



Goldstone

Goldstone Technologies Limited



Eighth Annual Report 2001-2002

Board of Directors

Dr. K K Krishnan Kutty	Chairman
K Vasudeva Rao	Executive Director
L P Sashikumar	Director
J A Rao	Director
P. Ramesh Babu	Director
M Gopalakrishna	Director
Kishore V Khandavalli	Director
Mahita Prasad Caddell	Director

S Geetha Devi Company Secretary

Auditors

Srivas & Pramodkumar
Chartered Accountants
C-16, IV A Block
Bharani Complex
Minister Road
Secunderabad-500 003

Software Development Centre

Goldstone Technologies Limited
9-1-83 & 84
Amarchand Sharma Complex
S D Road,
Secunderanad-500 003

Registered Office

Goldstone Technologies Limited
9-1-83 & 84
Amarchand Sharma Complex
S D Road,
Secunderanad-500 003

United States

Vienna
8603 Westwood Center
Dr. Ste 200
Vienna, Virginia 22182
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Notice

Notice is hereby given that the Eighth Annual General Meeting of the Company will be held on Monday the 30th day of September, 2002 at 11.00 A.M at Plot No. 1 & 9, IDA, Phase II, Cherlapally, Hyderabad-500 051, to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the Audited Profit and Loss Account for the period ended 31st March, 2002 and the Balance Sheet as on the date and the reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Shri K. Vasudeva Rao, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri P. Ramesh Babu, 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. Srivas & Pramodkumar, Chartered Accountants, be and are hereby reappointed as Auditors of the Company to hold office from the conclusion of this meeting till the conclusion of next Annual General Meeting at such remuneration as may be determined by the Board".

SPECIAL BUSINESS:

5. PREFERENTIAL ALLOTMENT

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

"RESOLVED THAT in conformity with the provisions of Section 81 (1A) and all other applicable provisions, if any, of the Companies Act, 1956; Listing Agreements entered with the

Stock Exchanges; Guidelines issued by RBI under FEMA 1999 and by SEBI on preferential issue of Shares and its other regulations/ guidelines, if any, and subject to the consent of all other concerned authorities, if any and to the extent required and subject to such conditions and modifications as may be prescribed or imposed while according such consents, which may be considered appropriate by the Board of Directors of the Company and / or a duly authorised committee thereof (herein after called as 'The Board') in its absolute discretion, consent of the Company be and is hereby conveyed to the Board to create, offer, issue, allot and deliver in one or more tranches, to the promoter group, on preferential Basis up to 50,00,000 (Fifty lacs only) Equity shares at such price as may be arrived in terms of 13.1.1. of Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 and/or 50,00,000 warrants, where each warrant is convertible into one Equity shares of the face value of Rs.26.20/- each, at a price of Rs10/- per share, (including premium of Rs.16.20) resulting in the aggregate after conversion / exercise of rights attached to those instruments, not exceeding 158,38,400 Equity shares of the Company, on the following terms and conditions :

- (a) Conversion of warrants into equity shares can be exercised at any time within a period of 18 months from the date of issue of such warrants.
- (b) An amount equal to 10 percent of the share price shall be payable on the date of issue of warrants, with the balance amount being payable at the time of conversion.
- (c) The amount paid on issue of warrants shall be forfeited if the warrants are not exercised within a period of 18 months from the date of issue of warrants.

- (d) Other terms and conditions as may be prescribed by the Board at its absolute discretion consider fit.

"RESOLVED FURTHER THAT the Relevant date for the purpose of determining the issue price of Equity Shares or Equity Shares arising out of conversion of Warrants under the SEBI Guidelines for preferential Issues shall be one month prior to the date of Annual General Meeting on 30th September 2002."

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

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

6. ALLOTMENT OF SHARES TO EMPLOYEES / PROFESSIONALS UNDER ESOPS

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

"RESOLVED THAT pursuant to section 81 (1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force); the Articles of Association of the Company and Securities Exchange

Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 (including any statutory modification or re-enactment thereof) and subject to such other approvals as may be required from such other appropriate authorities, and subject to such terms and conditions and stipulations, if any, while granting such approvals permissions and sanctions, the Board of Directors of the Company (hereinafter referred to as Board which expression shall include a Committee of Directors duly authorised in this behalf) be and is hereby authorized to issue, offer, in one or more tranches, all or any of the following, in one or more combination thereof: equity shares or equity linked securities or convertible debentures (whether fully convertible or not, whether fully secured or not), non-convertible debentures (whether secured or not), secured premium notes (SPN), floating rate bands and/or any other securities, all or any of the aforesaid with or without detachable or non-detachable warrants, convertible equity shares (hereinafter referred to as "Securities" for sake of brevity), not exceeding 5% of the Paid-up Share Capital of the Company to its employees, whether in India or abroad, whether shareholder of the company or not (hereinafter collectively referred to as "Employees"), at such prices and other terms and conditions as the Board may in its absolute discretion think fit under the Employees Stock Option Scheme."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to take necessary steps for listing of the securities/shares allotted under the Employees Stock Option Scheme on the Stock Exchanges where the Company's shares are listed as per the terms and conditions of Listing Agreement with the concerned stock exchanges and other applicable guidelines, rules and regulations."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any

of the powers herein conferred to any committee of the Directors of the Company to give effect to the resolution."

"RESOLVED FURTHER THAT for the purpose of giving effect to the above, the Board be and is hereby authorised to do all things necessary and take such actions as may be necessary or expedient to formulate or amend or alter or adopt any modification or redefine the proposal or scheme or plan of Employees Stock Option Scheme based on the guidelines issued by the Securities Exchange Board of India or any statutory authority from time to time."

7. APPOINTMENT OF EXECUTIVE DIRECTOR

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

"RESOLVED THAT pursuant to Sec. 198,269,309,310 and other applicable provisions, if any, of the Companies Act, 1956 with Schedule XIII thereof, the consent of the Company be and is hereby accorded for re-appointment of Mr. K Vasudeva Rao as Executive Director of the Company for a period of One Year w. e. f 1st December, 2002 on the following terms and conditions:

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

a) Salary : Rs.80,000 Per Month

Perquisites:

Category A:

1. Housing : Rent Free Accommodation or

House Rent Allowance of Rs. 10,000 Per month.

2. Other Allowances like Maintenance of house office, Subscription to internet, Professional Development Allowance, Dress Allowance, Gardener, Servant etc; not exceeding Rs. 10,000 Per month.

Category B:

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

Category C:

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

For and on behalf of the Board

Place : Secunderabad

K K Krishnan Kutty

Date : 31st August, 2002

Chairman



Notes

- a) The Explanatory Statement relating to Item Numbers 6 to 10 of the Special Business of the Meeting referred to above, is annexed to this Notice as required by Section 173(2) of the Companies Act, 1956.
- b) A Member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and proxy need not be a member of the company. The Proxy in order to be effective must be deposited at the Registered Office of the Company not less than 48 hours before the meeting.
- c) The Register of Members and Share Transfer Books of the Company shall remain closed from 25th September 2002 to 30th September 2002 (both days inclusive) for the purpose of Annual General Meeting.
- d) The Members are requested to intimate to the Company at 9-1-83 & 84, Amarchand Sharma Complex, S.D.Road, Secunderabad – 500 003, changes, if any, in their Registered address along with Pin Code number.
- e) Members who are having multiple Folios with identical names are requested to inform Folio Numbers, to enable the Company to consolidate the same into Single Folio.
- f) Queries on accounts and operations of the Company, if any, may please be sent to the Company at least seven days in advance of the Meeting so that the answers may be made readily available at the Meeting.
- g) Members / Proxies are requested to deposit the enclosed Attendance Slip duly filled in and signed for attending the meeting.

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

ITEM 5:

To augment resources for product development expenditure, long term Working Capital needs, capital expenditure and other corporate actions, your Company has proposed to issue further 50,00,000 Equity Shares and/or 50,00,000 Warrants convertible into Equity Shares and/or 50,00,000 other securities to the Promoters group on preferential allotment basis.

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

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

a. Objects of the issue through preferential offer

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

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

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

M/s. Goldstone Exports Limited which is participating in the ensuing preferential issue, will fall under the category 'Promoters' and have agreed to subscribe to the Preferential Offer

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

The percentage of Post – Preferential Issue held by the Proposed Investors is presented in below table.

Sl.No	Name of the Party	Pre-issue Holding	% to Equity	Shares allotted in the Present issue	Post issue Holding	% to Equity
	Promoters & Associates					
1	Goldstone Exports Limited	2638331	24.34	5000000	7638331	31.57

d. Change in the control or composition of the Board

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



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

The Shareholding pattern before and after this issue is presented in the table below

Sl.No	Category	Pre Issue		Post Issue	
		No. of Shares	% of Shares	No. of Share holding	% of Shares holding
1	Promoters				
	Indian	2695721	24.87	7695721	48.59
	Foreign	1100000	10.15	1100000	6.95
	Non-Promoters	Nil	Nil	Nil	Nil
2	NRI's / FI's/OCB's	409686	3.78	409686	2.59
3	Govt/ Banks/ Mutual Funds	439519	4.06	439519	2.78
4	Bodies Corporate	878913	8.11	878913	5.55
5	General Public	5314561	49.03	5314561	33.54
	Total	10838400	100.00	15838400	100.00

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

The allotment of the shares will be completed with in a period of 3 months from 30th September 2002 being the date on which shareholders sanction is obtained for preferential allotment.

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

The share price of Rs. 26.20 ps is arrived at as per SEBI Preferential Issue Guidelines and Auditors Certificate as to the Issue Price will be placed before the Shareholders in the General meeting.

Your Directors recommend the resolution for your approval.

None of the Directors of the Company is any way concerned or interested in the proposed resolution except to the extent the number of Securities offered to them.

ITEM 6:

To motivate, reward and retain the key performers and to attract the talented personnel, your Directors seek the approval of the shareholders, to set up an Employee Stock Option Scheme (ESOS) by earmarking equity shares not exceeding 5% of the Paid-up Capital Equity Share Capital for granting of stock options under the scheme designated as Goldstone Technologies Employees Stock Option Scheme. Your

Company has adopted a policy to cover all key employees under the Employees Stock Option Scheme at critical levels.

a) The Total number of options to be granted

Not exceeding 5% of the present Paid-up Equity Share Capital of the Company.

b) Identification of classes of employees entitled

Any employee not being a promoter or Director holding (along with his relatives) more than 10% of the outstanding equity.

c) Vesting of Options As per the Schedule given below:

Period vested	% Options
12 months from the date of Grant	10%
18 months from the date of Grant	15%
24 months from the date of Grant	20%
30 months from the date of Grant	25%
36 months from the date of Grant	30%

- d)** The exercise price for the grant of options shall be computed (a) either at a discount of up to 75% on the average closing prices for the company equity shares quoted on the Stock Exchanges having the maximum volume of transactions during the two weeks preceding the date of the grant or (b) closing prices on the date of grant for the company equity shares quoted on the Stock Exchanges.
- e)** Option can be exercised by making an application for issue of shares against the option vested within a period of 5 years from the date of grant.
- f)** The appraisal process for determining the eligibility of the employees to the Employees Stock Option Scheme shall be determined by the Compensation Committee based on the formal Appraisal Systems and on the advice of the Advisory board.
- g)** Maximum number of options to be issued per employee and in aggregate will be recommended by the Advisory Board of the Company for the approval of the Compensation Committee, not exceeding 1% of the issued capital or one lakh, whichever is less.
- h)** The company shall confirm to the accounting policies specified in Clause 13.1 of the SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines 1999.

The Guidelines provide for a separate Special Resolution in general meeting in case of grant of options to the Employees/Professionals under ESOPS. Accordingly, the Board seeks your approval by way of special resolutions in terms of Section 81(1A) of the Companies Act, 1956.