Directors

During the year, the following Directors occupied the office of the Directors of the Company.

Mr. L P Sashikumar

Mr. Mahita Caddelle

Financial Results

Year	2002-03		2001-02	
	In US \$	Rs. in Lakhs	In US \$	Rs. In Lakhs
Gross Revenue	156360	74.27	2729214.74	1330.22
Operating Profit/(Loss)	(23679.34)	(11.25)	18095.77	8.82
Depreciation	—	—	—	—
Net Profit/(Loss)	(23679.34)	(11.25)	18095.77	8.82

Review of operations

During the year under review, the company registered a gross income of US\$ 156360 (Rs.74.27 Lakhs) against US\$ 2729214.74 (Rs. 1330.22 Lakhs) in the previous year and registered a Loss of US\$ 23679.34 (Rs.11.25 Lakhs) as against a profit US \$ 18095.77 (Rs. 8.82 Lakhs) in the previous year.

Environmental Regulations Performance

The Company's operations were not subject to any particular or significant environmental regulations of Federal, State laws, hence no specific environmental disclosure is required.

Audit

The Company is not listed in any of the stock exchanges in USA, hence audit of accounts is not compulsory under US laws.

For and on behalf of the Board

Sd/
Ms. Mahita Caddelle
Director

Dated 30th June 2003

Balance Sheet as at 31st March, 2003

	March 31, 2003		March 31, 2002	
	in US \$	in Rs.	in US \$	in Rs.
ASSETS				
CURRENT ASSETS				
Cash and Bank Balances	0	0	6342.79	309148
Other Advances	16388.96	778476	48087.68	2343794
Total Current Assets	16388.96	778476	54430.47	2652942
Total Assets	16388.96	778476	54430.47	2652942
LIABILITIES				
Accounts Payable	9443.25	448554	12878.06	627677
Other Liabilities	0	0	10927.36	532600
Total Current Liabilities	9443.25	448554	23805.42	1160277
Stock Holder's Equity / Retained Earnings	6945.71	329921	30625.05	1492665
TOTAL LIABILITIES & EQUITY	16388.96	778476	54430.47	2652942

Profit and Loss Account for the year ended as at 31st March, 2003

	For the year ended March 31, 2003		For Nine Months period ended March 31, 2002	
	in US \$	in Rs.	in US \$	in Rs.
INCOME				
Professional Services/Consulting	156240.00	7421400	2729214.74	133021926
Other Income	120.00	5700	0.00	0
TOTAL INCOME	156360.00	7427100	2729214.74	133021926
EXPENSES				
Payroll Expenses	157655.64	7488643	2185960.49	106543714
Administration & Other Charges	22383.70	1063226	525158.48	25596224
TOTAL EXPENSES	180039.34	8551869	2711118.97	132139938
NET PROFIT	-23679.34	-1124769	18095.77	881988

For and on behalf of the Board

Burlington, VT
30th June, 2003

Sd/-
Mahita Caddelle
Director

Sd/-
K Vasudeva Rao
Director