

NOTICE

Notice is hereby given that the Eleventh Annual General Meeting of the Company will be held on Thursday, the 29th day of September 2005 at 10.30 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 Balance sheet as at 31st March 2005 and Profit and Loss Account for the year ended as on that date along with Directors Report and Auditors Report thereon.
2. To appoint a Director in place of Ms. Mahita Caddell, who retires by rotation and being eligible, offers herself for re-appointment.
3. To appoint a Director in place of Mr. M P Mehrotra, who retires by rotation and being eligible, offers himself for re-appointment.
4. To consider the appointment of Statutory Auditors of the Company.

M/s Pramodkumar & Co., Statutory Auditors of the Company retire at the ensuing Annual General Meeting. The Company has received the special Notice from the shareholder proposing for appointment of M/s Nataraj Iyer & Co, Chartered accountants as Statutory Auditors of the Company, who have also confirmed their eligibility and willingness for being considered for appointment as Auditors

SPECIAL BUSINESS

5. To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution.
"Resolved that Mr. Vikas Mehrotra, who was appointed as Additional Director of the Company during the year, 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 Mr. V. P Singh, who was appointed as Additional Director of the Company during the year, be and is hereby appointed as Director of the Company liable to retire by rotation".

7. Change of Name:

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

"RESOLVED that subject to the approval of the Central Government under Section 21 of the Companies Act, 1956, the name of the Company be changed from Goldstone Technologies Limited to Aubrey Soft Limited and that the name of the Company shall be Aubrey Soft Limited with effect from the date of issue of fresh Certificate of incorporation by the Registrar of Companies, Andhra Pradesh, in that behalf, and accordingly the name Goldstone Technologies Limited wherever it occurs in the Memorandum and Articles of Association of the Company be substituted by the name "AUBREY SOFT LIMITED".

"RESOLVED FURTHER that Mr. K V S Chalapathi Rao Managing Director of the Company be and is hereby authorised to take all other necessary actions in this regard."

8. Issue of Shares to Employees Under ESOPS:

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

"RESOLVED THAT in accordance with the provisions of Section 81 and Section 81(A) and any other applicable provisions of the Companies Act, 1956 (including any amendment to/or re-enactment thereof), enabling provisions of the Memorandum and Articles of Association of the Company, the provisions contained in the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (including any Amendment(s) to the Guidelines), RBI guidelines, listing agreements entered into by the Company with Stock Exchanges, where the shares of the Company are listed agreements entered into by the Central Government in exercise of the powers conferred by the proviso to sub clause (iii) of clause 2 of Section 17 of the Income Tax Act, 1961 and subject to all necessary approvals, consents, permissions, and/or sanctions as may be required from all applicable authorities and subject to such conditions and modifications as may be prescribed or imposed by any of them



while granting such approvals, consents, permissions, and/or sanctions which may be agreed by the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall include any Committee(s) including Remuneration Committee, by whatever name called, to which the Board may delegate its powers, including the powers conferred by this Resolution) at its absolute discretion, consent of the Company be and is hereby accorded to the Board to create, offer, issue and allot at any time in one or more tranches to or for the benefit of the employees including the Whole-time Director and other non Whole-time Directors of the Company, who are eligible to participate as per, SEBI guidelines, under a Scheme titled 'Goldstone Employee Stock Option Scheme' (hereinafter referred to as 'ESOS' or 'the Scheme') the salient features of which are detailed in the Explanatory Statement relevant to this Resolution, such number of options, equity shares or instruments (hereinafter collectively referred to as 'Securities') of the Company, which could give rise to the issue not exceeding 5% of the paid up share capital at such price and in such manner, during such period and on such other terms and conditions as may be determined by the Board."

"RESOLVED FUTURE THAT the Board be and is hereby authorized to allot the said Securities directly to such employees including the Directors or through an existing trust or a new trust which may be set up for this purpose and to provide any financial assistance to the trust/employees to enable them acquire, purchase or subscribe to the securities of the Company".

"RESOLVED FURTHER THAT the new Equity Shares to be issued by the company in the manner aforesaid shall rank pari passu in all respects with the then existing Equity Shares of the Company; except that they shall be entitled for full dividend or pro-rata dividend from the date of allotment as may be decided by the Board for the financial year, in which the allotment is made subject to the guidelines issued in this regard by the concerned authorities from time to time".

"RESOLVED FURTHER THAT the Board be and is hereby authorized to increase the subscribed and paid up capital of the Company by the offer and allotment, of such equity shares".

"RESOLVED FURTHER THAT for the purpose of giving effect to this Resolution, the Board be and is hereby authorized to evolve, decide upon and bring into effect the Scheme and make any amendments, modifications, alterations in the said scheme from to time, as may be required, including to make necessary adjustment in case of rights issues, bonus issues, stock splits or any other corporate actions subsequently and to settle all questions, difficulties or doubts that may arise in relation to the implementation of the Scheme and to do all such acts, deeds matters and things and execute all such deeds, documents, instruments and writings so as to secure any further consent or approval of the Company, unless otherwise required in terms of the guidelines issued by the SEBI or any other Authority".

9. Appointment of Mr. KVS Chalapathi Rao as Managing 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 the provisions of Sections 198,269,309,310 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII (as amended from time to time) to the said Act, the consent of the Company be and is hereby accorded for revision of the terms of appointment of Mr. K.V.S. Chalapathi Rao as Managing Director and C.E.O. of the Company for a period of two Years with effect from 1st June 2005 at a remuneration as detailed below.

I. Salary: Rs. 1,35, 000 Per Month

II. Performance linked incentive as may be fixed by the board subject however to the limits specified in schedule XIII of the Companies Act, 1956.

Perquisites:

1. Housing: Rent Free Accommodation or House Rent Allowance of Rs. 45,000 Per month.
2. Other Allowances like Maintenance of house office, Subscription to internet, Professional Development Allowance, Dress Allowance, Gardener, Servant etc; not exceeding Rs. 20,000 Per month.



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.

Encashment of leave at the end of the tenure will not be included in the computation of the ceiling on perquisites.

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.

In the event of loss or inadequacy of profits in any financial year during the currency of tenure of his services, the payment of salary, perquisites and other allowances shall be governed under Section II of the Part II of Schedule XIII of the companies Act, 1956 including any statutory modification or re-enactment thereof, as may for the time being be in force.

For and on behalf of the Board

Sd/-
Mr. K. V. S. Chalapathi Rao
Managing Director

Place : Secunderabad
Date : 8th August 2005

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

Mr. Mahesh Prasad Mehrotra

Mr. Mahesh Prasad Mehrotra aged 64 years is a Practicing Chartered Accountant having 42 years of experience and he is founder partner of Mehrotra and Mehrotra, Chartered Accountants, Kanpur and Delhi. He is a member, Task Force for MOUs, Ministry of Heavy Industries and Public Enterprises, Government of India, Department of Public Enterprises, for the year 2004-2005. He has been associated as Director / Trustee in Public / Private Limited companies and Trusts. He is Director of Canara Bank

Mrs. Mahita Caddell

Mrs. Mahita Caddell aged 33 years is a Director of Goldstone Teleservices Limited. She is a MS (International Business Administration and Information Systems), Graduate from the University of North Carolina, USA and has 5 years of experience in industry and business.

Mr. Vikas Mehrotra

Mr. Vikas Mehrotra aged 37 years is a Chief Executive Officer of Venus Capital Management Inc; USA. He has vast experience as Fund Manager in investing globally with focus on Asia

Mr. V.P. Singh

Mr. V P Singh aged 61 years he is by qualification holds Masters of Commerce Degree, Bachelor of Law, CAIIB. He has 39 years of experience of working with Leading Development Financing and Central Banking

Institutions such as IDBI, IFCI, RBI etc; He was Chairman and Managing Director IFCI for nearly 2.5 years. Mr. Singh worked with IDBI nearly for 28 years and reached the top management cadre as Executive Director.

He is currently on a contract assignment with Deloitte, Touch, Tohmatsu India Private Limited as Director associated with its Global Financial Services, Industry Practice in India.

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

Item No's: 5 & 6

Mr. Vikas Mehrotra and Mr. V.P. Singh were appointed as Additional Directors of the Company in the Board Meeting(s) held on 28th February 2005 and 1st June 2005 respectively and they hold office till the conclusion of the ensuing Annual General Meeting.

Notice(s) pursuant to the provisions of Sec 257 of the Companies Act, 1956, together with the requisite deposit(s) 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 Mr. Vikas Mehrotra and Mr. V.P. Singh is in anyway concerned or interested in this resolution.

Item No:7

The Registrar of Companies, Andhra Pradesh, Hyderabad by his office letter No. RAP/NA/62502/IWA dated 5th May 2005 has made available for registration



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of the Company with the name **AUBREY SOFT LIMITED**.

If change of the name is approved, share certificates already issued, will not be called in for the purpose of exchange into certificates bearing the new name but will be exchanged as and when the existing certificates come into the possession of the Company and in the meantime the existing certificates will continue to be accepted for all purposes as indicating entitlement to securities of the Company.

Consent of the members is being sought by a special resolution pursuant to the provisions of Section 21 of the Companies Act, 1956.

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

ITEM 8:

Stock Options are recognized as an effective tool to attract, reward, retain and motivate the employees, World Wide. Stock Options create a sense of ownership among the employees, provide an opportunity to employees to share in the growth of the Company, create long term wealth in the hands of the employees and also provide performance linked rewards to the employees.

Securities and Exchange Board of India (SEBI) has evolved the (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines 1999 for this purpose. With the increased strength of the employees and the expected growth in the next few years, the Company proposes to evolve Employee Stock Option Scheme ('ESOS' or 'the Scheme') of the Company to enable the Board to issue options directly to its employees or through a trust, from time to time.

The salient features of the proposed ESOS are as follows:

a. Total Number of shares/Options to be granted

The total Number of Shares/Options that may be granted will not exceed 5% of the Paid up Capital to be utilized within a period of four years from the date of approval by the members.

b. Identification of classes of employees entitled to participate in the ESOS

All employees including the Whole time Director and other Non-Whole time Directors of the Company as may be eligible in accordance with the SEBI Guidelines are entitled to participate in the Scheme. As per the present Guidelines, an employee who is a Promoter or belongs to

Promoter Group is not eligible to participate in the ESOS. Further, a Director who either by himself or through relatives or through any body corporate directly or indirectly holds more than 10% of the outstanding Equity Shares of the Company is not eligible to participate in the ESOS.

The options granted to an employee will not be transferable to any person and shall not be pledged, hypothecated, mortgaged or otherwise alienated in any other manner.

c. Requirements of vesting, period of vesting and maximum period of vesting

Each option would have a vesting period not less than one year from the date of grant of option but not exceeding 4 years from the grant of option, as may be stipulated by the Compensation Committee, in its sole discretion. The Board/ Compensation Committee may make necessary changes to the 'vesting period', in line with the amendments, if any, made to the SEBI Guidelines.

The Options will vest in installments over period of 4 years as follows;

25% upon completion of 1 year from date of grant

25% upon completion of 2 years from date of grant

25% upon completion of 3 years from date of grant

25% upon completion of 4 years from date of grant

d. Exercise Price or pricing formula

The exercise price for the purpose of the grant of options will be decided by ESOP compensation committee provided that the exercise price per option shall not be less than the par value of the equity share of the Company and shall not be more than price prescribe under chapter XIII of SEBI (Disclosure and Investor Protection) Guidelines 2000, relevant date being the date of grant.

e. Exercise Period and Process of Exercise

An employee shall be eligible to convert the vested options into shares at any time not later than five years after the vesting of the options or such period as may be decided by the Compensation Committee from time to time. On the lapse of Exercise Period, any Un-exercised vested options would automatically stand



cancelled. Such cancelled vested options can be reissued to other employees.

An employee is allowed to accumulate vested options and exercise the same for conversion into shares in one or more tranches, as long as all vested options are within the exercise period as stated above.

f. Appraisal Process for Determining the eligibility of Employees to the ESOS

Compensation Committee shall decide on the selection of employees and grant of options, the basis of which shall include but shall not be limited to Performance of the employees.

Potential of the employee to contribute to the Company's performance

The extent of contribution made by the employee towards business results, processes, customers satisfaction etc.,

Any other criteria as may be decided by the Compensation Committee from time to time.

Remuneration Committee may also decide to offer a fixed number of options to every new eligible employee based on the band/ grade and / or criticality of the position.

g. Maximum Number of Options to be issued per Employee and in Aggregate

The Maximum number of options to be granted per employee shall be less than 1% of the issued capital of the Company, during any one year. The aggregate of all such grants under the scheme shall not exceed 5% of the paid up capital of the Company.

h. Conformity with the Accounting Policies

The Company will conform to the Accounting Policies as may be prescribed by SEBI, from time to time; Company shall use intrinsic value method to value the options.

In case the Company calculates the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost that shall have been recognized if he had used the fair value of the options, shall be disclosed in the Directors report. The impact of this difference on profits and on EPS of the Company shall also be disclosed in the Director's report.

The Board/ Compensation Committee shall be authorized to formulate the detailed terms and

conditions of the ESOS and to administer / monitor the ESOS and to amend the ESOS, in line with recommendations/ approvals / regulatory amendments of SEBI or any authority or otherwise and also to provide financial assistance to the trust/ employees on such terms and conditions as it may deem fit. The decisions of Board / Compensation Committee on all matters relating to ESOS shall be final and binding.

The shares allotted pursuant to be above ESOS shall be listed on the Stock Exchange where the Companies Equity Shares are listed and necessary applications will be made to those Stock Exchanges in that behalf.

The Company will make necessary application to the concerned authorities, as may be required seeking approval for issuing shares to be employees under the ESOS.

Pursuant to Section 81(1A) and other applicable provisions of the Companies Act, 1956 and as per the ESOS Guidelines, consent of Members, by way of a special resolutions is required for issue of shares to employees including the Directors, who may or may not be existing shareholders.

The Board commends the resolution for approval of the members.

None of the Directors is concerned or interested in the resolution, except to the extent of securities that may be offered to them under the ESOS.

ITEM 9:

Mr. K V S Chalapathi Rao was earlier appointed as Executive Director of the Company with effect from 30th July 2004 and redesignated as Managing Director in the Board meeting held on 28th February, 2005 with out any change in other terms.

The Board of Directors in their meeting held on 1st June 2005 on the recommendation of the Remuneration Committee, have resolved to revise the terms of appointment of Mr. K V S Chalapathi Rao, Managing Director of the company with effect from 1st June 2005 on the terms and conditions detailed in the Resolution 9.

As per the provisions of Section 269, 198, 309, 310 read with Schedule XIII of the Companies Act, 1956, approval of the shareholders is required by way of Ordinary resolution in the General meeting and hence the Directors recommend the resolution for your approval.



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Statement showing the information / particulars as required by schedule XIII, Part II, Section II, 1B of the Company Act, 1956.

The Company has been in operation from 1994. The business of the Company including its facilities and Product Range are expanding year to year.

1. GENERAL INFORMATION

(1) Nature of Industry

The Company is in the business of Information Technology, Software Development, for undertaking on site and offshore Consulting services.

(2) Date or expected date of commencement of commercial production.

(3) *In case of new Companies, expected date of commencement of activities as per Project approved by financial institutions appearing in the prospectus.* N.A

(4) *Financial performance based on given indicators.* The Company has been profit making Company since inception.

The financial performance of the Company for the last 3 years is given below:

	2002-03	2003-04	2004-05
		Rs.in lacs	
Turnover	4874.90	5727.35	4121.94
Profit before Int. & Tax	355	665.82	370.27
Profit after Tax	50.96	378.56	158.98
Earning / share	0.47	3.49	1.47
Book Value	12.62	13.56	13.72
Share Capital	1083.84	1083.84	1083.84
Net Worth	1367.97	1469.96	1492.97

(5) Export Performance and net foreign exchange collaborations

The details of the export performance and net foreign exchange earnings for the last 3 years are given below:

	2002-03	2003-04	2004-05
		Rs in lacs	
Foreign Exchange earnings			
FOB value of exports	384.75	558.25	794.60
Foreign Exchange out go			
CIF value of Imports	22.44	40.40	17.14

(6) Foreign Investments or collaborators, if any:

- The Company has acquired Stay Top Systems Inc., USA. for a total consideration of USD2.1 millions in the form of cash and full paid-up equity shares of the company

2. INFORMATION ABOUT THE APPOINTEE

(1) Background details

Mr. K. V.S.Chalapathi Rao aged about 32 years has a Bachelor in Engineering and Post Graduation Diploma in planning and project management. He has over Ten years Experience in the areas of operations, System modernization and Corporate Strategic planning and worked for reputed Multi National Companies.

(2) Past Remuneration

Mr. K. V.S.Chalapathi Rao has been drawing a salary of Rs 90,000/- per month plus other benefits from 29-05-2004 till 1st June 2005.

(3) Recognition of awards NIL

(4) Job Profile and his suitability

Mr. K. V.S.Chalapathi Rao has been managing the Company as the Executive Director from 2004. The Board is of the opinion that, under his stewardship the Company has been increasing its operations consistently in terms of facilities, Product range, Profits, Customer base, Market reach, exports etc. Prior to his appointment as the Executive Director of the Company, Mr. K. V.S.Chalapathi Rao has extensive experience of 10 years in the areas of operations, System modernization and Corporate Strategic planning and worked for reputed Multi National Companies. Considering his past experience and the excellent performance of the Company over the last 1 year under his stewardship, increased in remuneration is recommended.

(5) Remuneration proposed

Salary of Rs.1,35,000/- per month + performance linked bonus and other benefits as proposed in the



resolution not exceeding the limit specified in Schedule XIII.

(6) Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person (in case of expatriates the relevant details would be w.r.t the country of his origin)

The remuneration proposed is comparable with respect of the Industry Profile, size of the Company, position of the person and his past experience.

(7) Pecuniary relationship directly or indirectly with the company, or relationship with the managerial personnel, if any. NIL

3. OTHER INFORMATION

(1) Reasons for loss or inadequate profits Nil.

(2) Steps taken or proposed to be taken for improvement: Nil

(3) Expected increase in productivity and profits in measurable terms

The Projected Profits & turnovers for the next 3 years is given below:

	Rs. Millions		
	2005-06	2006-07	2007-08
Turnover	80	130	180
Profit	4	10	15

4. DISCLOSURE

(1) The shareholders of the Company shall be informed of the remuneration package of the managerial person:

The shareholders of the Company are being informed of the remuneration package proposed through this resolution / explanatory statements.

This explanatory note together with the notice should be treated as an Abstract under Section 302 of the Companies Act, 1956.

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

For and on behalf of the Board

Sd/-

Mr. K.V.S. Chalapathi Rao
Managing Director

Place: Secunderabad
Date: 8th August 2005



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To
The Members
Goldstone Technologies Limited

Your Directors have pleasure in presenting the Eleventh Annual Report on the business and operations of your company and the Audited Accounts for the financial year ended on 31st March 2005.

Financial Results

	(Rs in Lakhs)	
Particulars	2004-05	2003-04
Net Sales/Income from Operations/Software	4121.94	5727.35
Other Income	35.15	4.98
Total Income	4157.09	5732.33
Operating Profit	370.27	665.82
Interest	84.82	101.69
Depreciation and Write Offs	158.02	187.69
Profit Before Tax	127.43	376.44
Provision for Tax	—	—
Deferred Tax	35.08	9.62
-Prior Period Adjustments	3.52	7.49
Profit after Tax	158.98	378.56
Equity Share Capital (1,08,38,400 Shares of Rs.10/- each)	1083.84	1083.84
E.P.S (Before Extra-ordinary items)	1.499	3.49
E.P.S (After Extra-ordinary items)	1.467	3.49
Net Worth	1492.97	1469.96
Book Value (face value Rs. 10/-)	13.72	13.56

Review of Operations

During the period under Review, your Company has registered revenue of Rs. 4157 lakhs as against Rs. 5732 lakhs for the previous financial year ending 31st March 2004. The Net Profit for the period was Rs.158.98 lakhs as against Rs. 378.56 lakhs during the previous period. The year 2004-05 has been consolidating face with respective technical support out sourcing, the year had witnessed in the ramp up in the operations of the existing clients, while adding couple of new clients.

All efforts have been made to strengthen the systems and processers and establish a foolproof delivery system; it is worthwhile to note that the clients are more than satisfied with Goldstones delivery model.

In the F2J's space, there was a notable breakthrough in the development of Graphical User Interface (GUI) module, which has added flavor to the existing tool. The clients were happy using the migration tool, while aggressive marketing initiatives are being carried out to increase the business in F2J migration parallel efforts are being made to enhance the tool from time to time. Due to the restrictions on H1 Visa processing and due to the tightened laws in the US, the On-site Business had witnessed to slow down in the first three quarters and efforts are being made to revive the lost ground. The business started with witnessing growth from the fourth quarter due to the aggressive initiatives taken by the Company. The Company is also exploring the inorganic growth in similar line of business.

Dividend

Your Directors could not recommend Dividend for the year under consideration as the funds have been retained for internal purposes.

Fixed deposits

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

Share Capital

Consequent to the allotment of 262920 Equity shares of Rs.10/-each to the promoters of STAY TOP SYSTEMS INC, USA for acquisition of that Company, the paid up equity share capital of the Company has gone up from Rs.10, 83,84,000 To Rs.11, 13,10,200.

Insurance

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

Auditors

M/s Pramodkumar & Co., Chartered Accountants retire at the ensuing Annual General Meeting and eligible for re appointment. The Company has received a special notice under Section 190 of the Companies Act, 1956 for appointment of M/s Nataraja Iyer & Co., Chartered Accountants as Statutory Auditors who have confirmed their eligibility and willingness to be appointed as Auditors as per Section 224(1B) of the Companies Act, 1956.



Directors

Ms. Mahita Caddell and Mr. M P Mehrotra Director(s) retire by rotation and being eligible offer themselves for re-appointment. During the year Mr. Vikas Mehrotra, Mr. V P Singh were appointed as Additional Directors of the Company. During the year Mr. L P Sashikumar, Mr. V Srinivas Rao, resigned as Directors of the Company. The Board places on record its appreciation for valuable services rendered by them during their tenure as Directors.

Director’s Responsibility Statement

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

- (a) That in the preparation of the Accounts for the financial year ended as on 31st March 2005, 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 2005 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 2005 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.

Particulars of Employees:

None of the employees was in receipt of remuneration in excess of limits specified in Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

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

Disclosure of particulars in respect of Conservation of Energy, Technology, Absorption and Foreign Exchange Earnings and Outgo required under Companies (Disclosure of particulars in the Directors’ Report) Rules 1998.

1. Conservation of Energy:

The operations of the company are not energy intensive. However, adequate measures have been taken to conserve and reduce the energy consumption.

2. Technology Absorption

Your company continues to use state-of-the-art technology for improving the productivity and quality of its products and services. To create adequate infrastructure, your company continues to invest in the latest hardware and software.

3. Foreign Exchange Earnings & Outgo:

The details of Foreign Exchange earnings and outgo are given below:

	(Rs.in Lakhs)	
	2004-05	2003-04
a) Foreign Exchange Earnings	794.60	558.25
b) Foreign Exchange Outgo	17.14	40.40

Acknowledgements

Your Directors convey their sincere thanks to 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

Sd/-
Mr. M P Mehrotra
Chairman

Place: Secunderabad
Date: 8th August 2005



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Goldstone Technologies Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

FISCAL:

The financial year of the Company consists of 12 months period commencing from 01.04.2004 and ending on 31.03.2005.

INDUSTRY STRUCTURE & DEVELOPMENTS:

During the period under review, the worldwide market for IT services witnessed a gradual recovery. With cost pressures continuing to constrain spending, companies are recognizing the benefits of using offshore technology service providers for a variety of their IT needs. To capitalize on this and other emerging opportunities, the Company is continuing with several initiatives aimed at strengthening its competitive position by enhancing its solution set and seeking higher penetration into existing customers.

According to March 2005 IDC report, the global services market is poised to grow at a compounded annual growth rate of 7% over the next 5 years to \$ 803.9 billion in 2009 from \$ 573.1 billion in 2004. In the calendar year 2005, the industry is expected to grow by 6.3% to \$ 609.1 billion. Gartner expects worldwide IT spending to increase by 5.6% with the IT Services market growing by 4.69% in 2005. The United States is the region spending the largest amount for services globally and is expected to grow at a CAGR of 7.1% to \$ 355 billion at the end of 2009. Latin America, Eastern Europe, Middle East, Africa and Asia/Pacific are regarded as major growth points. The US and Western Europe will continue to constitute 76% of the spending in 2009 (down 1% from 77% as in 2004).

BUSINESS OVERVIEW:

The Company provides a wide spectrum of IT solutions and services that helps the customers enhance their overall business performance. The company incorporates all phases of the project life cycle into its development approach. From strategic assessment and design to successful implementation and maintenance, the company assesses specific client needs and addresses them through a cohesive plan of application maintenance & support, application building, staffing, consulting and training.

RISKS AND CONCERNS:

The company's functional currency is the Indian Rupee. Substantially, all of the company's revenues are generated

in US Dollars while most of its expenses are incurred in Indian Rupees. The appreciation of the Rupee against US Dollar adversely impacts the Company's profitability and operating results.

In addition, the company faces normal business risks such as global competition and country risks pertaining to the countries that the company operates in.

SWOT Analysis:

Strengths

- Cost effective solutions.
- Wide range of specialized service offerings.
- Multiple project management techniques.
- High quality manpower resources.

Weaknesses

- Exposure to various economies.

Opportunities

- India has large, skilled manpower available for ITES industry resulting in establishment of number of companies / organizations, which compete with each other undergoing efforts to increase their services' portfolio year after year.
- The thrust is more on services when compared to product development. Areas like Technical Support Outsourcing, Tech Help Desk and Product Maintenance etc. could dominate the next decade.

Threats

- Increasing Competition.
- Legal liabilities, high rate of Attrition and Longer sales cycles.
- Disruption in infrastructure viz., network & telecommunications
- Foreign exchange fluctuations.

Outlook for the year 2005-06

The company's outlook for the financial year ending March 31, 2006 is as follows:

For Financial Year 2005-06 consolidated income from Software services is expected to grow between 80% to 100%. Accordingly income is expected to be between Rs. 75 Crores to Rs. 85 Crores. The Company would aggressively explore the Technical Support Outsourcing

business and are expecting to grow by 60% in this space. Similarly the revenues from consulting business is poised to grow, as M/s Staytop Systems Inc, wholly owned subsidiary of the company would complement the company's lack of presence in west coast.

Further the F2J portion is expected to grow by 15%.

The Company has already entered into the multi linguistic support for its clients in the Asia Pacific (APAC), Europe, Australia and United States of America (USA) covering a broad spectrum of languages viz. Japanese, Korean, French, German and Spanish. This would be a differentiating factor for the Company in the Global Markets.

WHOLLY OWNED SUBSIDIARIES:

- Stay Top Systems Inc, a leading provider of Oracle outsourcing and consulting services and works with several Fortune 500 Companies. With clients such as CISCO, Wells Fargo, and over 75 experienced consultants, Stay Top delivers cost-effective Oracle based solutions. With this acquisition, the company expands its on-shore operations while strengthening its West Coast presence. In Stay top, we found the business reputation, west-coast presence, and large presence in Blue-chip clientele to further accelerate our on-shore consulting business. Stay Top has been growing over 100% for the last 3 years.
- Primesoft, LLC did not carry any business operations during the year

FINANCIAL PERFORMANCE:

Share Capital:

The authorized share capital of the company is Rs. 2500 lakhs divided into 250 lakhs equity shares of face value Rs. 10 each. There has been no change in the issued, subscribed and paid-up capital over the last year, which stands at Rs.1083.84 lakhs as on 31st March 2005.

Reserves & Surplus:

During the year the company addresses an improvement around Rs.269.79 lakhs in the position of Reserves & Surplus.

Secured Loans:

Term loan from IDBI is secured by first charge, on paripassu basis on the movable and immovable assets of the Company, present and future and Vehicle Loan from HDFC is secured by way of hypothecation of the vehicle. The borrowings as on 31st March 2005 stood at Rs.606.11 lakhs.

Fixed Assets:

During the year the company added Rs.1008.67 lakhs by way of capitalization of capital work in progress of Rs.661.10 lakhs, brought forward deferred revenue expenditure (the expenses were not strictly of revenue nature) of Rs. 319.47 lakhs to its gross block of assets that included investments in Computers & Software and other electronic equipments.

Investments:

- Investments in Subsidiaries:

The company has acquired 100% holding in M/s Staytop Systems Inc at a total purchase consideration of USD 21,00,000. The effective date of acquisition is 10th February 2005. During the period of consolidation M/s Staytop Systems Inc recorded a net profit of Rs.56.86 lakhs on revenues of Rs. 574.28 lakhs. Primesoft LLC. did not carryout any business operations.

- Other Investments:

The existing investments in Enherent Corporation have been disposed off during the year at an agreed amount of USD 4,00,000. Out of the total consideration, USD 2,50,000 are received by US office and the balance is payable by 31st March 2007.

Cash & Bank balances:

Cash and Bank balances increased to Rs.648.30 lakhs from Rs.173.02 lakhs. These balances include both rupee accounts and foreign currency accounts.

Sundry Debtors and Loans & Advances:

The sundry debtors balance outstanding as on 31.03.05 has decreased when compared to the outstanding as on 31.03.04. All the outstanding receivables are considered good and realizable.

Strict management / financial control has been exercised during the year and the Loans & advances outstanding as on 31.03.05 has been brought down to Rs.159.60 lakhs from Rs.206.18 lakhs.

Current Liabilities & Provisions:

The balances of current liabilities have decreased from Rs.1348.44 lakhs to Rs.470.17 lakhs and the sundry creditors represent amounts payable towards supply of goods and services.

Provision for gratuity and leave encashment have been made on the basis of actuarial valuation.



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Miscellaneous Expenditure:

Expenditure incurred by the Company, the yields / benefits from which are estimated to be accrued to the Company from more than a year, have been treated as Deferred Revenue Expenditure. An amount of Rs.122.29 lacs is classified as Deferred Revenue Expenditure during the year to be charged to the Profits of the future years.

OPERATIONAL RESULTS:

Revenue & Expenditure:

The company's revenues are generated principally from offshore technical solutions and consultancy services. Revenue from Software Development contracts, priced on time and material basis, is recognized on the basis of billable time spent by employees working on the project, at the contracted rate. Revenue from fixed price contracts is recognized on milestones achieved as per the terms of the specific contract.

During the year, there is a decline of 27.48% in the revenue and of 25.26% in the expenditure over the previous year.

Financial Charges:

Company has incurred a sum of Rs.84.82 lakhs towards financial charges against Rs.101.69 lakhs incurred during the previous year.

Depreciation & Written Offs:

An amount of Rs.158.02 lakhs was provided as depreciation during the year. There were no written offs during the year.

Provision for Tax:

Provision for tax has not been provided during the year since the income earned is exempt under Income Tax. Provision for Deferred Tax Asset of Rs.35.08 lakhs has been provided during the year on account of timing differences between Book and Tax depreciation and deferred revenue expenditure.

Net Profit/Loss:

The net profit before depreciation and taxes ratio to revenue stood at 9% as against 12% in the previous year.

Earning per Share:

The Earning per share of the Company for the year is Rs.1.47/- per share of face value of share of Rs.10/- as against Rs.3.49/- of the previous year.

Internal Controls & Systems:

The Company has proper and adequate system of internal controls commensurate with its size and nature of operations to provide reasonable assurance that all assets are safeguarded, transactions are authorized, recorded & reported properly and applicable statutes & corporate policies are duly complied with. The internal audit function has been structured to continuously review the adequacy and efficacy of the internal controls. The audit committee reviews the internal audit reports at regular intervals.

The company has an audit committee constituted as per section 292 (a) of the Companies Act, 1956 and as per the requirements of Corporate Governance specified under Clause 49 of the listing agreement. The company has continued its efforts to align all its processes and controls with global best practices.

Human Resource Development & Industrial relations

The Company's Corporate HRD policy emphasizes on continuous, increased quality and commitment of its employees in order to succeed in the achievement of the corporate goals. The company provides employee development opportunities by conducting training programmes to equip the employees with upgraded skills enabling them to adapt to the contemporary technological advancements.

As on 31st March 2005, the Company has a total strength of 205 employees: Domestic - 125, Overseas – 80.

Industrial relations during the year continue to be cordial and the Company is committed to maintain good industrial relations.

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 would 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 and other statutes and other incidental factors.

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 high standards in all its endeavors.

Board of Directors

The Board of Directors of the Company consists of 5 directors. One of them is Executive and other four are Non-Executive independent Directors. The Board has taken all the necessary steps to strengthen the Board with optimum combination of Executive and Non-Executive independent Directors. In consonance with the amended Listing Agreement, the Board comprises of majority of independent directors. The Chairman of the Company Mr. M P Mehrotra is a Non-Executive and Independent Director.

Twelve Board Meetings were held during the financial year 2004 - 2005 on the following dates:

30th April, 2004; 29th May, 2004; 19th July 2004; 30th July 2004; 16th August, 2004, 3rd September 2003, 19th October, 2004; 30th October 2004; 14th December 2004; 28th January, 2005, 14th February 2005, 28th February 2005.

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

Name of Director	Designation	Number of Board Meetings held	Number of Board Meetings Attended	No. of Committee Positions held in Companies	No. of Directorships in other Companies	Attendance at Last AGM (Yes/No)
Mr. L P Sashikumar	Non – E D	12	12	3	2	Yes
Ms Mahitha Prasad Caddell	Non – E D	12	2	Nil	3	No
Mr. K V S Chalapathi Rao	M D	12	10	Nil	1	Yes
Mr. M P Mehrotra	Non – E D	12	6	Nil	11	Yes
** Mr. Vikas Mehrotra	Non – E D	12	Nil	Nil	2	NA
*Dr M V S R Kamesam	Non – ED	12	10	NIL	1	Yes

* Dr. M V S R Kamesam has resigned on 28th February 2005, Mr. L P Sashikumar, and Mr. V Srinivas Rao have resigned as Directors on 1st June 2005.

** Mr. Vikas Mehrotra was appointed as Directors of the Company on 28th February 2005.

Audit Committee

As on 31st March 2005, the Audit Committee Comprised of Mr M P Mehrotra Chairman, Sri L.P. Sashikumar, Ms. Mahita Caddell and Dr. M V S R Kamesam 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 Committee had met 5 times.



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The Audit Committee held four meetings during the year 2003-2004 and attendance at the meeting was as under

Name of the Director	No. of meetings attended	Committee meetings held on
Dr. K K Krishnan Kutty	1	30th April 2004
Mr. J A Rao	1	30th April 2004
Mr. K Vasudeva Rao	1	30th April 2004
Mr. M P Mehrotra	3	30th July 2004
Mr. L. P. Sashikumar	4	16th August 2004
Dr. M V S R Kamesam	4	30th October 2004

Remuneration /Compensation Committee

As on 31st March, 2005 the Remuneration Committee comprised of Mr. M P Mehrotra, Chairman, Mr. L.P. Sashikumar, Member, Dr. M V S R Kamesam, Member. The terms of reference of the Remuneration Committee, inter alia included determination of compensation package of Executive Directors and Senior Management of the Company. During the year 2004-2005, the committee had one meeting one time on 1st September 2004 and all the Members attended the meeting.

Details of remuneration to all the directors in the financial year 2004-2005.

The aggregate of Salary, perquisites paid to Mr. K. V S Chalapathi Rao, Executive Director for the period from 1st June 2004 to 31st March 2005 is Rs. 13,00,000/-.

Shareholders / Investors Grievance Committee

As on 31st March 2005, the Shareholders/Investor Grievance Committee comprised of Mr. M P Mehrotra, L.P.Sashikumar, and Dr. M V S R Kamesam. The committee was formed to specifically redress the shareholder and investor complaints like transfer of shares, non-receipts of balance sheet, non-receipt of dividend warrants etc.,

Number of Investor Queries/Complaints received during the year 2004-05 were as follows

Nature of Complaint	Received during the year	Resolved during the year
Letters received from NSE	2	2
Letter from SEBI	-	-
Letter from BSE	2	2
Non-Receipt of Dividend/Warrant	-	-
Non-receipt of Share Certificate/Transfer	-	-
Total	4	4

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	No.of Shares approved for transfer	Duplicate Shares Issued	Re-materialization of Shares	Total
13	10310	200	5	10515

General Meetings & Postal Ballot:

The Last three Annual General Meetings (8, 9 and 10) of the company were held at plot No.19, IDA, Phase-II, Cherlapally, Hyderabad – 500051. On Thursday 30th September 2004 at 10.30 AM, On Tuesday 30th September 2003 at 9.30 AM and On Monday 30th September 2002 at 11.00 AM.

An Extra-Ordinary General Meeting held on 14th March 2005 at 10.00 AM to consider the preferential issue of securities.

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

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 Eleventh Annual General Meeting of the Company will be held on Thursday, 22th September, 2005 at 10.30 A.M. at Plot No 1 & 9 Phase II, IDA Cherlapally, Hyderabad - 500 051.

Dates of Book Closure : 22th September 2005



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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-380 015.
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 - GOLD TECH, BSE - 531439

Market Price Data :

Month	NSE		BSE	
	High	Low	High	Low
April 2004	34.80	21.50	19.25	15.00
May 2004	19.80	14.25	20.95	14.50
June 2004	18.00	14.70	17.20	14.55
July 2004	21.00	14.55	19.50	15.05
August 2004	25.00	15.50	23.00	17.60
September 2004	29.00	18.00	26.40	20.50
October 2004	30.20	21.00	30.15	24.60
November 2004	30.00	21.00	27.00	24.00
December 2004	29.70	19.90	29.85	21.30
January 2005	31.50	19.50	29.25	21.30
February 2005	26.45	18.80	26.50	21.05
March 2005	29.25	20.00	29.00	23.05

Registrar and Transfer Agents

M/s Venture Capital and Corporate & Investment Limited
6-2-913/914, 3rd Floor, Progressive Towers,
Khairatabad, Hyderabad - 500 004.
Tel: +91-40-23322262/64
Fax: +91-40-23324803
Email : vccil_hyd@yahoo.co.in

Distribution of Shareholding as on 31st March 2005

Share or Debentures	Holders		Shares	
	Number	% of Total	No. of Shares	% of Total
1	2	3	4	5
Upto - 500	9,186	77.83	1764158	16.28
501 - 1000	1,343	11.38	1139258	10.51
1001 - 2000	676	5.73	1055604	9.74
2001 - 3000	214	1.81	557220	5.14
3001 - 4000	85	0.72	305376	2.82
4001 - 5000	73	0.62	347370	3.20
5001 - 10000	123	1.04	912157	8.42
10001 - and above	103	0.87	4757257	43.89
TOTAL	11803	100.00	10838400	100.00

Shareholding Pattern as on 31st March 2005

Category	No. of Equity Shares Held	% of Shareholding	No. of Share-holders	% to Total Share-holders
1. Promoters	1643646	14.81%	4	0.04%
2. Mutual Funds & IFI's	73900	0.66%	2	0.02%
3. FII's	65115	0.60%	1	0.01%
4. Private Bodies Corporate	2020345	18.64%	610	5.17%
5. Public	6668221	61.52%	10966	92.90%
6. NRI's	367173	3.39%	220	1.86%
Grand Total	10838400	100.00%	11803	100.00%

Dematerialization of Shares and Liquidity

The International Security Identification Number (ISIN) allotted to the Company Scrip is INE 805A01014. 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 94.74% of the company Shares are now held in Electronic Form.

Location of Software Divisions

India

2nd & 3rd Floor, Maharshi Building 8603 Westwood Center Drive

Road No. 2, Banjara Hills

Hyderabad - 500 034

United States of America

Suite 200, Vienna Virginia-22182

U S A



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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,
Email: infosecretarial@goldstonetech.com, pverMurthy@goldstonetech.com

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
Goldstone Technologies Limited
Secunderabad.

We have examined the Compliance of conditions of Corporate Governance by M/s. Goldstone Technologies Limited, for the year ended 31st March 2005, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The Compliance of conditions of Corporate Governance is the responsibility of the Management. Our Examination was limited to the procedures and implementations thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the Financial Statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of the Corporate Governance as stipulated in the above-mentioned Listing Agreement.

We state that generally no Investor Grievances are pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/Investors Grievance Committee.

We further state that such compliance is neither an assurance to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**For P.R. Pramodkumar & Co.,
Chartered Accountants**

Place : Hyderabad
Date : 8th August 2005

Sd/-
P R Pramodkumar
Proprietor



AUDITORS' REPORT

To
The Members of,
GOLDSTONE TECHNOLOGIES LIMITED

1. We have audited the attached Balance Sheet of Goldstone Technologies Ltd., as at 31st March 2005 and the profit and loss account for the year ended on that date, annexed thereto and the cash flow statements for the year ended on that date.
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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003, as amended by the Companies (Auditors' Report) (Amendment Order, 2004, issued by the Central Government in terms of Section 227 (4A) of the Companies Act, 1956 of India (the 'Act') and on the basis of such check of the books and records of the Company as we considered appropriate and according to the information and specified in paragraph 4 and 5 of the said Order.
4. During the year certain sundry debtors' balances aggregating to Rs.7, 69,05,941/- have been transferred (see note no.5-schedule17) thus understating its debtors to that extent. And also amounts of Rs.3, 19,46,499/- being shown as project expenditure (Deferred Revenue) have been capitalized as additions to building (Refer note 3(b) of schedule 17). In our opinion this appears to be a deviation from company's accounting policy. However basically in our opinion it does not have any impact on assets side of the Balance Sheet.
5. Further to our comments in the Annexure referred to in paragraphs 3 & 4 above, we report that:
 - a) 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;
 - b) 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 the book;
 - c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report have been prepared in compliance with the applicable Accounting Standards referred to in Sub-Section (3C) of Section 211 of the Act;
 - e) On the basis of written representations received from the Directors as on March 31, 2005 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2005 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, subject to paragraph 4 above, and read together with the notes thereon, give the information required by the Act, in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i. In the case of Balance Sheet, of the state of affairs of the Company as at 31st March 2005;
 - ii. In case of the Profit & Loss Account, of the Profit for the year ended on that date; and
 - iii. In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

**For P. R. Pramodkumar & Co.,
Chartered Accountants**

Sd/-

**P.R.PRAMODKUMAR
Proprietor**

Place: Hyderabad
Date: 08-08-2005.



ANNEXURE TO THE AUDITORS' REPORT

(Annexure referred to in paragraph 3 of our report of even date to the members of Goldstone Technologies Limited for the year ended 31st March 2005.)

- (i) (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation on fixed assets.
- (b) Fixed Assets have been physically verified by the Management during the year based on a phased programme of verifying all the assets over a period of two years, which in our opinion is reasonable having regard to the size of the Company and the nature of its fixed assets. No material discrepancies were noticed on physical information.
- (c) There was no substantial disposal of fixed assets during the year.
- (ii) The Company being engaged in Software Development services, does not have any inventory. Therefore clauses ii(b) and ii (c) of paragraph 4 of the Order, are not applicable
- (iii) In our opinion, the Company has neither granted nor taken any loans, secured or unsecured from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956. As the Company has not granted/taken any loans, secured or unsecured, to/from parties listed in the registers maintained under Section iii(b) and iii(c) of paragraph 4 of the Order are not applicable
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods. During the course of our audit, no major weakness has been observed in the internal controls.
- (v) (a) According to the information and explanations given to us, we are of the opinion, that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- (b) As informed by the management, each of the transactions made with such parties during the year, have been made at prices which in our opinion, are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public in which the directives issued by the Reserve Bank of India and the provisions of section 58A of the Act and the rules framed there under apply.
- (vii) The Company has an internal audit system, commensurate with its size and nature of business except its overseas branch operations, which, in our opinion needs to be strengthened commensurate with the size and nature of its business there.
- (viii) We are informed that the Central Government has not prescribed maintenance of cost records under clause (d) of sub section (1) of section 209 of the Act for the products of the Company.
- (ix) a) Undisputed statutory dues including provident fund, investor education and protection fund, or employees' state insurance, income-tax, sales-tax, wealth tax, customs duty, excise duty, cess have been regularly deposited by the Company with appropriate authorities though there have been delays in respect of Provident Fund and ESI remittances almost every month. According to information and explanations given to us, no undisputed amounts payable in respect of wealth tax, sales tax, customs duty and excise duty were outstanding, at the year end for a period of more than six months from the date they became payable.
- (b) According to the records of the Company, information and explanations given by the management, there are no dues outstanding on account of sales tax, income tax, customs



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- duty, wealth tax, excise duty and cess on account of any dispute, other than as stated in (ix)(a) above.
- (x) The Company has not accumulated losses at the end of the financial year and it has not incurred any cash losses in the current and immediately preceding financial year.
- (xi) There is some delay in making payment of dues – principal of Rs. 45,00,000/- and interest of Rs. 42,38,356/- to Industrial Development Bank of India. However the same were paid on 28th June 2005.
- (xii) The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The nature of activities of the Company does not attract any special statute applicable to chit fund and nidhi/mutual benefit fund /societies.
- (xiv) The Company does not deal or trade in shares, securities, debentures, and other investments.
- (xv) According to the information and explanations given to us, the Company has given corporate guarantee for loan taken by one of its group companies from State Bank of Hyderabad, the terms and conditions whereof in our opinion, are not prima-facie prejudicial to the interest of the Company.
- (xvi) Based on information and explanations given to us by the management, the loans were applied for the purpose for which the said loans were obtained.
- (xvii) According to the information and explanations given to us and on overall examination of the Balance Sheet of the Company as at March 31, 2005 we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of share during the year.
- (xix) The Company did not have any debentures outstanding during the year.
- (xx) The Company has not raised any money through a public issue during the year.
- (xxi) Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

**For P. R. PRAMODKUMAR & Co;
Chartered Accountants**

Sd/-

**P R PRAMODKUMAR
Proprietor**

Place: Hyderabad
Date: 08-08-2005



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Balance Sheet as at 31st March, 2005

	Sch.	As at 31st March 2005 Rupees	As at 31st March 2004 Rupees
I SOURCES OF FUNDS			
1 SHAREHOLDERS' FUNDS:			
a. Share capital	1	15,20,84,000	10,83,84,000
b. Share Warrants Money		-	1,35,00,000
c. Reserves and Surplus	2	10,23,01,563	7,53,22,458
		<u>25,43,85,563</u>	<u>19,72,06,458</u>
2 LOAN FUNDS			
Secured Loans	3	6,06,10,768	6,30,00,000
		<u>6,06,10,768</u>	<u>6,30,00,000</u>
Total		<u>31,49,96,331</u>	<u>26,02,06,458</u>
II APPLICATION OF FUNDS			
1 FIXED ASSETS	4		
a. Gross block		25,63,30,616	15,54,64,932
b. Less : Depreciation		7,73,68,875	6,15,66,589
Net block		17,89,61,742	9,38,98,343
Add : Capital Work in Progress (Including Capital Advances)		-	6,61,09,399
		<u>17,89,61,742</u>	<u>16,00,07,742</u>
2 INVESTMENTS	5	2,04,75,933	1,66,98,000
3 CURRENT ASSETS, LOANS & ADVANCES			
a. Sundry Debtors	6	7,87,16,607	15,67,74,958
b. Cash and Bank Balances	7	6,48,30,405	1,73,02,343
c. Loans and Advances	8	1,59,60,462	2,06,18,098
Total		<u>15,95,07,474</u>	<u>19,46,95,398</u>
Less: Current Liabilities & Provisions			
a. Current Liabilities	9	4,70,16,952	13,48,44,313
b. Provisions	10	8,21,251	10,15,766
Total		<u>4,78,38,203</u>	<u>13,58,60,079</u>
NET CURRENT ASSETS		<u>11,16,69,271</u>	<u>5,88,35,319</u>
4 Miscellaneous Expenditure	11	1,24,26,311	3,67,10,234
5 Deferred Tax Asset/ (Liability)		<u>(85,36,926)</u>	<u>(1,20,44,837)</u>
Total		<u>31,49,96,331</u>	<u>26,02,06,458</u>
Significant Accounting Policies and Notes to Accounts	17		

As per our report attached
for P.R.Pramodkumar & Co
Chartered Accountants
Sd/-

P R Pramodkumar
Proprietor

On behalf of the Board

Sd/-
M P Mehrotra
Chairman

Sd/-
K V S Chalapathi Rao
Managing Director & CEO

Place: Secunderabad
Date: 08-08-2005



Goldstone

Goldstone Technologies Limited

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2005

	Sch.	For the year ended 31-03-2005 Rupees	For the year ended 31-03-2004 Rupees
INCOME			
Software development	12	41,21,93,842	57,27,35,309
Other income	13	35,15,418	4,97,889
Total		41,57,09,260	57,32,33,198
EXPENDITURE			
Personnel costs	14	25,05,27,781	30,30,13,904
Administration and other expenses	15	12,81,54,188	20,36,37,902
Finance Charges	16	84,82,156	1,01,68,512
Depreciation		1,58,02,287	1,61,68,876
Miscellaneous Expenses Written off		-	26,00,330
Total		40,29,66,412	53,55,89,524
Profit before taxation		1,27,42,848	3,76,43,674
Provision for : Taxation		-	-
Deferred tax asset		35,07,911	9,61,661
Profit after tax		1,62,50,759	3,86,05,335
Prior period adjustments (Net)		3,52,365	7,49,383
Profit after Adjustment		1,58,98,394	3,78,55,953
Brought forward from previous year		(3,02,39,051)	(6,80,95,003)
Balance carried to Balance Sheet		(1,43,40,656)	(3,02,39,051)
Earnings per Share (Equity Shares of nominal value Rs. 10/- each)			
Basic & Diluted		1.467	3.493
Number of shares used in Computing EPS			
Basic & Diluted		1,08,38,400	1,08,38,400

Significant Accounting Policies and Notes to Accounts 17

As per our report attached
for P.R.Pramodkumar & Co
Chartered Accountants

On behalf of the Board

Sd/-

P.R. Pramodkumar
Proprietor

Sd/-

M P Mehrotra
Chairman

Sd/-

KVS Chalapathi Rao
Managing Director & CEO

Place: Secunderabad

Date: 08-08-2005



Goldstone

Goldstone Technologies Limited

SCHEDULES FORMING PART OF THE ACCOUNTS

	As at 31.03.2005 Rupees	As at 31.03.2004 Rupees
1. SHARE CAPITAL		
Authorised:		
2,50,00,000 Equity Shares of Rs.10/- each	<u>25,00,00,000</u>	<u>25,00,00,000</u>
Issued, Subscribed and Paid up:		
1,08,38,400 Equity Shares of Rs. 10/- each, fully paid up	10,83,84,000	10,83,84,000
Share Application Money	4,37,00,000	-
Total	<u>15,20,84,000</u>	<u>10,83,84,000</u>
2. RESERVES AND SURPLUS		
1 Capital Reserve	1,47,80,538	12,80,538
2 Share Premium Account	8,35,61,003	8,59,80,292
3 General Reserve	1,83,00,679	1,83,00,679
4 Profit & Loss Account balance	(1,43,40,657)	(3,02,39,051)
Total	<u>10,23,01,563</u>	<u>7,53,22,458</u>
3. SECURED LOANS		
Term Loan from IDBI (Including interest accrued and due there on)	5,99,31,157	6,30,00,000
Vehicle Loan from HDFC	6,79,611	-
Total	<u>6,06,10,768</u>	<u>6,30,00,000</u>



SCHEDULES FORMING PART OF THE ACCOUNTS

4. FIXED ASSETS

Description	GROSS BLOCK		DEPRECIATION		NET BLOCK					
	As on 01.04.2004 Rupees	Additions during the year Rupees	Deductions during the year Rupees	As on 31.03.2005 Rupees	Upto 01.04.2004 Rupees	For the year Rupees	Adjustments during the year Rupees	Upto 31.03.2005 Rupees	As on 31.03.2005 Rupees	As on 31.03.2004 Rupees
1. Land	80,62,000	6,61,09,399	-	7,41,71,399	-	-	-	-	7,41,71,399	80,62,000
2. Buildings	2,23,74,053	2,03,21,265	-	4,26,95,318	30,56,063	7,47,293	-	38,03,356	3,88,91,962	1,93,17,990
3. Leasehold Improvements	47,37,576	1,16,25,234	-	1,63,62,810	47,37,576	-	-	47,37,576	1,16,25,234	-
4. Plant & Machinery	30,62,462	-	-	30,62,462	27,12,017	1,13,324	-	28,25,341	2,37,121	3,50,445
5. Furniture & Fixtures	47,57,237	66,410	-	48,23,647	6,12,977	5,73,327	-	11,86,304	36,37,343	41,44,260
6. Electrical Installation	56,11,083	1,26,500	-	57,37,583	10,96,882	3,64,435	-	14,61,317	42,76,266	45,14,201
7. Vehicles	9,45,083	9,60,639	-	19,05,722	4,57,399	99,033	-	5,56,432	13,49,290	4,87,684
8. Computer system	9,44,95,810	12,01,978	-	9,56,97,788	4,53,15,301	1,36,42,982	-	5,89,58,283	3,67,39,505	4,91,80,509
9. Electronic equipment & Office Equipment	1,14,19,628	4,54,259	-	1,18,73,887	35,78,374	2,61,893	-	38,40,267	80,33,620	78,41,254
Total	15,54,64,932	10,08,65,684	-	25,63,30,616	6,15,66,589	1,58,02,287	-	7,73,68,876	17,89,61,742	9,38,99,343
Previous year	14,76,80,697	77,84,235	-	15,54,64,932	4,79,54,103	1,61,68,876	25,56,390	6,15,66,589	9,38,98,343	9,97,26,594



Goldstone

Goldstone Technologies Limited

SCHEDULES FORMING PART OF THE ACCOUNTS

	As at 31.03.2005 Rupees	As at 31.03.2004 Rupees
5. INVESTMENTS- AT COST		
Long Term Investment		
Unquoted		
i) Investment in shares of Wholly owned Subsidiary (Staytop Systems Inc, USA)	9,26,63,433	
Less: Deferred Consideration	7,21,87,500	-
ii) Investment in preferential stock of Enherent Corp	-	1,66,98,000
Total	2,04,75,933	1,66,98,000
6. SUNDRY DEBTORS		
(UNSECURED, CONSIDERED GOOD)		
a. Debts outstanding for a period exceeding six months	2,10,66,394	1,96,06,250
b. Other Debts	5,76,50,213	13,71,68,708
Total	7,87,16,607	15,67,74,958
7. CASH & BANK BALANCES		
Cash on hand	3,69,617	2,20,669
Bank balances with Scheduled Banks		
-In Current Accounts	5,89,16,702	32,76,019
-In Fixed Deposit	6,58,788	4,58,788
Balances with others		
-M & T Bank	48,85,297	1,33,46,867
[Maximum balance during the year Rs. 1,09,37,500/- (USD 2,50,000)]		
Total	6,48,30,405	1,73,02,343



SCHEDULES FORMING PART OF THE ACCOUNTS

	As at 31.03.2005 Rupees	As at 31.03.2004 Rupees
8. LOANS & ADVANCES (UNSECURED, CONSIDERED GOOD)		
Advances to suppliers	87,86,654	68,21,711
Advances to Staff	14,05,201	35,82,075
Deposits	27,45,505	22,39,241
Advance Tax	-	1,13,770
Prepaid Expenses	30,23,101	78,61,300
Total	1,59,60,462	2,06,18,098
9. CURRENT LIABILITIES		
Sundry Creditors (No outstanding dues to SSI Undertakings)	81,95,261	1,38,48,577
Other Creditors/ Liabilities	3,65,80,601	11,70,23,634
Statutory Liabilities	15,22,328	31,68,959
Interest Accrued but not due on Loans	7,18,762	8,03,143
Total	4,70,16,952	13,48,44,312
10. PROVISIONS		
Provision for Taxation	2,22,425	2,22,260
Provision for Gratuity and Leave Encashment	5,98,826	7,93,506
Total	8,21,251	10,15,766
11. MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)		
Preliminary Expenditure	18,513	
Less : Written Off during the year	18,513	-
Public Issue Expenses	24,00,776	18,513
Less : Written Off during the year	24,00,776	-
Deferred Revenue Expenditure	3,42,90,945	24,00,776
Add: Addition during the year	1,22,28,878	
	4,65,19,823	
Less : Adjusted during the year	3,40,93,512	1,24,26,311
Total	1,24,26,311	3,42,90,945
		3,67,10,234



Goldstone

Goldstone Technologies Limited

SCHEDULES FORMING PART OF THE ACCOUNTS

	For the year Ended 31.03.2005 Rupees	For the year Ended 31.03.2004 Rupees
12. SALES		
Software & Services - Domestic	-	19,76,930
- Exports	41,21,93,842	57,07,58,379
Total	41,21,93,842	57,27,35,309
13. OTHER INCOME		
Insurance Claims received	-	68,463
Interest on Fixed Deposits	6,80,599	31,223
Miscellaneous Income	6,46,819	3,98,204
Profit on sale of Investments	21,88,000	-
Total	35,15,418	4,97,889
14. PERSONNEL EXPENDITURE		
Salaries, Wages and other Benefits	24,87,05,692	30,11,08,793
Staff Welfare	8,70,066	13,94,169
Staff Recruitment & Training	9,52,023	5,10,942
Total	25,05,27,781	30,30,13,904
15. ADMINISTRATIVE AND SELLING EXPENSES		
Directors Remuneration	14,50,000	14,33,600
Advertisement	1,17,750	22,29,155
Electricity	7,11,652	29,91,406
Rent	70,44,905	57,56,059
Legal Fees	12,48,752	43,05,477
Consumables	-	31,415
Printing and Stationary	2,63,118	6,19,389
Postage ,Telephones and Internet	1,35,89,420	1,93,27,527
Insurance	94,442	70,401
Professional and Consultancy	5,82,95,111	4,28,49,864
Outsourcing Expenses	-	9,55,58,238
Rates and Taxes	7,48,613	34,53,023
Meeting Expenses	18,662	33,025
Marketing Expenses	86,25,257	78,75,755
Gifts and Donations	-	24,505
Books & Periodicals	32,871	70,545
Membership & Subscription	7,62,829	5,85,938

SCHEDULES FORMING PART OF THE ACCOUNTS

	For the year Ended 31.03.2005 Rupees	For the year Ended 31.03.2004 Rupees
Vehicle Maintenance	14,94,193	28,39,897
Travelling Expenses		
-Directors-	6,66,806	11,40,990
-Others	1,20,26,828	2,17,24,110
Conveyance	1,00,200	2,77,130
Business Promotion	3,75,386	10,93,341
Auditors Remuneration	1,50,000	1,35,000
Office Maintenance	20,25,781	15,93,270
Repairs & Maintenance	21,15,794	31,80,745
Miscellaneous Expenses	6,64,723	11,35,192
Listing Fees	1,34,000	1,07,000
Bad Debts written off	35,66,018	32,17,512
Exchange Fluctuation loss	43,96,433	92,06,839
Security Charges	4,04,194	5,99,517
Fines & Penalties	2,53,212	-
Onsite Project work expenses	1,90,06,116	-
Total	14,03,83,066	23,38,94,264
Less: Deferred Revenue Expenses	1,22,28,878	3,02,56,363
	12,81,54,188	20,36,37,902
16. FINANCIAL EXPENSES		
Interest on Term Loan	82,80,336	99,46,229
Bank Charges & Commission	1,46,826	2,22,283
Other Financial Charges	47,843	-
Interest on HDFC Car Loan	7,151	-
Total	84,82,156	1,01,68,512



17 SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

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 income, 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 recognized on milestones achieved as per the terms of specific contracts.

(iii) Fixed Assets:

- a) Fixed Assets are valued at cost less depreciation. Project expenses/Pre-operative expenses are capitalized 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 permanent diminution 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) 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.

(vii) Deferred Tax

Deferred tax is accounted for by computing the effect of timing differences which arise during the year and reverse in the subsequent periods.

B) Notes Forming Part of Accounts

1) Preferential Allotment:

Company has allotted 5000000 nos. of convertible Equity share warrants on preferential basis to Goldstone Exports Limited at Rs.27.00 per warrant aggregating to 135000000 on 27.12.2002. Goldstone Exports Limited has paid Rs.2.70 per warrant being 10% of the face value of the warrant as per the terms of allotment. Balance amount of Rs.24.30 per warrant was payable within 18 months period from the date of allotment of the warrants as per terms of the allotment. Since, Goldstone Exports Limited failed to pay the balance amount within the stipulated period the share warrant money of Rs.135.00 lakhs has been forfeited during year and the same has been credited to the capital reserve account.

2) Secured Loans:

Term loan from IDBI is secured by first charge, on paripassu basis on the movable and immovable assets of the Company, present and future, subject to prior charge on specified movables / current assets in favour of the bankers for working capital limits, if any, sanctioned by them. Also by first charge, on paripassu basis on the movable and immovable assets of Goldstone Teleservices Limited, present and future, subject to prior charge on specified movables / current assets in favour of the bankers for working capital limits, if any, sanctioned by them and further guaranteed by Shri L P Sashi Kumar.

Vehicle Loan of Rs. 7,00,000/- from HDFC is secured by way of hypothecation of the said vehicle

3) Fixed Assets:

- a) The Capital work in progress has been capitalized this year.
- b) The brought forward deferred revenue expenditure of Rs. 3,19,46,499/- has been capitalized during the current year as additions to land and buildings on the ground that the expenses were not strictly of revenue nature.

4) Investments:

- a) The Company made long-term strategic investments in Enherent Corporation in December 2002 by investing in Preferential stock consisting of convertible preferred stock and warrants of common stock as a single deal for a total amount of USD 350,000. This investment was sold on 1st April 2004 at an agreed amount of USD 400,000. Out of the consideration USD 2,50,000 are received by US office and the balance is payable by 31st March 2007. In the opinion of the management there is no tax implication in India.
- b) The company has acquired 100% holding in M/s Staytop Systems Inc at a total purchase consideration of USD 2,100,000. The effective date of acquisition is 10th February 2005. Out of the total purchase consideration an amount of USD 450,000 paid during the year and the balance amount payable of USD 1,650,000 is shown as a deduction from the value of investments (Schedule 5).



5) Current Assets and Current Liabilities:

The sundry debtors - ARM Technologies Inc of Rs. 1,62,62,254/-Braincraft Solutions Inc of Rs. 2,57,64,909/-, Enterprise Solutions Inc of Rs. 1,12,74,743/-, HCL Technologies America Inc of Rs. 2,04,72,774/- and Shree Shree Telecom Ltd of Rs. 31,31,261/- have been transferred to Goldstone Exports Limited.

Balances of Sundry Debtors, Loans & Advances and Sundry Creditors balances are subject to confirmations in many cases.

6) Provisions (Income-Tax)

An amount of Rs.2,22,425 has been provided towards taxes payable in USA with regard to our USA branch operations.

7) Deferred Tax Liability:

Deferred Tax Liability/Asset is recognized in accordance with Accounting Standard 22 – “Accounting for taxes on Income” issued by the Institute of Chartered Accountants of India.

Details of Deferred Tax Liability/Asset made during the year:

	(Amount in Rs.)
Deferred Tax Liability as at 1 st April, 2004	1,20,44,837
Add/Less: Deferred tax liability/asset provided during the year on account of timing differences -	
Between Book and Tax depreciation	6,08,329
Deferred Revenue Expenditure	(41,16,240)
Deferred Tax Liability as at 31 st March, 2005	85,36,926

8) Related Party Disclosure:

The Company had transactions with the following related parties.

- a. Subsidiaries : Prime Soft LLC
- : Staytop Systems Inc

9) Prior period Adjustments:

a) Income tax provisions pertaining to earlier years adjusted during the year - Rs. 47,042/-, b) Rent relating to earlier years Rs. 1,80,815/-, c) Other expenses relating to previous year Rs. 1,24,508/-.

10) Earnings Per Share:
Calculation of EPS (Basic & Diluted):

Rs. In Lakhs

Particulars	Current Year 2004-05	Previous Year 2003-04
Total No. of Shares Outstanding	1,08,38,400	1,08,38,400
Profit after Taxes before Prior Period Adjustments	162.51	386.05
Profit after Taxes after Prior Period Adjustments	158.98	378.56
EPS after Taxes before Prior Period Adjustments	1.499	3.562
EPS after Taxes after Prior Period Adjustments	1.467	3.493

11) 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.

12) 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: NIL
b) Managerial Remuneration:

Particulars	Current Year 2004-05	Previous Year 2003-04
Executive – Director		
Salary	NIL	Rs. 9,60,000
Commission	NIL	NIL
Other perquisite	NIL	Rs. 2,40,000
Managing Director		
Salary	Rs. 8,80,000	NIL
Other perquisite	Rs. 5,70,000	NIL

c) Foreign Exchange Transaction:

Rs. In Lakhs

Particulars	Current Year 2004-05	Previous Year 2003-04
1) Value of Imports on CIF Basis		
a) Capital Goods – Computer Systems	NIL	5.10
b) Capital Goods – Computer Software	NIL	NIL
2) Expenditure in Foreign Currency		
a) Travelling Expenses	17.14	35.30
3) Earnings in Foreign Currency (on Receipt basis)		
a) Software Exports	794.60	558.25



d) Auditors Remuneration:

Amount in Rs.

Particulars	Current Year 2004-05	Previous Year 2003-04
Audit Fees	1,50,000	1,10,000
Taxation Matters	-	15,000
Service Tax	-	10,000

- 13) No amount is due to any small-scale industry in excess of Rs. 1,00,000/- for more than 30 days.
- 14) Figures have been rounded off to the nearest rupee.
- 15) Figures for the corresponding year wherever necessary have been regrouped, recast and rearranged to conform to those of the current year.

As per our report attached
For **P R Pramodkumar & Co**
Chartered Accountants

Sd/-

P R Pramodkumar
Proprietor

Secunderabad.
Date : 08.08.2005

On behalf of the Board

Sd/-

M P Mehrotra
Chairman

Sd/-

K V S Chalapathi Rao
Managing Director & CEO



Goldstone

Goldstone Technologies Limited

Statement of Cash Flows for the year ended 31-03-2005

(Amounts in Rs. Lakhs)

	31-03-2005	31-03-2004
A. Cash Flow from operating activity		
Net Profit before tax	127.43	376.44
Adjustments for:		
Depreciation	158.02	136.12
Miscellaneous expenditure written off	0.00	26.00
Provision for gratuity & earned leave	3.31	1.72
Other income	(35.15)	(4.98)
Interest on Long Term Loan	82.87	101.69
Bad Debts Written Off	35.66	0.00
Operating Profit before working capital Changes	372.14	636.99
Adjustments for:		
Trade and other receivables	759.17	(570.36)
Trade advances	112.07	61.74
Trade payables	(875.42)	405.59
Cash generated from Operations	367.96	533.96
Direct Taxes paid (net)	0.00	3.99
Interest paid	(24.38)	(101.69)
Cash flow before extraordinary items	343.58	436.26
Extraordinary items	(3.05)	(7.49)
Net Cash Flow from operating activity	340.53	428.77
B. Cash Flow from Investing Activity		
Purchase of fixed assets	(1008.66)	(77.84)
Capital work in progress	661.09	20.02
Purchase of Investments	(81.53)	0.00
Miscellaneous Expenditure	197.17	(302.56)
Interest Received	6.46	0.31
Other Income	6.47	4.67
Net Cash Used for Investing Activity	(219.00)	(355.40)
C. Cash Flow from financing activities		
Repayment of Term Loan	(90.00)	(90.00)
Car Loan From HDFC	6.75	0.00
Share Application Money received	437.00	0.00
Net Cash generated from financing activity	353.75	(90.00)
Cash and Cash Equivalents (Opening Balance)	173.02	189.65
Net Increase in Cash & Cash equivalents(A+B+C)	475.28	(16.63)
Cash and Cash Equivalents (Closing Balance)	648.30	173.02

On behalf of the Board

Place: Secunderabad
Date : 08-08-2005

Sd/-
M.P.Mehrotra
Chairman

Sd/-
K.V.S.Chalapathi Rao
Managing Director & CEO

AUDITORS CERTIFICATE

We have certified the above Cash Flow Statement of Goldstone Technologies Limited derived from the audited annual financial statements for the period ended 31st March 2005. According to the information and explanations given to us, the above Cash Flow Statement has been prepared in consonance with the requirements of Accounting Standard 3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India and found the same to be drawn in accordance therewith and also with the requirements of clause 32 of the listing agreements with stock exchanges.

for P.R.PramodKumar & Co.
Chartered Accountants

Place: Secunderabad
Date:08-08-2005

Sd/-
P.R.Pramodkumar
Proprietor



BALANCE SHEET ABSTRACT AND COMPANY'S BUSINESS PROFILE:

I. Registration Details:

Registration No. State Code:
Balance Sheet Date:

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

Public Issue: Rights Issue:
Bonus Issue: Private Placement:

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

Sources of Funds:

Total Liabilities: Total Assets:
Paid-up Capital Reserves and Surplus
Secured Loans: Unsecured Loans:

Application of Funds:

Net Fixed Assets Investments
Net Current Assets: * Misc. Expenditure

* includes Deferred Tax Liabilities

Accumlated Losses:

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

Turnover/Income Total Expenditure
Profit before tax Profit after tax
Earning per Share in Rs. 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



AUDITORS' REPORT

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

1. We have audited the attached Consolidated Balance Sheet of Goldstone Technologies Limited as at 31st March 2005 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 responsible 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 statement. 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 subsidiaries of Goldstone Technologies Limited whose financial statements reflect total assets of Rs. 58.30 Lakhs as at 31st March, 2005 and total revenue of Rs. 574.28 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 county. 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 subsidiaries 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 subsidiaries as at March 31, 2005;
 - ii. In the case of Consolidated Profit & Loss Account, of the consolidated results of operations of the Company and its subsidiaries for the year ended March 31, 2005;
 - iii. In the case of the Consolidated Cash Flows statement, of the consolidated cash flows of the Company and its subsidiaries for the year ended March 31 2005;

For P R Pramodkumar
Chartered Accountants

Sd/-

P R Pramodkumar
Proprietor

Place: Secunerabad
Date: 8th August, 2005



Goldstone

Goldstone Technologies Limited

Consolidated Balance Sheet as at 31st March, 2005

	Sch.	As at 31st March 2005 Rupees	As at 31st March 2004 Rupees
I. SOURCES OF FUNDS			
1 SHAREHOLDERS' FUNDS			
a. Share capital	1	15,20,84,000	10,83,84,000
b. Share Warrants Money		-	1,35,00,000
c. Reserves and Surplus	2	<u>10,81,31,295</u>	<u>7,53,22,458</u>
		<u>26,02,15,295</u>	<u>19,72,06,458</u>
2 LOAN FUNDS			
Secured Loans	3	<u>6,06,10,768</u>	<u>6,30,00,000</u>
		<u>6,06,10,768</u>	<u>6,30,00,000</u>
Total		<u>32,08,26,063</u>	<u>26,02,06,458</u>
II. APPLICATION OF FUNDS			
1 FIXED ASSETS	4		
a. Gross block		27,68,06,549	15,54,64,932
b. Less : Depreciation		<u>7,73,68,875</u>	<u>6,15,66,589</u>
Net block		<u>19,94,37,674</u>	<u>9,38,98,343</u>
Add : Capital Work in Progress (Including Capital Advances)		-	6,61,09,399
		<u>19,94,37,674</u>	<u>16,00,07,742</u>
2 INVESTMENTS	5	-	1,66,98,000
3 CURRENT ASSETS, LOANS & ADVANCES			
a. Sundry Debtors	6	11,77,60,154	15,67,74,958
b. Cash and Bank Balances	7	6,50,46,499	1,73,02,343
c. Loans and Advances	8	1,59,59,528	2,06,18,098
Total		<u>19,87,66,181</u>	<u>19,46,95,398</u>
Less: Current Liabilities & Provisions			
a. Current Liabilities	9	8,04,45,926	13,48,44,313
b. Provisions	10	<u>8,21,251</u>	<u>10,15,766</u>
Total		<u>8,12,67,177</u>	<u>13,58,60,079</u>
NET CURRENT ASSETS		<u>11,74,99,004</u>	<u>5,88,35,319</u>
4 Miscellaneous Expenditure	11	<u>1,24,26,311</u>	<u>3,67,10,234</u>
5 Deferred Tax Asset/(Liability)		<u>(85,36,926)</u>	<u>(1,20,44,837)</u>
Total		<u>32,08,26,063</u>	<u>26,02,06,458</u>
Significant Accounting Policies and Notes to Accounts	17		

As per our report attached
for P.R.Pramodkumar & Co
Chartered Accountants
Sd/-

P.R. Pramodkumar
Proprietor
Place: Secunderabad
Date: 08-08-2005

On behalf of the Board

Sd/-
M P Mehrotra
Chairman

Sd/-
KVS Chalapathi Rao
Managing Director & CEO



Consolidated Profit & Loss Account for the year ended 31st March, 2005

	Sch.	For the year ended 31-03-2005 Rupees	For the year ended 31-03-2004 Rupees
INCOME			
Software development	12	46,96,21,386	57,27,35,309
Other income	13	35,15,418	4,97,889
Total		47,31,36,804	57,32,33,198
EXPENDITURE			
Personnel costs	14	26,09,40,446	30,30,13,904
Administration and other expenses	15	16,94,86,514	20,38,20,643
Finance Charges	16	84,82,156	1,01,68,512
Depreciation		1,58,02,287	1,61,68,876
Miscellaneous Expenses Written off		-	26,00,330
Total		45,47,11,403	53,57,72,265
Profit before taxation		1,84,25,401	3,74,60,933
Provision for : Taxation		-	-
Deferred tax asset		35,07,911	9,61,661
Profit after tax		2,19,33,312	3,84,22,594
Prior period adjustments (Net)		3,52,365	7,49,383
Profit after Adjustment		2,15,80,947	3,76,73,211
Brought forward from previous year		(3,00,91,872)	(6,77,65,082)
Balance carried to Balance Sheet		(85,10,925)	(3,00,91,872)
Earnings per Share (Equity Shares of nominal value Rs. 10/- each)			
Basic & Diluted		1.991	3.476
Number of shares used in Computing EPS			
Basic & Diluted		1,08,38,400	1,08,38,400
Significant Accounting Policies and Notes to Accounts	17		

as per our report attached
for **P.R.Pramodkumar & Co**
Chartered Accountants

Sd/-
P.R. Pramodkumar
Proprietor

On behalf of the Board

Sd/-
M P Mehrotra
Chairman

Sd/-
KVS Chalapathi Rao
Managing Director & CEO

Place: Secunderabad
Date: 08-08-2005



Goldstone

Goldstone Technologies Limited

SCHEDULES FORMING PART OF THE ACCOUNTS

	As at 31.03.2005 Rupees	As at 31.03.2004 Rupees
1: SHARE CAPITAL		
Authorised:		
2,50,00,000 Equity Shares of Rs.10/- each	<u>25,00,00,000</u>	<u>25,00,00,000</u>
Issued, Subscribed and Paid up:		
1,08,38,400 Equity Shares of Rs. 10/- each, fully paid up	10,83,84,000	10,83,84,000
Equity Share Warrants	4,37,00,000	-
Total	<u>15,20,84,000</u>	<u>10,83,84,000</u>
2: RESERVES AND SURPLUS		
1 Capital Reserve	1,47,80,538	12,80,538
2 Share Premium Account	8,35,61,003	8,59,80,292
3 General Reserve	1,83,00,679	1,83,00,679
4 Profit & Loss Account balance	(85,10,925)	(3,02,39,051)
Total	<u>10,81,31,295</u>	<u>7,53,22,458</u>
3: SECURED LOANS		
Term Loan from IDBI	5,99,31,157	6,30,00,000
(Including interest accrued and due there on)		
Vehicle Loan from HDFC	6,79,611	-
Total	<u>6,06,10,768</u>	<u>6,30,00,000</u>



SCHEDULES FORMING PART OF THE ACCOUNTS

4. FIXED ASSETS

Description	GROSS BLOCK		DEPRECIATION		NET BLOCK					
	As on 01.04.2004 Rupees	Additions during the year Rupees	Deductions during the year Rupees	As on 31.03.2005 Rupees	Upto 01.04.2004 Rupees	For the year Rupees	Adjustments during the year Rupees	Upto 31.03.2005 Rupees	As on 31.03.2005 Rupees	As on 31.03.2004 Rupees
1. Goodwill	-	2,04,75,933	-	204,75,933	-	-	-	-	2,04,75,933	-
2. Land	80,62,000	6,61,09,399	-	7,41,71,399	-	-	-	-	7,41,71,399	80,62,000
3. Buildings	2,23,74,053	2,03,21,265	-	4,26,95,318	30,56,063	7,47,293	-	38,03,356	3,88,91,962	1,93,17,990
4. Leasehold Improvements	47,37,576	1,16,25,234	-	1,63,62,810	47,37,576	-	-	47,37,576	1,16,25,234	-
5. Plant & Machinery	30,62,462	-	-	30,62,462	27,12,017	1,13,324	-	28,25,341	2,37,121	3,50,445
6. Furniture & Fixtures	47,57,237	66,410	-	48,23,647	6,12,977	5,73,327	-	11,86,304	36,37,343	41,44,260
7. Electrical Installation	56,11,083	1,26,500	-	57,37,583	10,96,882	3,64,435	-	14,61,317	42,76,266	45,14,201
8. Vehicles	9,45,083	9,60,639	-	19,05,722	4,57,399	99,033	-	5,56,432	13,49,200	4,87,684
9. Computer system	9,44,95,810	12,01,979	-	9,56,97,789	4,53,15,301	1,36,42,982	-	5,89,58,283	3,67,39,507	4,91,80,509
10. Electronic equipment & Office Equipment	1,14,19,628	4,54,259	-	1,18,73,887	35,78,374	2,61,893	-	38,40,267	80,33,620	78,41,254
Total	15,54,64,932	12,13,41,617	-	27,68,06,549	6,15,66,589	1,58,02,287	-	7,73,68,876	19,94,37,674	9,38,98,343
Previous year	14,76,80,697	77,84,235	-	15,54,64,932	4,79,54,103	1,61,68,876	2,556,390	6,15,66,589	9,38,98,343	9,97,26,594



Goldstone

Goldstone Technologies Limited

SCHEDULES FORMING PART OF THE ACCOUNTS

	As at 31.03.2005 Rupees	As at 31.03.2004 Rupees
5: INVESTMENTS- AT COST		
Long Term Investment		
Unquoted		
i) Investment in preferential stock of Enherent Corp	<u>NIL</u>	<u>1,66,98,000</u>
Total	<u>NIL</u>	<u>1,66,98,000</u>
6: SUNDRY DEBTORS		
(UNSECURED, CONSIDERED GOOD)		
a. Debts outstanding for a period exceeding six months	2,10,66,394	1,96,06,250
b. Other Debts	<u>9,66,93,760</u>	<u>13,71,68,708</u>
Total	<u>11,77,60,154</u>	<u>15,67,74,958</u>
7: CASH & BANK BALANCES		
Cash on hand	3,69,617	2,20,669
Bank balances with Scheduled Banks		
-In Current Accounts	5,91,32,797	32,76,019
-In Fixed Deposit	6,58,788	4,58,788
Balances with others		
-M & T Bank	48,85,297	1,33,46,867
(Maximum balance during the year Rs. 1,09,37,500/- (USD 2,50,000))		
Total	<u>6,50,46,499</u>	<u>1,73,02,343</u>
8: LOANS & ADVANCES		
(UNSECURED, CONSIDERED GOOD)		
Advances to suppliers	87,85,720	68,21,711
Advances to Staff	14,05,201	35,82,075
Deposits	27,45,505	22,39,241
Advance Tax	-	1,13,770
Prepaid Expenses	30,23,101	78,61,300
Total	<u>1,59,59,528</u>	<u>2,06,18,098</u>

SCHEDULES FORMING PART OF THE ACCOUNTS

	As at 31.03.2005 Rupees	As at 31.03.2004 Rupees
9: CURRENT LIABILITIES		
Sundry Creditors (No outstanding dues to SSI Undertakings)	2,63,04,544	1,38,48,578
Other Creditors/ Liabilities	5,19,00,293	11,70,23,634
Statutory Liabilities	15,22,328	31,68,959
Interest Accrued but not due on Loans	7,18,762	8,03,143
Total	8,04,45,926	13,48,44,313
10: PROVISIONS		
Provision for Taxation	2,22,425	2,22,260
Provision for Gratuity and Leave Encashment	5,98,826	7,93,506
Total	8,21,251	10,15,766
11: MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)		
Preliminary Expenditure	18,513	
Less : Written Off during the year	18,513	18,513
Public Issue Expenses	24,00,776	
Less : Written Off during the year	24,00,776	24,00,776
Deferred Revenue Expenditure	3,42,90,945	
Add: Addition during the year	1,22,28,878	
	4,65,19,823	
Less : Adjusted during the year	3,40,93,512	3,42,90,945
Total	1,24,26,311	3,67,10,234



Goldstone

Goldstone Technologies Limited

SCHEDULES FORMING PART OF THE ACCOUNTS

	For the year ended 31-03-2005 Rupees	For the year ended 31-03-2004 Rupees
12 : SALES		
Software & Services - Domestic	-	19,76,930
- Exports	46,96,21,386	57,07,58,379
Total	46,96,21,386	57,27,35,309
13: OTHER INCOME		
Insurance Claims received	-	68,463
Interest on Fixed Deposits	6,80,599	31,223
Miscellaneous Income	6,46,819	3,98,204
Profit on sale of Investments	21,88,000	-
Total	35,15,418	4,97,889
14: PERSONNEL EXPENDITURE		
Salaries, Wages and other Benefits	25,91,18,357	30,11,08,793
Staff Welfare	8,70,066	13,94,169
Staff Recruitment & Training	9,52,023	5,10,942
Total	26,09,40,446	30,30,13,904
15: ADMINISTRATIVE AND SELLING EXPENSES		
Directors Remuneration	14,50,000	18,62,000
Advertisement	1,17,750	22,29,155
Electricity	7,11,652	29,91,406
Rent	70,65,172	57,56,059
Legal Fees	12,48,752	43,05,477
Consumables	-	31,415
Printing and Stationary	2,63,118	7,75,805
Postage ,Telephones and Internet	1,36,00,472	1,93,27,527
Insurance	1,38,964	70,401
Professional and Consultancy	9,93,06,891	4,28,49,864
Outsourcing Expenses	-	9,55,58,238
Rates and Taxes	7,52,991	34,53,023

SCHEDULES FORMING PART OF THE ACCOUNTS

	For the year ended 31-03-2005 Rupees	For the year ended 31-03-2004 Rupees
Meeting Expenses	18,662	33,025
Marketing Expenses	86,85,912	78,75,755
Gifts and Donations	-	24,505
Books & Periodicals	32,871	70,545
Membership & Subscription	7,63,398	5,85,938
Vehicle Maintenance	14,94,193	28,39,897
Travelling Expenses		
-Directors-	6,66,806	11,40,990
-Others	1,20,26,828	2,17,24,110
Conveyance	1,00,200	2,77,130
Business Promotion	3,75,386	10,93,341
Auditors Remuneration	1,50,000	1,35,000
Office Maintenance	20,25,781	15,93,270
Repairs & Maintenance	21,15,794	31,80,745
Miscellaneous Expenses	6,64,723	11,35,192
Listing Fees	1,34,000	1,07,000
Bad Debts written off	35,66,018	32,17,512
Exchange Fluctuation loss	45,75,537	92,33,164
Security Charges	4,04,194	5,99,517
Fines & Penalties	2,53,212	-
Onsite Project work expenses	1,90,06,116	-
Total	18,17,15,392	23,40,77,006
Less: Deferred Revenue Expenses	1,22,28,878	3,02,56,363
	16,94,86,514	20,38,20,643
16: FINANCIAL EXPENSES		
Interest on Term Loan	82,80,336	99,46,229
Bank Charges & Commission	1,46,826	2,22,283
Other Financial Charges	47,843	-
Interest on HDFC Car Loan	7,151	-
Total	84,82,156	1,01,68,512



17 SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

A) Statement on Significant Accounting Policies

(i) Basis of Accounting / Consolidation

The Consolidated Financial Statements of the Company with the wholly owned subsidiaries Staytop Systems Inc and Primesoft LLC have been prepared under the historical cost convention in accordance with generally accepted accounting principles applicable and the Accounting Standard 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 income, 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 recognized on milestones achieved as per the terms of specific contracts.

(iii) Fixed Assets:

- a) Fixed Assets are valued at cost less depreciation. Project expenses/Pre-operative expenses are capitalized 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 permanent diminution 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) 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. Wholly owned Subsidiaries considered for Consolidation:
 - a. Staytop Systems Inc, a US incorporated Company.
 - b. Primesoft LLC, a US incorporated Company.
2. Deferred Tax Liability:
Deferred Tax Liability/Asset is recognized in accordance with Accounting Standard 22 – “Accounting for taxes on Income” issued by the Institute of Chartered Accountants of India.
3. Related Party Disclosure:
The Company had transactions with the following related parties.
Subsidiaries : Prime Soft LLC.
: Staytop Systems Inc.
4. Earnings Per Share:
Calculation of EPS (Basic & Diluted):

Rs. In Lakhs

Particulars	Current Year 2004-05	Previous Year 2003-04
Total No. of Shares Outstanding	1,08,38,400	1,08,38,400
Profit after Taxes before Prior Period Adjustments	219.33	386.05
Profit after Taxes after Prior Period Adjustments	215.81	378.56
EPS after Taxes before Prior Period Adjustments	2.024	3.562
EPS after Taxes after Prior Period Adjustments	1.991	3.493

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.
8. Previous year figures reflect consolidation of Goldstone Technologies Limited and Primesoft LLC only, as the corresponding previous year figures of Staytop Systems Inc acquired during the year are not available.

As per our report attached

On behalf of the Board

For P R Pramodkumar & Co.

Chartered Accountants

Sd/-

P R Pramodkumar
Proprietor

Sd/-

M P Mehrotra
Chairman

Sd/-

K V S Chalapathi Rao
Managing Director & CEO

Secunderabad

Date: 08.08.2005



Goldstone

Goldstone Technologies Limited

Statement of Consolidated Cash Flows for the year ended 31-03-2005

Rs. in lakhs

	31-03-2005	31-03-2004
A Cash Flow from operating activity		
Net Profit before tax	184.25	374.61
Adjustments for:		
Depreciation	158.02	136.12
Miscellaneous expenditure written off	0.00	26.00
Provision for gratuity & earned leave	3.31	1.72
Other income	(35.74)	(4.98)
Interest on Long Term Loan	82.87	101.69
Bad Debts Written Off	35.07	0.00
Operating Profit before working capital Changes	427.78	635.16
Adjustments for:		
Trade and other receivables	368.73	(565.65)
Trade advances	112.07	60.27
Trade payables	(538.47)	401.10
Cash generated from Operations	370.11	530.88
Direct Taxes paid (net)	0.00	7.07
Interest paid	(24.38)	(101.69)
Cash flow before extraordinary items	345.73	436.26
Extraordinary items	(3.05)	(7.49)
Net Cash Flow from operating activity	342.68	428.77
B Cash Flow from Investing Activity		
Purchase of fixed assets	(1008.66)	(77.84)
Capital work in progress	661.09	20.02
Purchase of Investments	(81.53)	0.00
Miscellaneous Expenditure	197.17	(302.56)
Interest Received	6.46	0.31
Other Income	6.47	4.67
Net Cash Used for Investing Activity	(219.00)	(355.40)
C Cash Flow from financing activities		
Repayment of Term Loan	(90.00)	(90.00)
Car Loan From HDFC	6.75	0.00
Share Application Money received	437.00	0.00
Net Cash generated from financing activity	353.75	(90.00)
Cash and Cash Equivalents (Opening Balance)	173.02	189.65
Net Increase in Cash & Cash equivalents(A+B+C)	477.43	(16.63)
Cash and Cash Equivalents (Closing Balance)	650.45	173.02

On behalf of the Board

Place: Secunderabad
Date: 08-08-2005

Sd/-
M P Mehrotra
Chairman

Sd/-
K V S Chalapathi Rao
Managing Director & CEO

AUDITORS' CERTIFICATE

We have certified the above Cash Flow Statement of Goldstone Technologies Limited derived from the audited annual financial statements for the period ended 31st March 2005. According to the information and explanations given to us, the above Cash Flow Statement has been prepared in consonance with the requirements of Accounting Standard 3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India and found the same to be drawn in accordance therewith and also with the requirements of clause 32 of the listing agreements with stock exchanges.

for P.R.PramodKumar & Co.
Chartered Accountants

Sd/-

P.R.Pramodkumar
Proprietor

Place: Secunderabad
Date: 08-08-2005

DIRECTOR'S REPORT

To,
The Members of
Primesoft LLC

Your directors have pleasure in presenting the Ninth Annual Report on the business and operations of the Company and the accounts for the period ending 31st March 2005.

Directors

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

Mr. M P Mehrotra
Mr. K V S Chalapathi Rao
Ms. Mahita Caddell

Financial Results

Year	2004-05		2003-04	
	In US \$	Rs. in Lakhs	In US \$	Rs. in Lakhs
Gross Revenue	0	0	0	0
Operating Profit / (Loss)	-97	-0.04	-3578.50	-1.83
Depreciation	0	0	0	0
Net Profit / (Loss)	-97	-0.04	-3578.50	-1.83

Review of the operations

During the year under review, the Company has not earned revenues and registered a net loss of US \$ 97 (Rs.0.04 lakhs) as against loss of US \$ 3578.50 (Rs.1.83 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/-
K V S Chalapathi Rao
Director

Dated 8th August, 2005



Goldstone

Primesoft LLC

Balance Sheet as at 31st March 2005.

	March 31,2005		March 31,2004	
	In US \$	In Rs.	In US \$	In Rs.
ASSETS				
CURRENT ASSETS				
Cash & Bank Balances				
Other Advances	<u>3,270.21</u>	<u>1,43,071</u>	<u>3,367.21</u>	<u>1,47,180</u>
Total current Assets	<u>3,270.21</u>	<u>1,43,071</u>	<u>3,367.21</u>	<u>1,47,180</u>
Total Assets	<u>3,270.21</u>	<u>1,43,071</u>	<u>3,367.21</u>	<u>1,47,180</u>
LIABILITIES				
Accounts Payable	-	-	-	-
Other Liabilities	-	-	-	-
Total Current Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Stock Holder' s equity / Retained earnings	3,367.21	1,47,180	6,945.71	3,29,921
Net Income / (Loss)	<u>(97.00)</u>	<u>(4,109)</u>	<u>(3,578.50)</u>	<u>(1,82,742)</u>
Total Liabilities & Equity	<u>3,270.21</u>	<u>1,43,071</u>	<u>3,367.21</u>	<u>1,47,180</u>

Profit and Loss Account for the year ended as at 31st March 2005

	For the year ended March 31,2005		For the year ended March 31,2004	
	In US \$	In Rs.	In US \$	In Rs.
INCOME				
Professional Services / Consulting	-	-	-	-
Other Income	-	-	-	-
TOTAL INCOME	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENSES				
Payroll Expenses				
Administration & Other Charges	97	4,109	3,578.50	1,82,742
TOTAL EXPENSES	<u>97</u>	<u>4,109</u>	<u>3,578.50</u>	<u>1,82,742</u>
NET PROFIT	<u>97</u>	<u>4,109</u>	<u>-3,578.50</u>	<u>-1,82,742</u>

For and on behalf of the Board

Burlington, VT
Dated 8th August, 2005

Sd/-
Mahita Caddel
Director

Sd/-
K V S Chalapathi Rao
Director

DIRECTOR'S REPORT

To,
The Members of
Stay Top Systems Inc

Your directors have pleasure in presenting the Eighth Annual Report on the business and operations of the Company and the accounts for the period ending 31st March 2005.

Directors

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

Mr. M P Mehrotra
Mr. K V S Chalapathi Rao
Ms. Mahita Caddell

Financial Results

Year	2004-05	
Particulars	In US \$	Rs. in Lakhs
Gross Revenue	12,72,491.55	574.27
Operating Profit / (Loss)	1,29,980.82	56.87
Depreciation	0	0
Net Profit / (Loss)	1,29,980.82	56.87

Review of the operations

The company has become the wholly owned subsidiary of Goldstone Technologies Limited w.e.f 10th Feb 2005. During current period i.e., from 10th Feb 05 to 31st Mar 05, the company has earned revenues of US \$ 12,72,491.55 (Rs.574.27 Lakhs) and registered a net profit of US \$ 1,29,980,.82 (Rs. 56.87 Lakhs).

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/-
K V S Chalapathi Rao
Director

Dated 8th August, 2005.



Goldstone

Stay Top Systems Inc

Balance Sheet as at 31st March 2005.

	March 31,2005	
	In US \$	In Rs.
ASSETS		
CURRENT ASSETS		
Cash & Bank Balances	4,939.30	2,16,094.38
Accounts Receivable	8,92,423.92	3,90,43,546.50
Total current Assets	<u>8,97,363.22</u>	<u>3,92,59,640.88</u>
Total Assets	<u>8,97,363.22</u>	<u>3,92,59,640.88</u>
LIABILITIES		
Accounts Payable	4,13,947.81	1,81,10,216.69
Other Liabilities	3,53,434.59	1,54,62,763.31
Total Current Liabilities	<u>7,67,382.40</u>	<u>3,35,72,980.00</u>
Stock Holder' s equity /Retained earnings	-	-
Net Income / (Loss)	1,29,980.82	56,86,660.88
Total Liabilities & Equity	<u>8,97,363.22</u>	<u>3,92,59,640.88</u>

Profit and Loss Account for the year ended as at 31st March 2005

	For the year ended March 31,2005	
	In US \$	In Rs.
INCOME		
Professional Services /Consulting	12,72,491.55	5,74,27,543.65
Other Income	-	-
TOTAL INCOME	<u>12,72,491.55</u>	<u>5,74,27,543.65</u>
EXPENSES		
Payroll Expenses	2,30,726.02	1,04,12,665.28
Professional Fees	9,08,747.61	4,10,11,779.64
Administration & Other Charges	3,037.10	3,16,437.85
TOTAL EXPENSES	<u>11,42,510.73</u>	<u>5,17,40,882.77</u>
NET PROFIT	<u>1,29,980.82</u>	<u>56,86,660.88</u>

For and on behalf of the Board

Burlington, VT
Dated 8th August, 2005

Sd/-
Mahita Caddel
Director

Sd/-
K V S Chalapathi Rao
Director