

## NOTICE

Notice is hereby given that the Eleventh Annual General Meeting of the Company will be held on Thursday, the 29<sup>th</sup> day of September 2005 at 10.30 A.M at Plot No. 1 & 9, IDA, Phase II, Cherlapally, Hyderabad - 500 051 to transact the following business:

### ORDINARY BUSINESS:

1. To consider and adopt the Audited Balance sheet as at 31<sup>st</sup> March 2005 and Profit and Loss Account for the year ended as on that date along with Directors Report and Auditors Report thereon.
2. To appoint a Director in place of Ms. Mahita Caddell, who retires by rotation and being eligible, offers herself for re-appointment.
3. To appoint a Director in place of Mr. M P Mehrotra, who retires by rotation and being eligible, offers himself for re-appointment.
4. To consider the appointment of Statutory Auditors of the Company.

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

### SPECIAL BUSINESS

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

### 7. Change of Name:

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

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

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

### 8. Issue of Shares to Employees Under ESOPS:

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

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



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

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

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

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

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

9. Appointment of Mr. KVS Chalapathi Rao as Managing Director:

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

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

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

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

**Perquisites:**

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



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

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

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

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

**For and on behalf of the Board**

Sd/-

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

Place : Secunderabad

Date : 8<sup>th</sup> August 2005

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

##### **Mr. Mahesh Prasad Mehrotra**

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

##### **Mrs. Mahita Caddell**

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

##### **Mr. Vikas Mehrotra**

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

##### **Mr. V.P. Singh**

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

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

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

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

##### **Item No's: 5 & 6**

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

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

Your Directors recommend the resolution for approval of the members.

None of the Directors except Mr. Vikas Mehrotra and Mr. V.P. Singh is in anyway concerned or interested in this resolution.

##### **Item No:7**

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



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

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

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

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

**ITEM 8:**

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

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

**The salient features of the proposed ESOS are as follows:**

**a. Total Number of shares/Options to be granted**

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

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

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

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

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

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

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

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

25% upon completion of 1 year from date of grant

25% upon completion of 2 years from date of grant

25% upon completion of 3 years from date of grant

25% upon completion of 4 years from date of grant

**d. Exercise Price or pricing formula**

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

**e. Exercise Period and Process of Exercise**

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

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

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

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

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

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

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

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

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

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

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

**h. Conformity with the Accounting Policies**

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

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

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

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

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

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

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

The Board commends the resolution for approval of the members.

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

**ITEM 9:**

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

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

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



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

## 1. GENERAL INFORMATION

### (1). **Nature of Industry**

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

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

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

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

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

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

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

### (5) **Export Performance and net foreign exchange collaborations**

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

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

### (6) **Foreign Investments or collaborators, if any:**

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

## 2. INFORMATION ABOUT THE APPOINTEE

### (1) **Background details**

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

### (2) **Past Remuneration**

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

### (3) **Recognition of awards** NIL

### (4) **Job Profile and his suitability**

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

### (5) **Remuneration proposed**

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





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resolution not exceeding the limit specified in Schedule XIII.

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

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

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

**3. OTHER INFORMATION**

**(1) Reasons for loss or inadequate profits Nil.**

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

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

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

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

**4. DISCLOSURE**

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

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

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

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

**For and on behalf of the Board**

Sd/-

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

Place: Secunderabad  
Date: 8<sup>th</sup> August 2005



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To  
The Members  
**Goldstone Technologies Limited**

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

### Financial Results

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

### Review of Operations

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

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

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

### Dividend

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

### Fixed deposits

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

### Share Capital

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

### Insurance

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

### Auditors

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



**Directors**

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

**Director's Responsibility Statement**

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

- (a) That in the preparation of the Accounts for the financial year ended as on 31<sup>st</sup> March 2005, the applicable accounting standards have been followed and there are no material departures there from.
- (b) That the accounting policies have been selected and applied consistently and judgements and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31<sup>st</sup> March 2005 and of the profit or loss of the Company for the period ended on that date.
- (c) That proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (d) That the accounts for the financial year ended 31<sup>st</sup> March 2005 have been prepared on a going concern basis.

**Corporate Governance**

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

**Particulars of Employees:**

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

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

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

**1. Conservation of Energy:**

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

**2. Technology Absorption**

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

**3. Foreign Exchange Earnings & Outgo:**

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

(Rs.in Lakhs)

	2004-05	2003-04
a) Foreign Exchange Earnings	794.60	558.25
b) Foreign Exchange Outgo	17.14	40.40

**Acknowledgements**

Your Directors convey their sincere thanks to State Bank of Hyderabad, for their support and assistance.

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

For and on behalf of the Board

Sd/-

Mr. M P Mehrotra  
Chairman

Place: Secunderabad  
Date: 8<sup>th</sup> August 2005



## Goldstone

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

#### FISCAL:

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

#### INDUSTRY STRUCTURE & DEVELOPMENTS:

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

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

#### BUSINESS OVERVIEW:

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

#### RISKS AND CONCERNS:

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

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

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

#### SWOT Analysis:

##### Strengths

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

##### Weaknesses

- Exposure to various economies.

##### Opportunities

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

##### Threats

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

#### Outlook for the year 2005-06

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

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