



NOTICE

Notice is hereby given that the Thirteenth Annual General Meeting of the Company will be held on Thursday the 27th September 2007 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 2007 and Profit & 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 Mr. V.P. Singh, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Nandan Kundetkar, who retires by rotation and being eligible, offers himself for re-appointment.
4. To consider and, if thought fit, to pass with or without modification, the following resolution as an ordinary resolution.

"RESOLVED THAT M/s. P. Murali & Co., Chartered Accountants, Hyderabad, be and are hereby re-appointed as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting at a remuneration to be fixed by the Board of Directors of the Company."

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. K.S. Sarma, was appointed as an Additional Director of the Company by the Board of Directors in their meeting held on 30th April 2007 and holds office up to the date of this Annual General Meeting under Section 260 of the Companies Act, 1956, in respect of whom the Company has, received a notice under section 257 of the Company Act, 1956 proposing is candidature for the office of Director, 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 Special Resolution.

"RESOLVED THAT pursuant to Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 (including any amendments thereto or re-enactment thereof) read with the Articles of Association

of the Company, and pursuant to the Securities Exchange Board of India (Substantial Acquisition of shares and Takeovers) Regulations 1997 (including any amendments thereto or re-enactment thereof), and subject to all applicable laws, rules, Regulations and Guidelines issued by the Securities Exchange Board of India (hereinafter referred to as SEBI), Stock Exchanges, Foreign Investment Promotion Board (hereinafter referred to as FIPB), Secretariat for Industrial Assistance (hereinafter referred to as SIA), Government of India, Reserve Bank of India (hereinafter referred to as RBI) and / or under the Foreign Exchange Management Act, 1999 (hereinafter referred to as FEMA), such approvals, permissions, sanctions and consents as may be necessary and required under applicable laws, rules and regulations, and on such terms and conditions (including any alterations, modifications, corrections, changes and variations, if any, that may be stipulated under such approvals, permission, sanctions and consents, as the case may be), which may be accepted by the Board of Directors of the company (which term shall include any duly constituted and authorized committee thereof), and subject to alterations, modifications, corrections, changes and variations that may be decided by the Board of Directors in their discretion, and as per the Articles of Agreement entered with M/s. Stay Top Systems Inc, for acquisition of 100% holding of such Company, the consent of the Company be and is hereby accorded to the Board of Directors to offer, issue, allot and deliver in one or more tranches on a private placement and / or Preferential allotment of equity shares of the company (worth US dollars 100,000) of the face value of Rs. 10/- each at a price of Rs.122/- (including Premium of Rs.112/- per Share), the price determined in accordance with the Securities Exchange Board of India Guidelines for Preferential Issue of shares, to the persons mentioned below for consideration other than cash as part consideration for acquisition of 100% shareholding of Stay Top Systems Inc., a California Corporation based at USA:

1. Mr. Eswaran Ramalingam : 19,453 Equity Shares
2. Mr. Murali Kaliaperumal : 16,465 Equity Shares

"RESOLVED FURTHER THAT the Relevant Date in relation to the shares for the purpose of determining the issue price under the SEBI (DIP) Guidelines relating to preferential issues shall be 27th August 2007 i.e. 30 days prior to this General Meeting of the Company.

"RESOLVED FURTHER THAT the equity shares so issued shall rank pari- passu with the existing equity shares of the Company

"RESOLVED FURTHER THAT for the purpose of giving effect to the aforesaid special resolution, Mr.Nandan Kundetkar, Chairman and /or Mr.D.P.Sreenivas,



Executive Director of the company, be and are here by severally authorised to take such steps and do all such acts, deeds, matters and things and effect or accept any directions and instructions as may be necessary to settle any question, difficulty or doubt that may arise in regard to the offer, issue, or allotment of the said Equity shares, and also to seek the Listing of such Equity Shares on the Stock Exchanges where the Company's shares are listed".

For and on behalf of the Board

Sd/-

Nandan Kundetkar
Chairman

Place : Secunderabad

Date : 24th August 2007

Notes:-

- a. The Explanatory Statement relating to Special Business of the Meeting is annexed to this Notice as required by Section 173 of the Companies Act, 1956.
- b. A Member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself proxy need not be a member of the Company. The Proxy in order to be effective, must be deposited at the Registered Office not less than 48 hours before the meeting.
- c. The Register of Members and Share Transfer Books of the Company shall remain closed from 22nd September 2007 to 27th September 2007 (both days inclusive) for the purpose of Annual General Meeting.
- d. Queries on accounts and operations of the Company, if any may please be sent to the Company at least seven days in advance of the Meeting so that the answers may be made readily available at the meeting.
- e. Members/Proxies are requested to deposit the enclosed Attendance Slip duly filled in and signed for attending the meeting.
- f. Members holding shares in physical form are requested to notify, immediately, any change in their address to the Company at 9-1-83&84, Amarchand Sharma Complex, S.D. Road, Secunderabad – 500 003. Members holding shares in electronic form should update such details with their respective Depository Participants.
- g. All the documents to in the above notice and accompanying Explanatory Statement are open for inspection at the Registered Office of the Company on all working days (except Sundays and Public Holidays) between 10.00 A.M. and 1.00 P.M. up to the date of the Annual General Meeting.

- h. Members are requested to bring their copy of the Annual Report to the meeting.

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

Item No's: 5

Mr. K S Sarma appointed as Additional Directors of the Company in the Board Meeting held on 30th April 2007 and holds office till the conclusion of the ensuing Annual General Meeting.

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

Your Directors recommend the resolution for approval of the members.

Except Mr. K.S. Sarma, none of the Directors are concerned or interested in this resolution.

Item No's: 6

The shareholders are aware that the Company has acquired 100% holding in M/s. Stay Top Systems Inc, at a total purchase consideration of USD 2,100,000 for which the Approval of Foreign Investment and Promotion Board was already obtained. Sequel to this, your Company has already issued 2,62,920 equity shares to the promoters of M/s. Stay Top Systems Inc., as per the resolution passed at the extraordinary general meeting held on 14th March, 2005 and has taken approval from the members for allotment of 175280 equity shares in the EGM held on 20th February 2006. However, the shares could not be allotted due to non-fulfilment of criteria specified by the SEBI preferential issue guidelines.

Further, as per Clause 1(d) of Section I of the Articles of agreement entered by the Company with M/s. Stay Top Systems Inc, your Company has to issue USD 100,000 worth of fully paid-up, free, clear, unrestricted and unencumbered Stock ie., the purchase consideration to be made as per the said clause is USD 100,000 @ RBI Conversion rate on the closing date ie., on 10th Feb, 2005 (As per the articles of agreement).

The consideration now payable for the acquisition is USD 100,000 is equivalent to Rs.43,82,000/- calculated at one USD equals to Rs.43.82 as on the said date. For this purpose, the Company has to issue 35,918 equity shares of Rs.10/- each at a price of Rs.122/- including premium of Rs.112/- to the Promoters of M/s. Stay Top Systems Inc., USA , the pricing of which is higher than the price specified in the SEBI Guidelines on Preferential issues.

The present resolution is proposed for the purpose of issue



of shares on preferential basis to the promoters of M/s. Stay Top Systems Ins., USA.

Information as required under Clause 13.1A of SEBI (Disclosure and Investor Protection) Guidelines 2000, is furnished as under:

a) Objects of the issue:

The object of the issue is for the purpose of part payment to be made as per the articles of agreement entered for acquisition of 100% shareholding of Stay Top Systems Inc., a California corporation, held by IQ Soft Inc., the shareholding of which is in turn held by Mr. Eswaran Ramalingam and Mr. Murali Kaliaperumal, NRIs based at USA.

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

None of the Promoters / Directors / Key Management persons intend to subscribe to the offer being proposed for the shareholders approval. Mr. Eswaran Ramalingam and Mr. Murali Kaliaperumal intend to subscribe to the preferential offer being proposed by the company (for consideration other than cash) in terms of Articles of Agreement entered into with them.

c) The Shareholding pattern before and after the Issue.

The Shareholding Pattern before and after this issue, (considering the proposed preferential issue of 35,918 Equity Shares to individuals as per resolution No. 6) is given under.

Sl. No.	Category	Pre Issue		Post Issue	
		No. of Shares held	% of Shares held	No. of Share held	% of Shares Held
1	Promoters Group	35,43,646	27.26	35,43,646	27.18
2	Non-Promoters Group				
	Mutual funds	Nil	Nil	Nil	Nil
	Banks, Financial Institutions and Insurance Companies	4,700	0.04	4,700	0.04
	FIs	8,00,000	6.15	8,00,000	6.14
	Private Bodies Corporate	28,68,705	22.06	28,68,705	22.00
	NRIs / OCBs	3,21,748	2.47	3,57,666	2.74
	Indian General Public	54,62,521	42.02	54,62,521	41.90
	Grand Total	1,30,01,320	100.00	1,30,37,238	100.00

(The Company has issued 54,00,000 Share Warrants in May 2006. In case if the holders of the warrants exercise the option for conversion into Equity Shares, the Shareholding Pattern, may undergo a Consequential change.)

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

The allotment of Equity Shares is proposed to be completed within a period of 15 days from the date of

approval by the shareholders or 15 days from the date of receipt of approvals from the Stock Exchanges, which ever is later.

e) The identity of the proposed allottees and the percentage of post-preferential issue capital held by them are as follows:

The percentage of Post - Preferential Issue to be held by the proposed investors based on this resolution is given in Table C below:

Table C

Sl.No.	Name	Present Allotment	Pre-Issue Holding	%to Total Equity	Post-Issue Holding	%to Total Equity
1.	Mr. Eswaran Ramalingam	19,453	35,894	0.28%	55,347	0.42%
2.	Mr. Murali Kaliaperumal	16,465	10,000	0.08%	26,465	0.20%



One hundred percent of the issued and outstanding capital stock of Stay Top Inc., is held by IQ Soft, Inc which 100 % share holding in turn is held by the following:

- i. Mr. Eswaran Ramalingam, a Non-resident Indian settled in San Jose, CA, USA., is proposed to be allotted 19,453 equity shares constituting 0.14% of the enhanced Equity share capital of the Company and
 - ii Mr. Murali Kaliaperumal a Non-resident Indian settled in San Jose, CA, USA., is proposed to be allotted 16,465 equity shares constituting 0.12% of the enhanced Equity share capital of the Company
- f) Lock-in:

The aforementioned allotment shall be subject to lock-in in terms of SEBI Guidelines, for the time being in force.

There will be no change in the management or control of the company as a result of the acquisition of the equity shares of the company by the proposed allottees pursuant to this resolution. However there will be a consequential change in the voting rights / shareholding of the company.

The Certificate issued by M/s Murali & Co., Chartered Accountants, Statutory Auditors of the Company as to the Pricing of the issue and that this preferential issue of securities is being made in accordance with the Guidelines on Preferential Allotment issued by SEBI will be placed before the shareholders at the Annual General Meeting where this resolution is being considered.

The Articles of the Agreement entered into with the promoters of STAY TOP Inc., is available for inspection at the registered office of the company during the business hours on working days.

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

Your Directors recommend the resolution for your approval.

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

For and on behalf of the Board
Sd/-
Nandan Kundetkar
Chairman

Place : Secunderabad
Date : 24th August 2007

ADDITIONAL INFORMATION ON DIRECTORS SEEKING APPOINTMENT / RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING (Pursuant to Clause 49 of the Listing Agreement)

Item # 2 of Notice of AGM

Mr. Vishwanath Pratap Singh

Mr. V P Singh aged 63 years, holds Masters of Commerce Degree, Bachelor of Law and CAIIB. He has 39 years of experience 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 Director & Audit Committee Member in the following companies:

1. Director in Oil & Natural Gas Corporation Limited
2. GMR Industries Limited.

Mr. Nandan Kundetkar

Mr. Nandan Kundetkar, aged 40 years, is a Postgraduate in Electronics from University of Mumbai. He is a techno-commercial architect of many innovative business models; He has to his credit many research papers. As a technocrat he has a strong expertise in Industrial Electronics, Consumer Electronics, Radio frequency Communications, High End Security systems, Multimedia and Embedded technology.

Mr. Nandan holds many revolutionary patents in IPTV and broadband multimedia and one of his patents is on the core advertising and messaging methods, which would influence lot of revenue models of IPTV and broadband multimedia in the near future. This patent not only deals with the target advertisement but also is used for messaging from an individual to a group or to masses in a Network. This patent used in IPTV is also of great value in automation, security, rural networks, e-governance and in IP based Public Address Systems. METHOD FOR DISPLAY OF MULTIMEDIA CONTENT over the Network is also one of his major patents. The other patents include secure remote up gradations of client units over the network, displaying audio-visual or any other form of advertisements when a client passes a query on any popular search sites.

Apart from the above he has spearheaded various other projects spread across the globe. Entire end to end IPTV solutions ranging from the encoders, streaming servers, middle ware to a set top box is being evolved under his leadership. He also maneuvered his domain knowledge in creating values for the media industry by creating news collection system, media archival methods, digital studios etc.



He has great passion for teaching and has strong public relations world wide. He works with the top notch semiconductor companies in the world on multiple projects.

He is Director in the following companies and does not hold any committee membership/ chairmanship in other companies.

- (1) SPL Innotech Pte. Ltd., Singapore
- (2) Ace Tech Com Private Limited
- (3) SPL Innotech India Private Limited
- (4) South Asian Family entertainment Pvt. Limited

Item # 5 of Notice of AGM

Brief introduction to Mr.K.S.Sarma

Mr.Sarma aged 63 years, has a distinguished academic career with two post-graduate degrees, in Arts and Science and did his M.Phil from Manchester University, U.K. He worked, in his career, in the field of Education teaching Economics & Statistics for a period of 10 years before joining the Indian

Administrative Service. During his career he worked in various levels such as Joint Secretary, Special Secretary and Principal Secretary with Govt. of Andhra Pradesh before going on deputation to the Government of India.

He worked in the Ministry of Information & Broadcasting and held additional charge of the post of Director General, Doordarshan. He has functioned as Chief Executive Officer, Prasar Bharati (Broadcasting Corporation of India) and was instrumental in getting free to air Direct To Home service (Popularly known as DD Direct +) for the benefit of Indian viewers/listeners. He has been unanimously elected as Vice-President of Asia-Pacific Broadcasting Union (ABU) and as Vice-President of Commonwealth Broadcasting Association (CBA), which comprises of about 100 broadcasting organizations in over 50 countries. He has also functioned as the President of Indian Broadcasting Federation (IBF).

He has travelled extensively abroad in his career and in particular, during his tenure in the Ministry of I&B/ Prasar Bharati and obtained deep insight into the working scenario of the electronic media.



DIRECTORS' REPORT

To
The Members
Goldstone Technologies Limited

Your Directors have pleasure in presenting the Thirteenth Annual Report of your company together with the Audited Financial Statements for the year ended on 31st March 2007.

Financial Results

(Rs in Millions)

Particulars	2006-07	2005-06
Net Sales/Income from Operations/Software	410.35	349.05
Other Income	6.22	12.13
Total Income	416.57	361.18
Operating Profit	93.86	31.74
Interest	4.02	8.53
Depreciation and Write Offs	16.67	16.33
Profit Before Tax	73.18	6.88
Provision for Tax	1.60	0.89
Deferred Tax	3.91	3.03
- Prior Period Adjustments	2.46	(2.67)
Profit After Tax	77.94	6.36
Equity Share Capital (1,30,01,320 Shares of Rs. 10/- each)	130.01	111.01
EPS in Rs.	5.99	0.58
Networth	292.04	181.06
Book Value (face value Rs. 10/-) in Rs.	22.46	16.58

Review of Operations

During the period under Review, your Company has registered revenue of Rs. 410.35 Millions as against Rs. 349.05 Millions for the previous financial year registering 18% growth, resulting in a Net Profit of Rs.77.94 Million as against Rs.6.36 Million registering 8 fold growth in net profit.

Dividend

In order to fuel its growth and future requirement of funds for the projects under implementation, the Board has decided to retain the profits generated. Consequently your directors do not recommend any dividend for the year 2006-07.

Fixed deposits

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

Insurance

The properties of your Company including its building and plant & machinery have been adequately insured.

Auditors

M/s P Murali & Co; Chartered Accountants retiring Statutory Auditors of the Company hold office till the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. They have furnished a certificate stating that their re-appointment, if made, will be within the limits laid down under Section 224 (1B) of the Companies Act, 1956.

Directors

Mr. V P Singh and Mr. Nandan Kundetkar Director(s) retire by rotation and being eligible offer themselves for re-appointment. During the year Mr. K S Sarma, was appointed as Additional Director of the Company. During the year Mr. M P Mehrotra, resigned as Director of the Company. The Board places on record its appreciation for valuable services rendered by him during their tenure as Directors.

Outlook

Company's existing business of tech support and F2J is expected to grow steadily. The new initiative of implementation of Business Intelligence has huge opportunity in Asia-Pac region and should emerge a significant contributor to revenues. Company is in advanced stage of setting up IPTV and Media (Restoration and Colorization) infrastructure. Both these businesses have tremendous potential and are expected to become the major revenue contributors for the company.

Stock Exchange Listing

The Equity shares of the company are listed on the National Stock Exchange of India Limited, Bombay Stock Exchange Limited, Hyderabad Stock Exchange Limited, Madras Stock Exchange Limited, Delhi Stock Exchange Limited and Ahmedabad Stock Exchange Limited. The company confirms that it has paid Annual Listing Fees due to all the stock exchanges for the year 2007-08.

Director's Responsibility Statement

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

- That in the preparation of the Accounts for the financial year ended as on 31st March 2007, the applicable accounting standards have been followed and there are no material departures there from.
- That they selected such accounting policies and applied consistently and judgements and estimates 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



2007 and of the profit or loss of the Company for that period.

- (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 annual accounts for the financial year ended 31st March 2007 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:

Particulars required under Section 217 (1) (e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given below:

Name, Qualification, Age & % of shareholding more than 2% of paid-up capital of the company	Designation	Date of commencement of employment	Experience (yrs)	Salary (Rs.lacs)	Perks (Rs. lacs)	Last employment
Mr.Clinton Travis Caddell 30 years Bachelor of Science from University of North Carolina - Nil -	Managing Director & CEO	01.12.2006	5	17.65	-	Lockheed Martin
Mr.D.P.Sreenivas 37 years Bachelor of Commerce from S V University - Nil -	Executive Director	01.12.2006	12	5.4	2.6	Business

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)

Particulars	2006-07	2005-06
(a) Foreign Exchange Earnings	430.04	349.98
(b) Foreign Exchange Outgo	334.45	11.77

Acknowledgements

Your directors convey their sincere thanks to Syndicate Bank, State Bank of Hyderabad, HDFC Bank and UCO Bank 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/-
Nandan Kundetkar
Chairman

Place : Secunderabad
Date : 24th August 2007

**CORPORATE GOVERNANCE****Company's Philosophy on Code of Governance**

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

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

Board of Directors

The Board of Directors of the Company consists of 6 directors. Two of them are Executive and Non Independent,

and one is Non Executive and Non Independent and others 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.

During the year 8 Board Meetings were held on the following dates:

10.04.2006, 24.04.2006, 29.04.2006, 29.07.2006, 04.09.2006, 27.10.2006, 29.11.2006 and 30.01.2007.

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

Name of the Director	Category	Designation	No. of Board Meetings held	No of Board Meetings participated	No of committee positions held in other Companies	Directorships in other Companies	Attendance At Last AGM (Yes/No)
Mr. Clinton Travis Caddell	Executive & Non Independent	Managing Director & CEO	8	5	1	1	Yes
Mr. D P Sreenivas	Executive Independent	Executive Director	7	6	1	1	Yes
Mr. V P Singh	Non Executive & Independent	Director	8	1	2	2	No
Mr. Nandan Kundetkar	Non Executive & Independent	Director	7	7	-	4	No
Ms. Mahita Caddell	Non Executive & Non Independent	Director	8	4	1	3	Yes
*Mr. M P Mehrotra	Executive & Independent	Director	2	0	-	-	-

* Mr. M P Mehrotra has resigned on 24th April 2006.

Audit Committee

As on 31st March 2007, the Audit Committee Comprised of Mr. V P Singh, Mr. Nandan Kundetkar, Mr. D.P. Srineevas and Mrs. Mahita Caddell as its Members. The role, terms of reference and authority and powers of the Audit Committee are in conformity with the requirements of Companies Act, 1956 and provisions made in paragraph C and D in sub-clause II of Clause 49 of the listing agreement.

The Audit Committee held five meetings during the year 2006-2007 and attendance at the meeting was as under

Sl. No	Name of the Director	Position held in the Committee	No. of Meetings attended	Meeting held on
1	Mr. V P Singh	Chairman	1	29th April 2006
2	Mr. D P Sreenivas	Member	3	29th July 2006
3	Ms. Mahita Caddell	Member	2	27th October 2006
4	Mr. Nandan Kundetkar	Member	5	29th November 2006 30th January 2007

Remuneration/Compensation Committee

As on 31st March 2007, the Remuneration/Compensation Committee Comprised of Mr V.P.Singh, Mr.Nandan Kundetkar and Mrs Mahita Caddell 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 once during the year on 29th Nov 2006.



Details of the remuneration paid to Directors in the financial year 2006-07

The aggregate Salary, perquisites paid to Mr. Clinton Travis Caddell, Managing Director & CEO for the period from 1st Dec 2006 to 31st March 2007 is Rs.17.65 Lakhs.

The aggregate Salary, perquisites paid to Mr. D P Sreenivas, Executive Director for the period from 1st Dec 2006 to 31st March 2007 is Rs.8.00 Lakhs

Except sitting fee, no remuneration paid to other Directors.

Shareholders / Investors Grievance Committee

As on 31st March 2007, the Shareholders/Investor Grievance Committee comprised of Mr.V.P.Singh, Mr.Nandan Kundetkar, Mrs.Mahita Caddell and Mr. D.P.Sreenivas. 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.,

During the year under review, 7 complaints received from investors were replied / resolved to the satisfaction of the investors and there are no outstanding investor grievances unattended as on 31st March 2007.

General Body Meetings:

The Last three Annual General Meetings of the company were held at Plot No. 1 & 9 IDA, Phase II, Cherlapally, Hyderabad – 500 0051 as detailed below:-

Year	No. of Meeting	Date of Annual General Meeting held	Time
2005-06	12th	27th December 2006	10.30 AM
2004-05	11th	29th September 2005	10.30 AM
2003-04	10th	30th September 2004	10.30 AM

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 Economic Times/ Business Standard (English), Eenadu/ 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

- General Shareholders Information:
The Thirteenth Annual General Meeting of the Company will be held on Thursday, 28th September, 2007 at 10.30 A.M at Plot No 1 & 9 Phase II, IDA Cherlapally, Hyderabad- 500051
Dates of Book Closure: 22nd September 2007 to 27th September 2007.
- Financial calendar 2007-08 (Tentative)
Financial Reporting for the first quarter ending 30th June, 2007: last week of July, 2007,
Financial Reporting for the second quarter/half year ending 30th September, 2007: last week of October, 2007,
Financial Reporting for the third quarter/nine months ending 31st December, 2007: last week of January, 2008.
Financial Reporting for the fourth quarter/year ending 31st March, 2008: last week of April/July, 2008.
- Stock Exchanges where the shares of the Company are Listed

1. National Stock Exchange of India Limited Exchange Plaza, 5 th Floor, Plot No. C/1 G Block Bandra Kurla Complex Bandra East Mumbai – 400 051	2. Bombay Stock Exchange Ltd 25 th Floor, P J Towers Dalal Street, Mumbai –400 001
3. Hyderabad Stock Exchange Limited Adm Office 6-3-654, Adj to Erramanzil Bus Stop, Somajiguda, Hyderabad - 82	4. Ahmedabad Stock Exchange Ltd Kamadhenu Complex, Opp Sahajanand College Panjarapole, Ahmedabad – 380015
5. Madras Stock Exchange Limited Exchange Building Post Box No. 183 Second Line Beach, Chennai - 600001	6. Delhi Stock Exchange Assoc Ltd DSE House, 3/1 Asaf Ali Road New Delhi – 110 002

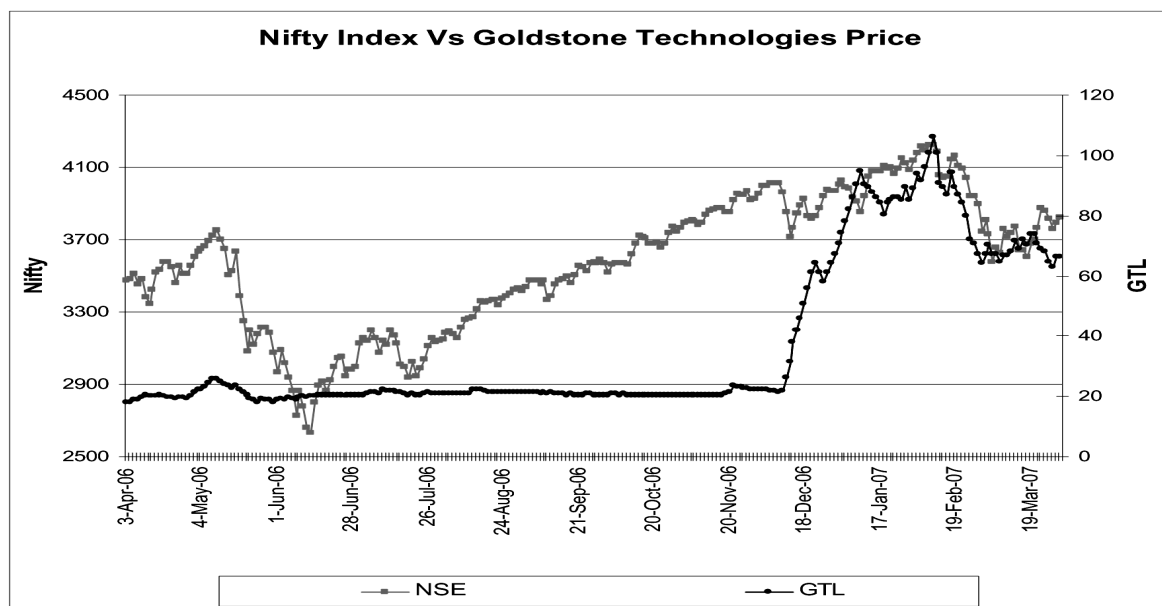


Stock Code:

NSE - GOLDTECH - BSE – 531439 - HSE – 6496

Market Price Data

Month	NSE		BSE	
	High	Low	High	Low
April 2006	21.70	17.50	21.65	17.30
May 2006	27.20	17.80	26.80	17.70
June 2006	21.10	18.30	21.55	18.00
July 2006	23.45	19.10	23.30	20.05
August 2006	23.05	19.90	23.45	20.45
September 2006	22.40	20.30	22.50	20.05
October 2006	22.30	20.05	21.75	20.00
November 2006	24.25	20.00	24.60	16.80
December 2006	67.60	21.35	66.95	21.50
January 2007	99.65	67.25	98.20	66.50
February 2007	111.20	63.95	111.10	64.20
March 2007	77.25	61.50	77.00	61.20



Outstanding GDR's/ADR's/Warrants or convertible instruments and impact on Equity:

The Company has not issued any GDRs/ADRs. There are no outstanding instruments convertibles into Equity Shares and as such there will be no change in the Share Capital of the Company.

Registrar and Transfer Agents

AARTHI CONSULTANTS PVT. LTD

1-2-285

DOMALGUDA

HYDERABAD - 500 029

Tel: 040 - 27638111,27634445

Fax: 040-27632184

Email: info@aarthiconsultants.com



Distribution of Shareholding as on 31st March 2007

Shares holding of nominal value of	Shares Holders		Shares Amount	
	Number	% of Total	In Rs	% of Total
(1)	(2)	(3)	(4)	(5)
Upto – 5000	8,196	83.44	1,33,11,210	10.24
5001 – 10000	855	8.70	72,69,830	5.59
10001 – 20000	351	3.57	53,73,030	4.13
20001 - 30000	141	1.44	36,28,390	2.79
30001 – 40000	52	0.53	19,11,670	1.47
40001 – 50000	52	0.53	24,97,360	1.92
50001 – 100000	76	0.77	57,56,150	4.43
100001 and above	100	1.02	9,02,65,560	69.43
Total	9,823	100.00	13,00,13,200	100.00

Shareholding Pattern as on 31st March 2007

S. No	Category of Shareholders	No of equity shares held	% of Shareholding
1	Promoters	35,43,646	27.26
2	Mutual Funds & IFI's	4,700	0.03
3	FII's	8,00,000	6.15
4	Private Bodies Corporate	31,02,326	23.86
5	Public	52,20,859	40.16
6	NRI's	3,29,789	2.54
GRAND TOTAL		1,30,01,320	100.00

Dematerialization of Shares and Liquidity

The International Security Identification Number (ISIN) allotted to the Company Scrip is INE805A01014. Investors have better liquidity in Dematerialized Form and are therefore advised to open a Demat Account with a Depository Participant of their choice to trade in Dematerialized form. Over 96.70% of the company Shares are now held in Electronic Form

Location of Software Divisions:

India
Door No. 8-2-243/A, 2nd and 3rd Floor,
Maharshi Building Road No. 3
Banjara Hills, Hyderabad – 500 034

United State of America
4100, Lafayette Center Drive
Suite 105, Virginia – 20151

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 - 39120023, Email: cs@goldstonetech.com

Code of Conduct & ethic policy of the Company

Declaration regarding compliance with code of conduct and ethics policy of the Company by Board Members and Senior Management Personal.

This is to confirm that the Company has adopted Code of Conduct and ethics policy for the Board of Directors & Associates of the Company, which is available on www.goldstonetech.com.

The declaration signed by the Managing Director & CEO of the Company is as follows.

The Board of Directors and Senior Management personnel have affirmed compliance with code of conduct and ethics policy of the Company for the Financial Year Ended 31 March 2007.

For and on behalf of the Board
Sd/-
Nandan Kundetkar
Chairman



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 2007, 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. Murali & Co.,
Chartered Accountants

Sd/-
P Murali Mohana Rao
Partner

Place: Hyderabad
Date: 24.08.2007



Management Discussion and Analysis

The financial year of the Company consist of 12 months ended as on 31st March 2007.

Industry Structure, Development and Outlook.

The Indian IT-ITES industry (including domestic market) recorded an overall growth of 30.7% as against a projected growth of 27%, clocking revenues of USD 39.6 billion in FY 2006-07 up from USD 30.3 billion in FY 2005-06. The domestic segment grew by 23% to register revenues of USD 8.2 billion in FY 06-07 up from USD 6.7 million.

To leverage the company's strength and growing opportunities in IT and ITES industry, your company plans to foray into business intelligence which is having good business potential apart from the existing Software development and Technical support services.

Further the company has started implementation to two new business projects, viz., IPTV and Digital Media Solutions. The company expects to start its IPTV global and Indian operations during the year and has already, signed various agreements with IPTV content providers. The Company is also in the process of setting up of digital media business (Digitisation, restoration and colourisation of movies). This project is also expected to be implemented during the year and the revenues are expected to start to flow from 3rd qtr 2007.

Opportunities and Threats.

The existing business of Tech Support and Forte to Java migration continues to be promising. The business of BI implementation is a huge opportunity in Asia PAC region. IPTV and Colorization are also new businesses globally and both are expected to become the major revenue contributors for the company.

Technological advancements are going to be major threats for the company especially in new business of IPTV and Media although the company is currently using globally patented technologies in these. Scarcity of talent and attrition continues to be the major challenges.

Financial Performance

Capital Structure

The Authorized Share Capital of the Company is increased to Rs.500 million from Rs.250 million of previous year as per the approval of the shareholders in the 12th Annual General Meeting.

During the year 1,900,000 equity shares of Rs.10 each were allotted on preferential basis for cash at a premium of Rs.11 per share which resulted in the increase of the subscribed and paid up capital to Rs.130,013,200 as on 31st March 2007. Company also allotted 5,400,000 Share Warrants at a

price of Rs.21 per warrant on preferential basis to M/s. Summit Communications Private Limited and M/s. Horizon Television Private Limited. Each warrant is convertible into one Equity Share of Rs.10 each. The allottees paid Rs.2.10 per warrant as allotment money to the tune of Rs.11.34 million.

Reserves and Surplus.

The Increase in Reserves and Surplus has been contributed by Rs.20.90 million through Share Premium and Rs.77.94 million by profit for the year 2006-07.

Fixed Assets

The Fixed Assets during the year increased by Rs.3.75 million spent on Vehicles, Computers, Office Equipment and Furniture and Electrical Installations. Software design, development and testing tools to the tune of Rs.42.68 million were shown as intangible assets and Rs.8.54 million were written off during the year.

Investments.

During the year 2004-05 Company has acquired Staytop Systems Inc, for a total consideration of Rs.92.66 million, up to financial year 2005-06 company has paid Rs.57.66 million and Rs.30.63 million has been paid during the year 2006-07, which resulted in increase of investments.

Sundry Debtors

Sundry Debtors balance as on 31st March 2007 is increased by Rs.63.39 million (38.52%) compared to that of 31st March 2006. The increase is due to the increase in operations and retention of performance guarantee value over the invoice. Provision to the tune of Rs.0.93 million was made during the year for the doubtful debts, the balance in the sundry debtors is considered good and recoverable.

Cash and Bank Balances

The Cash and Bank Balances were reduced by Rs.7.58 Million when compare to the previous year. Efforts were made to maintain Cash and Bank Balances at minimum level.

Loans and Advances

Loans and Advances increased by Rs.7.23 Million (56%) compared to the previous year the increase is due to Capital Expansion plans proposed by the Company which lead to advances to suppliers and deposits.

Current Liabilities & Provisions

The balance of Current Liabilities has increased by Rs.27.59 Million (19.37%) compared to the previous year, due to increase in Creditors on supply of Capital Goods.

Provision for Gratuity and Leave Encashment has been made on the basis of actuarial valuation.



Miscellaneous Expenditure

Rs.8.54 Millions has been written off during the year the balance amount carried forward for setting of in subsequent years.

Operational Revenue

Revenue

Revenue has increased by Rs.61.30 Million (17.56%) in comparison with previous year.

Expenditure

Personnel Expenditure

There is an increase of Rs.26.12 Million in comparison with earlier year; the increase is in correlation with market conditions and increase in revenue.

Administrative and Other Expenses

There is a decrease of Rs.32.84 Million (28.47%) in comparison with previous year, the reduction is mainly due to reduction in on site Consultancy charges.

Financial Charges

Financial charges have come down by Rs.4.51 Million (52.88%) mainly on account of pre-closure of IDBI Loan on a reduced rate of interest.

Depreciation

An amount of Rs.16.67 Million was provided as Depreciation for the year.

Write Offs

The deferred revenue expenses written off during the year was to the tune of Rs.8.54 Millions

Provision for Tax

No Provision for tax has been provided during the year on the income from software and services as the Company availing the benefits under Section 10A of the Income Tax Act. However the company provided Rs.1.26 Million as provision for taxation on Rental Income, and Rs.0.34 Millions towards Fringe Benefit Tax.

Net Profit/Loss

The Company reported Rs.75.48 Millions Profit after Tax for the year 2006-07 compared to Rs.9.03 Millions in the previous year, recording a growth of 8.36 times.

Earnings per shares

The earning per share of the Company for the year is Rs.5.99 per share of face value of Rs.10/- each as against Re.0.58 of the previous year.

Internal Control & 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 and 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.

Human Resource Development and 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 programs to equip the employees with upgraded skills enabling them to adapt to the contemporary technological advancements.

As an 31st March 2007 the Company has total strength of 215 employees: Domestic 153 and Overseas 62.

Outlook for the year 2007-08

For the financial year 2007-08 income from software services is expected to grow around 35% to 40%, accordingly revenue is expected to be in the slabs of Rs.660 million to Rs.700 million.

During the Financial year 2007-08 the company is venturing into IPTV and Digital Media operations. These new divisions expect to generate revenue from the middle of the financial year, the company is of the expectation IPTV will yield a revenue of Rs.100 Million and Digital Media will contribute Rs.50 million additionally for the financial year 2007-08.

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.



AUDITORS' REPORT

To
The Members
Goldstone Technologies Limited

We have audited the attached Balance Sheet of **GOLDSTONE TECHNOLOGIES LIMITED**, as at 31st March, 2007 and also the Profit & Loss Account for the period ended on that date annexed thereto and the cash flow statement for the period ended on that date. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimate made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis of our opinion.

As required by the Companies (Auditor's Report) order 2003 and as amended by the Companies (Auditor's Report) (Amendment) order 2004, issued by the Central Government of India in terms of the sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.

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

- i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our Audit;

- ii. In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
- iii. The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of Account;
- iv. In our opinion the Balance Sheet and Profit & Loss Account dealt with by this report comply with the Accounting standards referred to the sub-section (3C) of Section 211 of Companies Act, 1956;
- v. On the basis of written representations received from the Directors, as on 31st March 2007 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2007 from being appointed as Director in terms of Clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a. In the case of Balance Sheet, of the state of affairs of the Company as at 31st March 2007;
 - b. In the case of the Profit & Loss Account of the Profit for the period ended on that date, and
 - c. In the case of Cash Flow Statement of the cash flows for the period ended on that date.

For P Murali & Co;
Chartered Accountants

Sd/-
P. Murali Mohana Rao
Partner
Membership No. 23412

Place: Hyderabad
Date : 24-08-2007



ANNEXURE TO THE AUDITOR'S REPORT

- I. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.
- (b) As explained to us, the fixed assets have been physically verified by the management at reasonable intervals and no material discrepancies between the book records and the physical inventory have been noticed on such verification.
- (c) The Company has not disposed off substantial part of the Fixed Assets during the year.
- II. The Company has no Inventory hence this clause is not applicable.
- III. (a) The Company has not granted any loans, secured or unsecured to Companies, Firms or other Parties covered in the register maintained U/s 301 of the Companies Act, 1956.
- (b) As the Company has not granted any loans the clause of whether the rate of interest & other terms and conditions on which loans have been granted to parties listed in the register maintained under section 301 is prejudicial to the interest of the Company, is not applicable.
- (c) As no loans are granted by the company, the clause of receipt of interest & principal amount from parties is not applicable to the company.
- (d) No loans have been granted to Companies Firms & other parties listed in the register U/s 301 of the Companies Act, 1956, hence overdue amount of more than rupees one lakh does not arise and the clause is not applicable.
- (e) The Company has taken unsecured loan from a company covered in the register maintained U/s 301 of the Companies Act, 1956.
- (f) In our opinion and according to the information and explanations given to us the rate of interest & other terms and conditions of unsecured loan taken by the company are not prima facie prejudicial to the interest of the company.
- (g) In our opinion and according to the information and explanations given to us repayment of principal is regular and the loan amount does not carry any interest.
- IV. In our opinion and according to the information and explanations given to us, there are generally adequate internal control systems commensurate with the size of the company and the nature of its business with regard to the purchase of fixed assets and for sale of goods and services. There is no continuing failure by the company to correct any major weaknesses in internal control.
- V. (a) In our opinion and according to the information and explanations given to us, since no contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been made by the Company in respect of any party in the financial year, the entry in the register U/s 301 of the Companies Act, 1956 does not arise.
- (b) According to the information and explanation given to us, as no such contracts or arrangements made by the Company, the applicability of the clause of charging the reasonable price having regard to the prevailing market prices at the relevant time does not arise.
- VI. The Company has not accepted any deposits from the public and hence the applicability of the clause of directives issued by the Reserve Bank of India and provisions of section 58A, 58AA or any other relevant provisions of the Act and the rules framed there under does not arise. As per information and explanations given to us the order from the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other Tribunal has not been received by the Company.
- VII. In our opinion, the company is having internal audit system commensurate with its size and nature of its business.
- VIII. In respect of the Company, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956.
- IX. (a) The Company is regular in depositing statutory dues including PF, ESI, CESS, and any other statutory dues with the appropriate authorities and at the last of the financial year there were no amounts outstanding which were due for more than 6 months from the date they became payable:
- (b) According to the information and explanations given to us no undisputed amounts are payable in respect of PF, ESI, CESS and any other statutory dues as at the end of the period, for a period more than six months from the date they became payable.
- X. The Company has been registered for a period of not less than 5 years and the company has no accumulated losses at the end of the financial year and the company



- has not incurred cash losses in this financial year and in the immediately preceding financial year.
- XI. According to information and explanations, given to us, the Company has not defaulted in repayment of dues to financial institutions or banks.
- XII. According to the information and explanations given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities and hence the applicability of the clause regarding maintenance of adequate documents in respect of loans does not arise.
- XIII. This clause is not applicable to this Company as the Company is not covered by the provisions of special statute applicable to the Chit Fund in respect of Nidhi Mutual Benefit Fund/Societies.
- XIV. According to the information and explanation given to us, the company is not dealing or trading in shares, securities, debentures and other investments and hence the provisions of clause 4(xiv) of the Companies (Auditors Report) Order 2003, are not applicable to the Company.
- XV. In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantee given by the Company for loans taken by others from banks are not prima facie prejudicial to the interests of the Company.
- XVI. According to the information and explanations given to us, the Term Loans were applied by the Company for the purpose for which the loans are obtained.
- XVII. According to the information and explanations given to us, no funds are raised by the Company on short-term basis. Hence the clause of short term funds being used for long-term investment does not arise.
- XVIII. According to the information and explanations given to us, the Company has made preferential allotment of 19,00,000 equity shares to a company covered in the Register maintained under section 301 of the Companies Act, 1956 and the price at which these shares have been issued is not prejudicial to the interest of the Company.
- XIX. According to the information and explanations given to us, the company does not have any debentures and hence the applicability of the clause regarding the creation of security or charge in respect of debentures issued does not arise.
- XX. According to the information and explanations given to us, the Company has not raised any moneys by way of Public Issue during the year, hence the clause regarding the disclosure by the management on the end use of money raised by the Public Issue is not applicable.
- XXI. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year under audit.

For P Murali & Co;
Chartered Accountants

Sd/-

P. Murali Mohana Rao
Partner
Membership No. 23412

Place: Hyderabad
Date : 24-08-2007



BALANCE SHEET AS AT 31ST MARCH, 2007

	Sch.	As at 31st Mar 2007 Rupees	As at 31st Mar 2006 Rupees
I SOURCES OF FUNDS			
1 SHAREHOLDERS' FUNDS			
a. Share Capital	1	130,013,200	111,013,200
b. Share Application Money		-	3,090,000
c. Share Warrants - (See Note No: 14)		11,340,000	-
d. Reserves and Surplus	2	<u>211,275,554</u>	<u>120,710,981</u>
		352,628,754	234,814,181
2 LOAN FUNDS			
a. Secured Loans	3	29,540,123	43,315,399
b. Unsecured Loans		<u>46,200,000</u>	<u>20,000,000</u>
		75,740,123	63,315,399
3 DEFERRED TAX			
Deferred Tax Liability		1,564,040	5,504,251
Total		429,932,918	303,633,831
II APPLICATION OF FUNDS			
1 FIXED ASSETS			
a. Gross block	4	277,334,392	230,995,153
b. Less : Depreciation		<u>118,903,183</u>	<u>93,700,872</u>
Net block		158,431,209	137,294,281
2 CAPITAL WORK IN PROCESS			
	5	<u>89,391,842</u>	<u>128,528</u>
		247,823,051	137,422,809
3 INVESTMENTS			
	6	88,288,433	57,663,433
4 CURRENT ASSETS, LOANS & ADVANCES			
a. Sundry Debtors	7	227,943,788	164,556,165
b. Cash and Bank Balances	8	17,256,862	24,839,357
c. Loans and Advances	9	<u>20,133,440</u>	<u>12,908,420</u>
		265,334,090	202,303,942
Less: Current Liabilities & Provisions			
a. Current Liabilities	10	168,783,408	142,452,277
b. Provisions	11	<u>2,729,248</u>	<u>1,971,599</u>
		171,512,656	144,423,876
NET CURRENT ASSETS		93,821,434	57,880,066
5 Miscellaneous Expenditure			
	12	-	42,682,673
6 Deficit as per annexed account			
		-	7,984,850
Total		429,932,918	303,633,831
Significant Accounting Policies and Notes to Accounts	18		

As per our report attached
For **P. MURALI & CO.**
Chartered Accountants
Sd/-

P. Murali Mohana Rao
Partner
Membership No. 23412

Place: Hyderabad
Date : 24th Aug, 2007

For and on behalf of the Board

Sd/-
Nandan Kundetkar
Chairman

Sd/-
D.P.Sreenivas
Executive Director

Sd/-
A. Narendra
Company Secretary



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

	Sch.	For the year ended 31st Mar 2007 Rupees	For the year ended 31st Mar 2006 Rupees
INCOME			
Software Development	13	410,348,370	349,047,247
Other Income	14	6,218,304	12,130,180
Total		416,566,674	361,177,427
EXPENDITURE			
Personnel costs	15	240,234,112	214,113,938
Administration and other expenses	16	82,473,846	115,317,717
Finance Charges	17	4,015,420	8,528,331
Depreciation		16,665,776	16,331,996
Total		343,389,154	354,291,982
Profit before taxation		73,177,520	6,885,445
Provision for : Taxation / Fringe Benefit Tax		1,601,555	889,784
Deferred tax Liability Reversed/Deferred Tax Asset		3,905,283	3,032,675
Profit after Tax		75,481,248	9,028,336
Prior period adjustments (Net)		2,460,913	(2,409,236)
Prior period adjustments (Net)-Income tax		-	263,293
Profit after Prior period Items		77,942,161	6,355,807
Deficit brought forward from previous year		(7,984,850)	(14,340,657)
Surplus / (Deficit) carried to Balance Sheet		69,957,311	(7,984,850)
Earnings per Share			
(Equity Shares of nominal value Rs. 10/- each)			
Basic & Diluted		5.99	0.58
Number of shares used in Computing EPS			
Basic & Diluted		13,001,320	11,057,500
Significant Accounting Policies and Notes on Accounts	18		
As per our report attached For P. MURALI & CO. Chartered Accountants Sd/- P. Murali Mohana Rao Partner Membership No. 23412		For and on behalf of the Board Sd/- Nandan Kundetkar Chairman Sd/- A. Narendra Company Secretary Sd/- D.P.Sreenivas Executive Director	
Place: Hyderabad Date : 24th Aug, 2007			



SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH 2007

	As at 31st Mar 2007 Rupees	As at 31st Mar 2006 Rupees
1 SHARE CAPITAL		
Authorised:		
5,00,00,000 Equity Shares of Rs.10/- each (Previous Year 2,50,00,000)	<u>500,000,000</u>	<u>250,000,000</u>
Issued, Subscribed and Paid up:		
1,30,01,320 (Previous year 1,11,01,320) Equity Shares of Rs. 10/- each, fully paid up (out of the above 2,62,920 equity shares of Rs.10/-each are allotted as fully paid up for consideration other than cash)	<u>130,013,200</u>	<u>111,013,200</u>
Total	<u>130,013,200</u>	<u>111,013,200</u>
2 RESERVES AND SURPLUS		
a. Capital Reserve - As per last Balance Sheet	14,780,538	14,780,538
b. Securities Premium Account - As per last Balance Sheet	87,504,803	83,561,003
Add: Premium on preferential Allotment of Equity Shares	<u>20,900,000</u>	<u>3,943,800</u>
	<u>108,404,803</u>	<u>87,504,803</u>
c. General Reserve - As per last Balance Sheet	18,300,679	18,300,679
d. Foreign Currency Translation Reserve - Transferred this year	(167,777)	124,961
e. Profit & Loss Account		
Surplus as per annexured account	<u>69,957,311</u>	<u>-</u>
Total	<u>211,275,554</u>	<u>120,710,981</u>
3 LOAN FUNDS		
A) SECURED LOANS		
a. From Banks		
Cash Credit	12,100,216	-
Term Loans	12,418,533	42,003,793
Vehicle Loans	3,521,374	1,311,606
b. From a Company	<u>1,500,000</u>	<u>-</u>
Total	<u>29,540,123</u>	<u>43,315,399</u>
B) UNSECURED LOANS		
From Companies	<u>46,200,000</u>	<u>20,000,000</u>
Total	<u>46,200,000</u>	<u>20,000,000</u>



SCHEDULE FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH 2007

4 FIXED ASSETS

Description	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	As on 01.04.2006 Rupees	Additions during the year Rupees	Deductions during the year Rupees	As on 31.03.2007 Rupees	Upto 01.04.2006 Rupees	For the year Rupees	Adjustments during the year Rupees	Upto 31.03.2007 Rupees	As on 31.03.2007 Rupees	As on 31.03.2006 Rupees
a) TANGIBLE FIXED ASSETS										
1. Land	74,171,399	-	-	74,171,399	-	-	-	-	74,171,399	74,171,399
2. Buildings	23,099,876	-	-	23,099,876	4,555,432	771,536	-	5,326,968	17,772,908	18,544,444
3. Leasehold Improvements	4,737,576	-	-	4,737,576	4,737,576	-	-	4,737,576	-	-
4. Plant & Machinery	3,062,462	-	-	3,062,462	2,940,210	114,869	-	3,055,079	7,383	122,252
5. Furniture & Fixtures	4,833,210	60,750	-	4,893,960	1,763,399	579,450	-	2,342,849	2,551,111	3,069,811
6. Electrical Installation	6,864,063	22,200	25,860	6,860,403	1,829,237	420,398	-	2,249,635	4,610,768	5,034,826
7. Vehicles	4,641,330	2,620,872	-	7,262,202	963,930	454,894	-	1,418,824	5,843,378	3,677,400
8. Computer Systems	97,174,016	626,109	69,850	97,730,275	72,780,516	14,011,019	-	86,791,535	10,938,740	24,393,500
9. Electronic Equipment & Office Equipment	12,411,221	422,345	-	12,833,566	4,130,572	313,610	-	4,444,182	8,389,384	8,280,649
Total	230,995,153	3,752,276	95,710	234,651,719	93,700,872	16,665,776	-	110,366,648	124,285,071	137,294,281
b) INTANGIBLE ASSETS										
1. Design, Development and Testing of Software tools for IT Services	-	42,682,673	-	42,682,673	-	8,536,535	-	8,536,535	34,146,138	-
Total	-	42,682,673	-	42,682,673	-	8,536,535	-	8,536,535	34,146,138	-
Total (a + b)	230,995,153	46,434,949	95,710	277,334,392	93,700,872	25,202,311	-	118,903,183	158,431,209	137,294,281
Previous year	256,330,616	6,611,036	31,946,499	230,995,153	77,368,876	16,331,996	-	93,700,872	137,294,281	178,961,740



SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH 2007

	As at 31st Mar 2007 Rupees	As at 31st Mar 2006 Rupees
5 CAPITAL WORKS IN PROCESS		
Equipments	39,598,312	-
Buildings	128,528	128,528
Advances	418,458	-
Pre-operative Expenses	49,246,544	-
Total	89,391,842	128,528
6 INVESTMENTS- AT COST		
Long Term Investment		
Unquoted		
Investment in shares of Wholly owned Subsidiary (Staytop Systems Inc, USA)	92,663,433	
Less: Deferred Consideration	<u>4,375,000</u>	<u>57,663,433</u>
Total	88,288,433	57,663,433
7 SUNDRY DEBTORS (Unsecured)		
a. Debts outstanding for a period exceeding six months		
i. Considered Good	120,602,211	109,345,411
ii. Considered Doubtful	932,483	3,241,341
Less : Provision	<u>932,483</u>	<u>3,241,341</u>
	120,602,211	109,345,411
b. Debts outstanding below six months	107,341,577	55,210,754
Total	227,943,788	164,556,165
8 CASH & BANK BALANCES		
Cash on hand	39,052	514,598
Cheques on Hand	-	2,231,000
Bank balances with Scheduled Banks		
- In Current Accounts	6,803,023	327,362
- In Fixed Deposit (Lodged with the bank against BG)	200,000	200,000
Balances with others - Non Scheduled Banks	10,214,787	21,566,397
Total	17,256,862	24,839,357



SCHEDULES FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH 2007

	As at 31st Mar 2007 Rupees	As at 31st Mar 2006 Rupees
9 LOANS & ADVANCES		
a. Advances to suppliers	6,980,158	7,012,407
Less : Provision	771,023	771,023
	<u>6,209,135</u>	<u>6,241,384</u>
b. Advances to Staff	2,877,895	1,614,284
Less : Provision	118,841	118,841
	<u>2,759,054</u>	<u>1,495,443</u>
c. Deposits	8,167,427	2,549,318
Less : Provision	418,860	418,860
	<u>7,748,567</u>	<u>2,130,458</u>
d. Prepaid Expenses	2,168,690	3,041,135
e. TDS Received	1,247,994	-
Total	<u>20,133,440</u>	<u>12,908,420</u>
10 CURRENT LIABILITIES		
Sundry Creditors (No outstanding dues to SSI Undertakings)	25,543,874	28,809,483
Other Creditors/ Liabilities	139,449,481	112,446,981
Statutory Liabilities	1,480,594	609,420
Interest Accrued but not due on Loans	2,309,459	586,393
Total	<u>168,783,408</u>	<u>142,452,277</u>
11 PROVISIONS		
Provision for Taxation	1,260,044	657,055
Provision for Gratuity and Leave Encashment	1,469,204	1,314,544
Total	<u>2,729,248</u>	<u>1,971,599</u>
12 MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)		
Deferred Revenue Expenditure as per last Balance Sheet	-	12,426,311
Add: Adjustments / Additions	-	31,946,498
Less : Written off / Adjusted	-	1,690,136
Total	<u>-</u>	<u>42,682,673</u>



SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2007

	For the year ended 31st Mar 2007 Rupees	For the year ended 31st Mar 2006 Rupees
13 SALES		
Software & Services - Domestic	-	-
- Exports	410,348,370	349,047,247
Total	410,348,370	349,047,247
14 OTHER INCOME		
Insurance Claims received	-	28,854
Interest on Fixed Deposits	725,064	11,531
Taxes Refund	-	1,801,264
Profit on sale of Investments	-	695,512
Loss on sale of Investment	-	(47,314)
Dividend on Mutual Funds	-	52,947
Lease Rent	5,493,240	2,413,150
Exchange Fluctuation Gain	-	7,322,196
Less: Exchange Fluctuation loss	-	147,960
	-	7,174,236
Total	6,218,304	12,130,180
15 PERSONNEL EXPENDITURE		
Salaries, Wages and other Benefits	239,293,552	212,976,350
Staff Welfare	940,560	1,137,588
Total	240,234,112	214,113,938
16 ADMINISTRATIVE AND SELLING EXPENSES		
Directors Remuneration	2,565,600	2,227,750
Electricity Charges	1,775,598	597,108
Rent	8,265,104	7,933,969
Legal Fees	1,374,437	2,694,060
Project related cost & discount taken by client	71,546	-
Printing, Stationary & Advertisement	702,801	537,528
Postage, Telephones and Internet	12,348,490	16,513,464
Insurance	10,596,239	911,586
Professional and Consultancy	2,100,987	34,135,769
Deferred Revenue Expenditure written off	8,536,535	-
Rates and Taxes	2,803,300	1,579,543
Board and other Meeting Expenses	131,235	105,716
Marketing Expenses	(166,948)	1,616,330
Gifts and Donations	101,873	42,518



SCHEDULES FORMING PART OF THE PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2007

	For the year ended 31st Mar 2007 Rupees	For the year ended 31st Mar 2006 Rupees
Books & Periodicals	40,168	18,000
Membership & Subscription	750,707	515,511
Vehicle Maintenance	1,336,932	1,089,204
Travelling Expenses		
- Directors	1,016,946	1,714,429
- Others	14,604,449	9,130,089
Conveyance	39,739	58,654
Business Promotion	274,331	236,746
Auditors Remuneration - Audit Fee	168,360	214,440
Office Maintenance	3,680,123	1,740,977
Repairs & Maintenance	1,389,988	2,153,682
Miscellaneous Expenses	1,130,814	121,576
Listing Fees	235,505	215,407
Product Development Exp	10,723	-
Bad Debts & Advances written off	-	239,490
Provision for Bad Debts	-	3,241,341
Provision for Advances	-	1,308,724
Seminer & Conferances	25,468	18,159
Exchange Fluctuation loss	5,909,539	-
Security Charges	289,540	301,102
Licence Fee	-	130,077
Onsite Project work expenses	-	23,448,986
Staff Recruitment & Training	363,718	525,782
Total	82,473,846	115,317,717

17 FINANCIAL EXPENSES

Interest	852,519	-
Interest on Term Loan	1,389,317	8,342,113
Interest on OSI	21,781	-
Interest on UCO	1,242,796	-
Bank Charges & Commission	426,382	98,132
Interest on HDFC Car Loan	82,625	88,086
Total	4,015,420	8,528,331



18. 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 Interest received on Fixed Deposits, 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 stated 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 market 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 translated 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. The resultant gain on account or foreign currency translation to be shown as foreign currency translation reserve and loss to be charged off after adjusting the reserve. 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 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 to the profit and loss account 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) Provision for Current and Deferred Tax:

Provision for current Tax is made after taking into consideration benefits admissible under the provisions of the Income Tax Act, 1961. Deferred Tax resulting from timing differences between book and taxable profits is accounted by using the tax rates and laws that have been enacted as on the Balance Sheet date. The Deferred Tax Asset is recognized only to the extent there is reasonable certainty that the Asset is realized in future.

(viii) Earnings per share:

The Earnings per share is calculated in accordance with the Accounting Standard 20 - "Earnings Per Share" issued by the Institute of Chartered Accountants of India.

B) NOTES ON ACCOUNTS:

1) Contingent Liability:

- 1.1) Outstanding Bank Guarantees – 2 lakhs (Previous year Rs.2 lakhs)
- 1.2) Claims against the company – against disputed income tax demands not provided for about Rs.7.50 lakhs, pending before Appellate Authority



2) Secured Loans:

2.1) Vehicle Loans of Rs. 35,21,274/- are secured by way of hypothecation of the said vehicles.

3) Investments:

The company 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 13,00,000 paid up to 2005-06 and an amount of USD 7,00,000 paid during the year and the balance amount payable of USD 1,00,000 is shown as a deduction from the value of investments (Schedule 5).

4) Current Assets and Current Liabilities:

Balances of Sundry Debtors, Loans & Advances and Sundry Creditors balances are subject to confirmation in few cases. There are modules to SSI Units.

5) Provision for Income-Tax:

5.1) The company is a 100% EoU under STP Scheme and is eligible for Income Tax exemption as per provisions of Section 10A of the Income Tax Act, 1961 up to 30th September 2008. Hence provision for income tax on profit arising on export of software and services has not been considered. However required provision for income tax on income not related to exports of software and services has been provided for.

5.2) Federal / State tax paid on income of the branch of the company in USA has been accounted for.

6) Deferred Taxation:

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.

Computation of Deferred Tax Asset/Liability :

(Amount in Rs.)

Deferred Tax Liability as at 1 st April, 2006	55,04,251
Less: Deferred tax asset reversed during the year on account of timing differences - between book and tax depreciation	39,40,211
Deferred Tax Liability as at 31 st March, 2007	15,64,040

7) Related Party Disclosure:

As per Accounting Standard 18 on Related Party Disclosures issued by the Institute of Chartered Accountants of India, the disclosure of transactions with the related party as defined in the Accounting Standard are given below:

i) List of related parties with whom transactions have taken place and

S.No	Name of the related party	Relationship
1	Styatop Systems Inc	Subsidiary
2	Primesoft LLC	Subsidiary

ii) Transaction during the year with related parties:

Name of the related party	Nature of Transaction	Rs.In Crores
Styatop Systems Inc	Income – Sale of Software & Rendering Services	0.37
Styatop Systems Inc	Investment	3.06

8) Earnings Per Share:

Calculation of EPS

Rs. In Lakhs

Particulars	Current Year 2006-07	Previous Year 2005-06
Total No. of Equity Shares considered for calculation of EPS	1,30,01,320	1,10,57,500
Profit after Taxes before Prior Period Adjustments	754.81	90.28
Profit after Taxes after Prior Period Adjustments	779.42	63.56
EPS after Taxes before Prior Period Adjustments	Rs. 5.80	Rs. 0.82
EPS after Taxes after Prior Period Adjustments	Rs. 5.99	Rs. 0.58

9) Segment Reporting:

As per Accounting Standard 17 on Segment Reporting disclosures issued by the Institute of Chartered Accountants of India the disclosures on segment reporting are given below

i) Business Segment - The company is engaged in the business of Software Development and services comprising both onsite and off-shore operations. Since the nature of the activities



is governed by similar risks and returns these are grouped as single reportable segment as such there is no reportable business segment.

ii) Geographical Segment:

Particulars	Amount in Rs. Crores
Revenue:	
India – Exports	15.70
Outside India	25.33
Additions to Fixed Assets:	
India	0.30
Outside India	0.07
Carrying Amount of Segment Assets	
India	15.18
Outside India	0.67

10) Impairment of Assets:

The company reviewed with regard to realizable value of Fixed Asset and found that, the realizable value is more than the book value, hence no provision for impairment of Assets considered necessary.

11) Provision for Contingent Liabilities and Assets:

Provisions involving substantial degree of estimation in measurement are recognized. Contingent liabilities if any are not recognized but are disclosed. Contingent assets are neither recognized nor disclosed in the financial statements

12) Unsecured Loan from a company is an interest free loan.

13) Additional Information required as per Para's 3 & 4 of Part II of Schedule VI to the companies Act, 1956.

a) 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.

b) Managerial Remuneration:

Particulars	Current Year 2006-07 Rs.	Previous Year 2005-06 Rs.
Managing Director		
Salary	17,65,600	14,90,806
Other perquisite	-	7,36,944
Executive Director		
Salary	7,20,000	-
Other perquisite	80,000	-

c) Foreign Exchange Transaction:

Particulars	Rs. In Lakhs	
	Current Year 2006-07	Previous Year 2005-06
1) Value of Imports on CIF Basis		
a) Capital Goods – Computer Systems	Nil	Nil
b) Capital Goods – Computer Software	Nil	Nil
2) Expenditure in Foreign Currency		
a) Travelling Expenses	6.46	11.77
b) Other Payments paid In Foreign Exchange	327.99	-
3) Earnings in Foreign Currency (on Receipt basis)		
a) Software Exports	430.04	349.98

d) Auditors Remuneration:

Particulars	Current Year 2006-07 Rs.	Previous Year 2005-06 Rs.
Audit Fees	1,68,360/-	1,68,360/-
Certification Work	2,25,000/-	46,080/-

14) In accordance with share holders' approval in the Extraordinary General Meeting held on 8th May'06, the company has on a preferential basis, issued the following securities in accordance with the provisions of chapter XIII of the SEBI (Disclosure and investor Protection) Guidelines 2000:

a) 19,00,000 Equity Shares of Rs.10/- each at a price of Rs.21/- per equity share involving an amount of Rs.3,99,00,000/- to M/s. Goldstone Exports Ltd. 54,00,000 Warrants, where each Warrant would entitle to subscribe to one Equity Share of the Company against payment in cash. As per SEBI Guidelines an amount equivalent to 10% of the price i.e., R. 2.10 per Warrant has been received from Summit Communications Private Limited and Horizon Television Private Limited on allotment of the Warrants. The price at which the warrants would be exercised was determined in accordance with the SEBI prescribed pricing formula. Accordingly the outstanding warrants have not been considered for the computation of diluted earning per share.

15) Figures for the corresponding previous year wherever necessary have been regrouped, recast and rearranged to conform to those of the current year. The figures are rounded of to the nearest rupee.



STATEMENT OF CASH FLOWS FOR THE YEAR ENDED

(Amounts in Rs. Lakhs)

	31st Mar 2007	31st Mar 2006
A Cash Flow from Operating Activity:		
Net Profit before tax	731.78	68.85
Adjustments for:		
Depreciation	166.66	163.32
Miscellaneous expenditure written off	85.37	0.00
Provision for gratuity & earned leave	0.00	13.14
Other income	(62.18)	(121.30)
Interest Expenditure on Long Term Loan	0.00	84.30
Foreign Exchange Fluctuation	(2.93)	0.00
Prior Period Items	24.61	(7.19)
Disposal of Fixed Assets	0.96	0.00
Provision for Bad Debts / Written Off	0.00	45.50
Operating Profit before working capital Changes	944.25	246.62
Adjustments for:		
Trade and other receivables	(633.88)	(890.64)
Trade advances	(72.25)	17.43
Trade payables	275.91	943.82
Decrease in Provisions	(5.02)	0.00
Cash generated from Operations	509.02	317.23
Direct Taxes paid (net) - Prior period adjs.	23.04	(2.63)
Deferred Tax Liability	(39.40)	0.00
Interest paid	00.0	(81.48)
Cash flow before extraordinary items	492.65	233.12
Net Cash Flow from Operating Activity	492.65	233.12
B Cash Flow from Investing Activity:		
Purchase of fixed assets	(37.52)	253.36
Capital work in progress	(892.63)	(1.29)
Purchase of Investments	(306.25)	(371.87)
Miscellaneous Expenditure	0.00	(319.47)
Interest Received	7.25	0.12
Other Income	54.93	121.18
Net Cash Used for Investing Activity	(1174.22)	(317.97)
C Cash Flow from Financing Activities:		
Equity Share Capital	190.00	26.29
Share Premium and Reserves	209.00	40.52
Repayment of Term Loan	(159.85)	(182.09)
Car Loan From HDFC	22.10	6.32
Share Application Money received \ Repaid	82.50	(406.10)
Unsecured Loan	262.00	200.00
Net Cash generated from Financing Activity	605.75	(315.06)
Cash and Cash Equivalents (Opening Balance)	248.39	648.30
Net Increase in Cash & Cash Equivalents(A+B+C)	(75.82)	(399.91)
Cash and Cash Equivalents (Closing Balance)	172.57	248.39

As per our report attached

For P. MURALI & CO.

Chartered Accountants

Sd/-

P. Murali Mohana Rao

Partner

Membership No. 23412

Place: Hyderabad

Date : 24th Aug, 2007

For and on behalf of the Board

Sd/-

Nandan Kundetkar

Chairman

Sd/-

D.P.Sreenivas

Executive Director

Sd/-

A. Narendra

Company Secretary



BALANCE SHEET ABSTRACT AND COMPANY'S BUSINESS PROFILE

I. Registration Details:

Registration No.

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

 State Code:

	0	1
--	---	---

Balance Sheet Date:

	3	1	0	3	0	7
--	---	---	---	---	---	---

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

Public Issue:

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

 Rights Issue:

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

Bonus Issue:

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

 Private Placement:

	1	9	0	.	0	0
--	---	---	---	---	---	---

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

Sources of Funds:

Total Liabilities:

4	2	9	9	.	3	3
---	---	---	---	---	---	---

 Total Assets:

4	2	9	9	.	3	3
---	---	---	---	---	---	---

Paid-up Capital

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

 Reserves and Surplus

2	1	1	2	.	7	6
---	---	---	---	---	---	---

Secured Loans:

	2	9	5	.	4	0
--	---	---	---	---	---	---

 Unsecured Loans:

	4	6	2	.	0	0
--	---	---	---	---	---	---

Deferred Tax Liability

		1	5	.	6	4
--	--	---	---	---	---	---

Application of Funds:

Net Fixed Assets

1	5	8	4	.	3	1
---	---	---	---	---	---	---

 Investments

	8	8	2	.	8	8
--	---	---	---	---	---	---

Net Current Assets:

	9	3	8	.	2	1
--	---	---	---	---	---	---

 Misc. Expenditure

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

* includes Deferred Tax Liabilities

Accumulated Losses:

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

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

Turnover/Income

4	1	6	5	.	6	7
---	---	---	---	---	---	---

 Total Expenditure

3	4	3	3	.	8	9
---	---	---	---	---	---	---

Profit before tax

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

 Profit after tax

	7	5	4	.	8	1
--	---	---	---	---	---	---

Earning per Share in Rs.

			5	.	9	9
--	--	--	---	---	---	---

 Dividend Rate

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

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 examined the attached Consolidated Balance Sheet of Goldstone Technologies Limited as at 31st March 2007 and also the Consolidated Profit and Loss and also the Consolidated Cash Flow Statement for the year ended on that date Statement for the year ended on that date annexed thereto. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these Consolidated financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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. We did not audit the financial statements of the subsidiaries of Goldstone Technologies Limited whose financial statements reflect total assets of Rs. 1151.05 Lakhs as at 31st March 2007 and total revenue of Rs. 5590.15 Lakhs for the year ended on that date. The financial statements of Staytop Systems Inc., have been

audited by Certified Public Accountant based in U.S.A. Our opinion in so far as it relates to the said amounts included in respect of the subsidiaries is based solely on the accounts prepared and certified by them.

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/certified financial statements of the Company and its subsidiaries 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, 2007.
 - ii. In the case of Consolidated Profit and Loss Account, of the consolidated results of operations of the Company and its subsidiaries for the year ended March 31, 2007.
 - 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, 2007.

**For P Murali & Co;
Chartered Accountants**

**Sd/-
P Murali Mohana Rao
Partner**

Place: HYDERABAD
Date: 24.08.2007



CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2007

	Sch.	As at 31st Mar 2007 Rupees	As at 31st Mar 2006 Rupees
I. SOURCES OF FUNDS			
1. SHAREHOLDERS' FUNDS			
a. Share Capital	1	130,013,200	111,013,200
b. Share Application Money		11,340,000	3,090,000
c. Reserves and Surplus	2	254,256,098	123,266,765
		395,609,298	237,369,965
2. LOAN FUNDS			
a. Secured Loans	3	29,540,123	43,315,399
b. Unsecured Loans		46,200,000	20,000,000
		75,740,123	63,315,399
3. DEFERRED TAX			
Deferred Tax Liability		1,564,040	5,504,251
Total		472,913,461	306,189,615
II. APPLICATION OF FUNDS			
1. FIXED ASSETS			
a. Gross block	4	365,802,756	288,791,554
b. Less : Depreciation		118,929,777	93,727,466
Net block		246,872,979	195,064,088
2. CAPITAL WORK IN PROCESS			
	5	89,391,842	128,528
		336,264,821	195,192,616
3 INVESTMENTS			
	-	-	-
4 CURRENT ASSETS, LOANS & ADVANCES			
a. Sundry Debtors	7	295,762,500	198,877,061
b. Cash and Bank Balances	8	33,485,609	20,361,052
c. Loans and Advances	9	49,786,588	26,962,410
		379,034,697	246,200,523
Less: Current Liabilities & Provisions			
a. Current Liabilities	10	238,784,127	175,914,597
b. Provisions	11	4,687,355	1,971,599
		243,471,482	177,886,196
NET CURRENT ASSETS		135,563,215	68,314,326
5 Miscellaneous Expenditure			
Total	12	1,085,425	42,682,673
		472,913,461	306,189,615
Significant Accounting Policies and Notes to Accounts	17		

As per our report attached
For **P. MURALI & CO.**
Chartered Accountants
Sd/-

P. Murali Mohana Rao
Partner
Membership No. 23412

Place: Hyderabad
Date : 24th Aug, 2007

For and on behalf of the Board

Sd/-
Nandan Kundetkar
Chairman

Sd/-
D.P.Sreenivas
Executive Director

Sd/-
A. Narendra
Company Secretary



CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

	Sch.	For the year ended 31st Mar 2007 Rupees	For the year ended 31st Mar 2006 Rupees
INCOME			
Software Development	12	969,363,045	802,191,763
Other Income	13	6,218,304	12,130,180
Total		975,581,349	814,321,943
EXPENDITURE			
Personnel costs	14	730,801,916	279,930,971
Administration and other expenses	15	101,650,668	497,833,947
Finance Charges	16	4,064,138	8,752,172
Depreciation		16,665,776	16,358,392
Total		853,182,498	802,875,482
Profit before taxation		122,398,851	11,446,461
Provision for : Taxation / Fringe Benefit Tax		14,945,111	889,784
Deferred tax Liability Reversed/Deferred Tax Asset		3,905,283	3,032,675
Profit after Tax		111,359,023	13,589,352
Prior period adjustments (Net)		(5,821,300)	2,409,236
Prior period adjustments (Net)-Income tax		5,099,870	263,292
Profit/(Loss) after Prior period Items		112,080,483	10,916,824
Deficit brought forward from previous year		2,405,899	(8,510,925)
Profit carried to Balance Sheet		114,486,352	2,405,899
Earnings per Share			
(Equity Shares of nominal value Rs. 10/- each)			
Basic & Diluted		8.62	0.99
Number of shares used in Computing EPS			
Basic & Diluted		13,001,320	11,057,500

Significant Accounting Policies and Notes on Accounts 17

As per our report attached

For **P. MURALI & CO.**
Chartered Accountants

Sd/-

P. Murali Mohana Rao
Partner
Membership No. 23412

Place: Hyderabad
Date : 24th Aug, 2007

For and on behalf of the Board

Sd/-
Nandan Kundetkar
Chairman

Sd/-
D.P.Sreenivas
Executive Director

Sd/-
A. Narendra
Company Secretary



SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2007

	As at 31st Mar 2007 Rupees	As at 31st Mar 2006 Rupees
1 SHARE CAPITAL		
Authorised:		
5,00,00,000 (Previous year 2,50,00,000) Equity Shares of Rs.10/- each	500,000,000	250,000,000
Issued, Subscribed and Paid up:		
1,30,01,320 (Previous year 1,11,01,320) Equity Shares of Rs. 10/- each, fully paid up (out of the above 2,62,920 equity shares of 10/-each are allotted as fully paid up for consideration other than cash)	130,013,200	111,013,200
Total	130,013,200	111,013,200
2 RESERVES AND SURPLUS		
a. Capital Reserve - As per last Balance Sheet	14,780,538	14,780,538
b. Securities Premium Account - As per last Balance Sheet Add: Premium on preferential Allotment of Equity Shares	87,504,803 20,900,000 108,404,803	83,561,003 3,943,800 87,504,803
c. General Reserve - As per last Balance Sheet	18,300,679	18,300,679
d. Foreign Currency Translation Reseve - Transferred this year	(1,720,274)	274,846
e. Surplus:		
Opening Balance	-	-
Profit & Loss Account balance	114,490,352	2,405,899
Total	254,256,098	123,266,765
3 LOAN FUNDS		
A) SECURED LOANS		
a. From Banks		
Cash Credit	12,100,216	-
Term Loans	12,418,533	42,003,793
Vehicle Loans	3,521,374	1,311,606
b. From a Company	1,500,000	-
Total	29,540,123	43,315,399
B) UNSECURED LOANS		
From Companies	46,200,000	20,000,000
Total	46,200,000	20,000,000



SCHEDULE FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2007

4 FIXED ASSETS

Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on 01.04.2006 Rupees	Additions during the year Rupees	Deductions during the year Rupees	As on 31.03.2007 Rupees	Upto 01.04.2006 Rupees	For the year Rupees	Adjustments during the year Rupees	Upto 31.03.2007 Rupees	As on 31.03.2007 Rupees	As on 31.03.2006 Rupees
a) TANGIBLE ASSETS										
1. Goodwill	57,663,433	30,625,000	-	88,288,433	-	-	-	-	88,288,433	57,663,433
2. Land	74,171,399	-	-	74,171,399	-	-	-	-	74,171,399	74,171,399
3. Buildings	23,099,876	-	-	23,099,876	4,555,432	771,536	-	5,326,968	17,772,908	18,544,444
4. Leasehold Improvements	4,737,576	-	-	4,737,576	4,737,576	-	-	4,737,576	-	-
5. Plant & Machinery	3,062,462	-	-	3,062,462	2,940,210	114,869	-	3,055,079	7,383	122,252
6. Furniture & Fixtures	4,833,210	60,750	-	4,893,960	1,763,399	579,450	-	2,342,849	2,551,111	3,069,811
7. Electrical Installation	6,864,063	22,200	25,860	6,860,403	1,829,237	420,398	-	2,249,635	4,610,768	5,034,826
8. Vehicles	4,641,330	2,620,872	-	7,262,202	963,930	454,894	-	1,418,824	5,843,378	3,677,400
9. Computer systems	97,306,984	673,072	69,850	97,910,206	72,807,110	14,011,019	-	86,818,129	11,092,077	24,499,874
10. Electronic Equipment & Office Equipment	12,411,221	422,345	-	12,833,566	4,130,572	313,610	-	4,444,182	8,389,384	8,280,649
Total	288,791,554	34,424,239	95,710	323,120,083	93,727,466	16,665,776	-	110,393,242	212,726,841	195,064,088
b) INTANGIBLE ASSETS										
1. Design, Development and Testing of Software tools for IT Services	-	42,682,673	-	42,682,673	-	8,536,535	-	8,536,535	34,146,138	-
Total	-	42,682,673	-	42,682,673	-	8,536,535	-	8,536,535	34,146,138	-
Total (a+b)	288,791,554	77,106,912	95,710	365,802,756	93,727,466	25,202,311	-	118,929,777	246,872,979	195,064,088
Previous year	276,806,549	43,931,504	31,946,499	288,791,554	77,368,875	16,358,590	-	93,727,465	195,064,088	199,437,674



SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2007

	As at 31st Mar 2007 Rupees	As at 31st Mar 2006 Rupees
5 CAPITAL WORKS IN PROCESS		
Equipments	39,598,312	-
Buildings	128,528	128,528
Advances	418,458	-
Pre-operative Expenses	49,246,544	-
Total	89,391,842	128,528
6 SUNDRY DEBTORS (Unsecured)		
a. Debts outstanding for a period exceeding six months		
i. Considered Good	120,602,211	109,345,411
ii. Considered Doubtful	932,483	3,241,341
Less : Provision	932,483	3,241,341
	120,602,211	109,345,411
b. Debts outstanding below six months	175,160,289	89,531,650
Total	295,762,500	198,877,061
7 CASH & BANK BALANCES		
Cash on hand	39,052	514,597
Cheques on Hand	-	2,231,000
Bank balances with Scheduled Banks		
- In Current Accounts	23,031,770	(4,150,944)
- In Fixed Deposit (Lodged with the bank against BG)	200,000	200,000
Balances with others - Non Scheduled Banks	10,214,787	21,566,397
Total	33,485,609	20,361,050
8 LOANS & ADVANCES		
a. Advances to suppliers	14,617,493	20,291,191
Less : Provision	771,023	771,023
	13,846,470	19,520,168
b. Advances to Staff	3,008,146	1,904,305
Less : Provision	118,841	118,841
	2,889,305	1,785,464
c. Deposits	30,052,988	2,720,110
Less : Provision	418,860	418,860
	29,634,128	2,301,250
d. Prepaid Expenses	2,168,690	3,355,527
e. TDS Received	1,247,994	-
Total	49,786,587	26,962,409



SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2007

	As at 31st Mar 2007 Rupees	As at 31st Mar 2006 Rupees
9 CURRENT LIABILITIES		
Sundry Creditors (No outstanding dues to SSI Undertakings)	61,566,032	54,542,727
Other Creditors/ Liabilities	173,428,043	120,176,057
Statutory Liabilities	1,480,594	609,420
Interest Accrued but not due on Loans	2,309,459	586,393
Total	238,784,127	175,914,596
10 PROVISIONS		
Provision for Taxation	3,218,151	657,055
Provision for Gratuity and Leave Encashment	1,469,204	1,314,544
Total	4,687,355	1,971,599
11 MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)		
Deferred Revenue Expenditure as per last Balance Sheet	-	12,426,311
Add: Adjustments / Additions	1,085,425	31,946,498
Less : Written off / Adjusted	-	1,690,136
Total	1,085,425	42,682,673



SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2007

	For the year ended 31st Mar 2007 Rupees	For the year ended 31st Mar 2006 Rupees
12 SALES		
Software & Services - Domestic	-	-
- Exports	969,363,045	802,191,763
Total	969,363,045	802,191,763
13 OTHER INCOME		
Insurance Claims received	-	28,854
Interest on Fixed Deposits	725,064	11,531
Taxes Refund	-	1,801,264
Profit on sale of Investments	-	695,512
Less : Loss on sale of Investment	-	47,314
Dividend on Mutual Funds	-	52,947
Lease Rent	5,493,240	2,413,150
Exchange Fluctuation Gain	-	7,322,196
Exchange Fluctuation loss	-	147,960
Total	6,218,304	12,130,180
14 PERSONNEL EXPENDITURE		
Salaries, Wages and other Benefits	729,861,356	278,793,383
Staff Welfare	940,560	1,137,588
Total	730,801,916	279,930,971
15 ADMINISTRATIVE AND SELLING EXPENSES		
Directors Remuneration	2,565,600	2,227,750
Electricity Charges	1,775,598	597,108
Rent	9,495,580	8,468,281
Legal Fees	1,374,437	2,694,060
Project related cost & discounts	1,885,130	195,264
Printing , Stationary & Advertisement	732,153	541,748
Postage ,Telephones and Internet	12,723,062	16,801,329
Deferred Revenue Expenditure written off	8,536,535	-
Insurance	11,908,374	1,563,950
Professional and Consultancy	2,182,484	394,920,363
Rates and Taxes	3,288,410	10,045,107
Board and other Meeting Expenses	131,235	496,304
Marketing Expenses	2,097,416	6,045,330
Gifts and Donations	101,873	42,518
Books & Periodicals	40,168	18,000



SCHEDULES FORMING PART OF THE CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2007

	For the year ended 31st Mar 2007 Rupees	For the year ended 31st Mar 2006 Rupees
Membership & Subscription	750,707	515,511
Vehicle Maintenance	1,336,932	1,089,204
Travelling Expenses	-	-
- Directors	1,016,946	1,714,429
- Others	15,582,523	9,934,971
Conveyance	39,739	58,654
Business Promotion	274,331	236,746
Auditors Remuneration - Audit Fee	168,360	214,440
Office Maintenance	3,734,421	1,740,977
Repairs & Maintenance	2,135,258	2,185,601
Miscellaneous Expenses	3,824,218	121,577
Listing Fees	235,505	215,407
Product Development Exp	10,723	-
Bad Debts and Advances written off	-	239,490
Provision for Bad Debts	-	3,241,341
Provision for Advances	-	1,308,724
Seminer & Conferances	25,468	18,159
Exchange Fluctuation loss	5,909,539	-
Security Charges	289,540	301,102
Licence Fee	-	130,077
Onsite Project work expenses	-	23,448,986
Staff Recruitment & Training	7,478,404	6,461,439
Total	<u>101,650,668</u>	<u>497,833,947</u>

16 FINANCIAL EXPENSES

Interest	852,519	-
Interest on Term Loan	1,389,317	8,342,113
Interest on OSI	21,781	-
Interest on UCO	1,242,796	-
Bank Charges & Commission	475,100	321,973
Interest on HDFC Car Loan	82,625	88,086
Total	<u>4,064,138</u>	<u>8,752,172</u>



17. CONSOLIDATED SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

A) Statement on Significant Accounting Policies

(i) Basis of Accounting:

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 Interest 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 stated 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 market 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 un-responded 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) Earnings per share:

The Earnings per share is calculated in accordance with the Accounting Standard 20 - "Earnings Per Share" issued by the Institute of Chartered Accountants of India.

B) NOTES ON ACCOUNTS:

1. Wholly owned Subsidiaries considered for Consolidation :
 - a. Staytop Systems Inc., an US incorporated Company,
 - b. Primesoft LLC, as 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 Disclosures :**

As per Accounting Standard 18 on Related Party Disclosures issued by the Institute of Chartered Accountants of India, the disclosure of transactions



with the related party as defined in the Accounting Standard are given below:

- i) List of related parties with whom transactions have taken place and

S.No	Name of the related party	Relationship
1	Styatop Systems Inc.,	Subsidiary
2	Primesoft LLC.	Subsidiary

- ii) Transaction during the year with related parties:

Name of the related party	Nature of Transaction	Rs. In Crores
Styatop Systems Inc.,	Income – Sale of Software & Rendering Services	0.37
Styatop Systems Inc.,	Investment	3.06

4) Earnings Per Share:

Calculation of EPS (Basic & Diluted):

Particulars	Rs. In Lakhs	
	Current Year 2006-07	Previous Year 2005-06
Total No. of Equity Shares considered for calculation of EPS	1,30,01,320	1,10,57,500
Profit after Taxes before Prior Period Adjustments	1113.59	135.89
Profit after Taxes after Prior Period Adjustments	1120.80	109.17
EPS after Taxes before Prior Period Adjustments	Rs. 8.57	Rs. 1.23
EPS after Taxes after Prior Period Adjustments	Rs. 8.62	Rs. 0.99

5) Segment Reporting:

As per Accounting Standard 17 on Segment Reporting disclosures issued by the Institute of Chartered Accountants of India the disclosures on segment reporting are given below :

- i) Business Segment - The company is engaged in the business of Software Development and services comprising both onsite and off-shore operations. Since the nature of the activities is governed by similar risks and returns these are grouped as single reportable segment as such there is no reportable business segment.

- ii) Geographical Segment:

Particulars	Amount in Rs. Crores
Revenue :	
India – Exports	41.04
Outside India	55.90
Additions to Fixed Assets :	
India	0.30
Outside India	0.09
Carrying amount of Segment Fixed Assets :	
India	15.18
Outside India	0.68

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



STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST MARCH 2007

(Amounts in Rs. Lakhs)

	31st Mar 2007	31st Mar 2006
A Cash Flow from operating activity:		
Net Profit before tax	1,223.99	114.46
Adjustments for:		
Depreciation	166.66	163.58
Miscellaneous expenditure written off	85.37	-
Provision for gratuity & earned leave	-	13.14
Other income	(62.18)	(121.30)
Foreign Exchange Fluctuation	(19.95)	-
Interest on Long Term Loan	23.46	84.30
Prior Period Items	7.21	-
Disposal of Assets	0.96	-
Operating Profit before working capital Changes	1,425.51	254.18
Adjustments for:		
Trade and other receivables	(968.85)	(811.18)
Trade advances	(228.24)	(110.04)
Trade payables and Provisions	665.89	944.13
Cash generated from Operations	884.31	277.09
Direct Taxes paid (net) - Prior period adjts.	(110.40)	(2.63)
Deferred Tax Liabilities	(39.40)	-
Interest paid	(23.46)	(81.48)
Cash flow before extraordinary items	711.05	192.98
Extra Ordinary Items	-	(7.19)
Net Cash Flow from operating activity	711.05	185.79
B Cash Flow from Investing Activity:		
Purchase of fixed assets	(344.24)	(119.86)
Capital work in progress	(892.63)	(1.29)
Miscellaneous Expenditure	(10.85)	(319.47)
Interest Received	7.25	0.12
Other Income	54.93	121.18
Net Cash Used for Investing Activity	(1,185.55)	(319.32)
C Cash Flow from financing activities:		
Equity Share Capital	190.00	26.29
Share Premium and Reserves	209.00	42.18
Repayment of Term Loan	(159.85)	(182.10)
Car Loan From HDFC	22.10	6.32
Share Application Money received \ Repaid	82.50	(406.10)
Unsecured Loan	262.00	200.00
Net Cash generated from financing activity	605.75	(313.41)
Cash and Cash Equivalents (Opening Balance)	203.61	650.45
Net Increase in Cash & Cash equivalents(A + B + C)	131.21	(446.94)
Cash and Cash Equivalents (Closing Balance)	334.86	203.61

As per our report attached

For **P. MURALI & CO.**

Chartered Accountants

Sd/-

P. Murali Mohana Rao

Partner

Membership No. 23412

Place: Hyderabad

Date : 24th Aug, 2007

For and on behalf of the Board

Sd/-
Nandan Kundetkar
Chairman

Sd/-
D.P.Sreenivas
Executive Director

Sd/-
A. Narendra
Company Secretary



DIRECTORS' REPORT

To
The Members
Primesoft LLC

Your Directors have pleasure in presenting the Eleventh Annual Report on the business and operations of the Company and the accounts for the period ending 31st March 2007.

Directors

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

Mr. Clinton Travis Caddell
Mrs. Mahita Caddell

Financial Results

Year	2006-07		2005-06	
	In US\$	Rs. In Lakhs	In US\$	Rs. In Lakhs
Gross Revenue	0.00	0.00	0.00	0.00
Operating Profit/(Loss)	0.00	0.00	0.00	0.00
Depreciation	0.00	0.00	0.00	0.00
Net Profit/(Loss)	0.00	0.00	0.00	0.00

Review of the Operations

During the year under review, the Company has no operations as that of 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 disclosures 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/-
Mahita Caddell
Director

Date : 24th Aug, 2007



BALANCE SHEET AS AT 31ST MARCH 2007

Particulars	31st Mar 2007		31st Mar 2006	
	In US\$	In Rs.	In US\$	In Rs.
ASSETS				
CURRENT ASSETS				
Cash & Bank Balances	-	-	-	-
Accounts Receivable'	3270	142,539	3270	145,917
Loans & Advances	-	-	-	-
Total Current Assets	3270	142,539	3270	145,917
Fixed Assets	-	-	-	-
Differed Expenses	-	-	-	-
Total Assets	3270	142,539	3270	145,917
LIABILITIES				
Accounts Payable	-	-	-	-
Other Liabilities	-	-	-	-
Total Current Liabilities				
Stock Holders Equity/Retained earnings	3270	142,539	3270	145,917
Total Liabilities & Equity	3270	142,539	3270	145,917

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED AST AT 31ST MARCH 2007

Particulars	2006-07		2005-06	
	In US\$	In Rs.	In US\$	In Rs.
INCOME				
Professional Services/Consulting	0.00	0.00	0.00	0.00
Other Income	0.00	0.00	0.00	0.00
Total Income	0.00	0.00	0.00	0.00
EXPENSES	0.00	0.00	0.00	0.00
Payroll Expenses	0.00	0.00	0.00	0.00
Professional Fees	0.00	0.00	0.00	0.00
Administration & Other Charges	0.00	0.00	0.00	0.00
TOTAL EXPENSES	0.00	0.00	0.00	0.00
NET PROFIT	0.00	0.00	0.00	0.00

For and on behalf of the Board

Burlington, VT
Dated 24th August, 2007

Sd/-
Mahita Caddell
Director

Sd/-
Clinton Travis Caddell
Director



DIRECTORS' REPORT

To
The Members
Staytop Systems Inc.

Your Directors have pleasure in presenting the Tenth Annual Report on the business and operations of the Company and the accounts for the period ending 31st March 2007.

Directors

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

Mr. Clinton Travis Caddell
Mrs. Mahita Caddell

Financial Results

Year	2006-07		2005-06	
	In US\$	Rs. In Million	In US\$	Rs. In Million
Gross Revenue	12,352,859	559.02	10,231,305	453.14
Operating Profit/(Loss)	1,087,671	49.22	103,577	4.59
Depreciation	0	0	596	0.03
Net Profit/(Loss)	757,515	34.14	102,981	4.56

Review of the Operations

The Company is a wholly owned subsidiary of Goldstone Technologies Limited. During current period i.e., from 1st April 2006 to 31st March 2007, the company earned revenues of US\$ 12,352,859 (Rs. 559.02 Million) as against US\$10,231,305 (Rs. 453.14 Million) in 2005-06 and registered a net profit of US\$ 757,515 (Rs.34.14 Million) from 1st April 2006 to 31st March 2007as against US\$102,981 (Rs.4.56 Million) in 2005-06.

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 disclosures 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/-
Mahita Caddell
Director

Dated 24th August, 2007



BALANCE SHEET AS AT 31ST MARCH 2007

Particulars	31st Mar 2007		31st Mar 2006	
	In US\$	In Rs.	In US\$	In Rs.
ASSETS				
CURRENT ASSETS				
Cash & Bank Balances	373,788	16,228,747	(100,365)	(4,478,305)
Accounts Receivable'	1,562,031	67,818,713	769,182	34,320,896
Loans & Advances	682,985	29,653,148	311,700	13,908,073
Total Current Assets	2,618,804	113,700,608	980,517	43,750,664
Fixed Assets	4,061	176,351	2,384	106,374
Differed Expenses	25,000	1,085,425	-	-
Total Assets	2,647,865	114,962,384	982,901	43,857,038
LIABILITIES				
Accounts Payable	1,657,388	71,958,827	749,940	33,462,320
Other Liabilities	-	-	-	-
Total Current Liabilities	1,657,388	71,958,827	749,940	33,462,320
Stock Holders Equity/Retained earnings	990,477	43,003,557	232,961	10,394,718
Total Liabilities & Equity	2,647,865	114,962,384	982,901	43,857,038

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2007

Particulars	2006-07		2005-06	
	In US\$	In Rs.	In US\$	In Rs.
INCOME				
Professional Services/Consulting	12,352,859	559,014,675	10,231,305	453,144,516
Other Income	-	-	-	-
Total Income	12,352,859	559,014,675	10,231,305	453,144,516
EXPENSES				
Payroll Expenses	10,840,350	490,567,804	1,620,065	71,752,690
Professional Fees			7,995,961	354,141,113
Administration & Other Charges	754,993	34,308,549	512,298	22,689,697
TOTAL EXPENSES	11,595,343	524,876,353	10,128,324	448,583,500
NET PROFIT	757,516	34,138,322	102,981	4,561,016

For and on behalf of the Board

Burlington, VT
Dated 24th August, 2007

Sd/-
Mahita Caddell
Director

Sd/-
Clinton Travis Caddell
Director



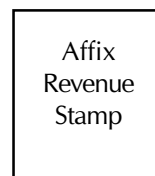
GOLDSTONE TECHNOLOGIES LIMITED

(9-1-83 & 84, Amarchand Sharma Complex, S.D. Road, Secunderabad – 500 003)

PROXY FORM

I/We..... of
..... being a member/ members of the above named company
hereby appoint of
..... as my/our proxy to vote for me/us on my/our behalf
at the 13th Annual General Meeting of the company to be held on Thursday, the 27th September, 2007 at 10.30 A.M at Plot
No. 1 & 9 IDA Phase II, Cherlapally, Hyderabad – 500 051 and at any adjournment thereof.

Signed this..... day of _____ 2007.



NOTE :

- a) A Member entitled to attend and vote at the meeting is entitled to appoint a proxy and vote instead of himself.
- b) Proxy need not be a member.
- c) The proxy form duly completed should be deposited at the registered office of the company not less than 48 hours before the time fixed for holding the meeting.

.....cut here.....

GOLDSTONE TECHNOLOGIES LIMITED

(9-1-83 & 84, Amarchand Sharma Complex, S.D. Road, Secunderabad – 500 003)

ATTENDANCE SLIP

(Please present this slip at the entrance of the meeting venue)

Regd. Folio/ :
Client ID/ DPID

Shares held :.....

I hereby record my presence at the 13th Annual General Meeting to be held on Thursday, the 27th September, 2007 at 10.30 A.M. at Plot No. 1 & 9 IDA Phase II, Cherlapally, Hyderabad – 500 051.

Name of the Shareholder :

Name of the Proxy :

Signature of member/proxy :

Note : 1) To be signed at the time of handing over this slip.

Members are requested to register their names at least 15 minutes prior to the commencement of the meeting.

No Gifts will be given