



NOTICE

Notice is hereby given that the Fifth Annual General Meeting of the Members of the Company will be held on Monday, the 12th day of September, 2005 at 10.30 A.M at Plot No. 1 & 9, IDA, Phase II, Cherlapally, Hyderabad-500 051, to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the Audited Balance Sheet as at 31st March 2005 and Profit and Loss Account for the year ended as on the 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 and, fix their remuneration

"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 CKS Associates, 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. Appointment of Mr. S Murali Krishna as Director

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

"RESOLVED that Mr. S. Murali Krishna, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

6. Appointment of Mr. S P Shukla as Director

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

"RESOLVED that Mr. S P Shukla, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

7. Appointment of Mr. S P Shukla as Executive Chairman of the Company.

To consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary 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, and as per the recommendations of the Remuneration Committee and subject to the approval of the Shareholders in the ensuing Annual General Meeting, the consent of the Board be and is hereby accorded for appointment of Mr. S P Shukla as Executive Chairman of the Company for a period of Three Years as per the terms of the appointment letter to be issued with effect from 17th June 2005 on the remuneration as detailed below.

I. Salary: Rs.40,000 Per Month

Perquisites:

1. Housing: Rent Free Accommodation or House Rent Allowance of Rs. 16,000 Per month
2. Other Allowances like Maintenance, Subscription to internet, Professional Development Allowance, Gardener, Servant etc; not exceeding Rs. 20,000 Per month.
3. Reimbursement upto Rs. 24,000/- p.m. towards Entertainment, LTA, Subscription to Professional Journals and Medical Expenses etc;
4. 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.



Travel arrangements on Company's business will be as per the Company's travel rules.

FURTHER RESOLVED THAT Mr. S.P. Shukla be and is hereby vested with Administrative powers and also to sub-delegate such powers enabling him to discharge his duties and responsibilities for overall operations, profitability and growth of the Company.

8. Alteration of Objects Clause IIIA of Memorandum of Association

To take note of the following special resolution which has been placed before the shareholders for approval through postal ballot

"RESOLVED THAT pursuant to the provisions of Section 17 and other applicable provisions of the Companies Act, 1956 or any amendment, modification or supersession thereof, existing Clause IIIA of the Memorandum of Association of the Company be and is hereby altered:

a. By substitution of the existing Clause 1 with the following new sub clause 1.

1. To carry on the business of communication products and services including but not limited to Installation, Maintenance, acting as Buyers, Sellers, Hirers, Exporters, Importers, Distributors, Agents and Dealers of and in the Telecom Services, V-Sat Services, Information Technology for communications, controls, computers, software development, networking, internet and broadband services, internet services stations, Direct To Home facility (DTH), Education To Home (ETH), network frequency stations, provide comprehensive business solutions through networking, recruit, train and provide software and hardware professionals for software and hardware business, integrate, provide consultancy services, engage consultancy services in respect of software development, networking, Internet Service Providers (ISP), creation of web sites and any business which is directly or indirectly related to the business of /communication & software development, mobile / internet services and to run the said activities by itself and or singly or jointly in association with any individual ,group , private, public or foreign organisations. self-supporting towers including triangular lattice towers, telescopic and tubular masts, guides,

appliances, and materials of every kind and description whereby sound, vision or any other type of signal, recorded, amplified, rectified reproduced, transmitted or received and ancillary /auxiliary equipment thereof is handled ,processed or broadcasted /telecasted.

b. By deletion of the existing clauses 2, 3 and 4 and by addition of the new Sub clauses as 2 to 4 .

2. To carry on the business of manufacturers, installers, maintainers, buyers, sellers , hirers, exporters, importers, distributors, agents and dealers of and in electrical equipments / apparatus including not limited to polymer (composite) insulators of all voltage ratings ,surge arrestors, disconnectors ,general electrical equipments , power and control cables of all varieties ,heat shrinkable cable jointing kits etc. To carry on the business of hydrocarbon transportation including but not limited to gas & oil pipelines, heat shrinkable sleeves / coverings for pipeline joints and control and protection system there of.
3. To carry on the manufacturing, produce, assemble, fabricate, design, import, export, buy, sell, distribute, repair, service, lease out or other wise deal in all kinds and types of plant, machinery, equipment and systems, accessories and fittings, components, tools and any other things capable of being used in engineering industry and to run the said activities by itself or in joint venture or in association with any private, public or foreign organization or individual or groups .
4. To carry out activities relating to power including but not limited to plan, design and engineering, manage, procure, trade, install, erect, lay provide, consultancy and management service or under take turnkey projects for manufacturing, installing, laying, commissioning of power generation, transmission, services and to carry on the business of research, design, consultancy, exports, prepare and to supply technical know-how, act as consultants, advisers in electrical / electronic systems, projects, equipment components and services and distribution networks and to setup, establish education facilities laboratory, research centres, and to carry on research and development for the same.



9. Increase of Authorised Share Capital

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

RESOLVED THAT in accordance with the provisions of sections 16, 94 and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof, for the time being in force, and as may be enacted from time to time), the Authorised Share Capital of the Company be and is hereby increased from Rs.10,00,00,000/- (Rupees Ten crores only) divided into 2,50,00,000 equity shares of Rs 4/- each to Rs.1700,00,000/- (Rupees Seventeen crores only) divided into 42500000 equity shares of Rs 4/-each.

“FURTHER RESOLVED THAT the existing Clause V of the Memorandum of Association of the Company relating to share capital be and is hereby altered by deleting the figures and words Rs.10,00,00,000 (Rupees Ten Crores only) divided into 2,50,00,000 equity shares of Rs 4/- each and substituting in its place the figure and words Rs.1700,00,000/- (Rupees Seventeen crores only) divided into 42500000 equity shares of Rs 4/-each.

10. Alteration of Articles of Association

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

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

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

11. Rights issue of Securities

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

“RESOLVED THAT pursuant to the provisions of Section 81 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification (s) or re-enactment thereof,

for the time being in force, and as may be enacted from time to time), and the provisions in the Memorandum and Articles of Association and the Listing Agreements entered into by the company with the Stock Exchanges where the shares of the Company are listed and the prevailing Guidelines of Securities and Exchange Board of India and subject to such approvals, consents, permissions or sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by the Authorities while granting such approvals and sanctions and which may be agreed to by the Board of Directors (hereinafter referred to as “the Board”, which term shall be deemed to include any Committee(s) of the Board for the time being, exercising the powers conferred on the Board), the consent of the company be and is hereby given to the Board, to issue, offer and allot 21023305 equity shares of Rs.4/- each for cash at a premium of Rs.11/- per share on Rights Basis to the Members of the Company (including the allottees for 7358155 equity shares covered by preferential issue) whose names will appear on the Register of Members of the Company in respect of the equity shares held in physical form and to those members whose names will appear as beneficial owners as per the list furnished by the National Securities Depository Ltd. and Central Depository Services Ltd in respect of the equity shares held in electronic form on such date as the Board may determine in the proportion of one equity share of Rs.4/- for every existing one equity share of Rs.4/- held by such members as aforesaid on the following terms and conditions:

- a) The amount of Rs. 15/- per share (4/- per share on Share Capital Account and Rs.11/- per share on Share Premium Account) be called from the applicants in such manner as the Board of Directors may determine.
- b) The shareholders are entitled to renounce the shares offered to them in full or part thereof in favour of any person who may or may not be a shareholders of the Company
- c) The un offered or unsubscribed portion, if any, of the above mentioned issue will be disposed of by the Board as it may think most beneficial to the company and the Board of Directors is authorized accordingly.



- d) The equity shares to be issued, as aforesaid, shall be subject to Memorandum and Articles of Association of the Company and shall rank pari passu in all respect with the existing fully paid up equity shares of the Company
- e) The offer of equity shares as aforesaid shall be issued on such other terms and conditions as the Board may determine and the Board be and is hereby authorized to finalize the same.

“RESOLVED FURTHER the Board be and is hereby authorized to file such prospectus and other documents as may be required to be filed with the various authorities and to seek the listing of such securities in Stock Exchanges where the Company’s shares are listed”.

“RESOLVED FURTHER that the Board be and is hereby authorized to engage the services of or appoint solicitors, advocates, Legal advisors, merchant bankers, guarantors, depositories, custodians and any such other agencies to act as managers, lead managers, or in any other capacity or to advise or to certify any matter relating to Company’s accounts or otherwise, on such terms as to remuneration by way of commission, brokerage, fees or otherwise as the Board may in its absolute discretion deem appropriate”.

“RESOLVED FURTHER that for the purpose of giving effect to this Resolution, the Board be and is hereby authorized on behalf of the Company to do and perform all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable or as may be incidental or ancillary and to settle all questions, difficulties or doubts that may arise in regard to such issue or allotment in order to give effect to this Resolution without being required to obtain any further consent or approval of the Members or otherwise to the end and intent that they shall be deemed to have given approval thereto expressly by the authority of this Resolutions.”

For and on behalf of the Board

Place: Secunderabad
Date : 8th August, 2005

Sd/-
L P Sashikumar
Managing Director

Notes:

- a) 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
- b) 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.
- c) The Register of Members and Share Transfer Books of the Company shall remain closed on Monday, 12th September 2005 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) ***Alteration of Objects Clause under item No. 8 is being sought through Postal Ballot. Ballot papers duly filled in must be sent to Mr. P. Jagannatham, Practicing Company Secretary who has been appointed as Scrutinizer on or before Saturday the 10th September 2005. Ballot forms received after this date will be treated as if reply from such shareholder has not been received. The results of the Postal Ballot would be announced by the Chairman in the Annual General Meeting.***

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

Mrs. Mahita Caddell

Mrs. Mahita Caddell is a Director of Goldstone Technologies 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. Mahesh Prasad Mehrotra

Mr. Mahesh Prasad Mehrotra aged 63 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 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.

Mr.S.P.Shukla

Mr.S.P.Shukla, aged 60 Years is an Electrical Engineer (Hons) by qualification. He was former Executive Director, BHEL Ceramic Business at Bangalore. He carries with him over 4 decades of the experience in Power Industry and has experience in International Market

Mr. S Murali Krishna

Mr. S Murali Krishna aged 36 years is an MBA by qualification. He has over 10 years of experience in the field of Real Estate & Constructions. He is also a Director on the Board of GEL Infrastructure Pvt. Ltd.

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

Item 5 & 6

Mr. S Murali Krishna and Mr. Suresh Prasad Shukla were appointed as Additional Directors of the Company in the Board Meeting(s) held on 30th April 2005, and 17th June 2005 respectively and hold office till the conclusion of the ensuing Annual General Meeting.

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

Your Directors recommend the resolution for approval of the members.

None of the Directors except Mr. S Murali Krishna and Mr. Suresh Prasad Shukla, for their respective appointment as Director, is in anyway concerned or interested in this resolution.

Item 7

Mr.S.P.Shukla, aged 60 Years is an Electrical Engineer (Hons) by qualification. He was former Executive Director, BHEL Ceramic Business at Bangalore. He carries with him over 4 decades of the experience in Power Industry and has experience in International Market.

Considering his experience, the Board of Directors in their board meeting held on 17th June, 2005 has felt that his induction into the Board as well as Executive Chairman of the Company would immensely benefit the Company and would also help the Company in the achievement of the ambitious corporate growth plans, especially in the field of composite insulators, heat shrinkable sleeves for oil and gas pipelines and prepaid energy meters.

Mr. S.P.Shukla was appointed as Additional Director as well as Executive Chairman of the Company in accordance with the terms and conditions approved by the Remuneration Committee in the Board meeting held on 17th June, 2005 and as detailed in Resolution No. 7.

Approval of the shareholders is required by way of Ordinary resolution in the General Meeting for his appointment as Executive chairman.

Yours Directors recommend the resolution for approval of the members

None of the Directors, except Mr. S.P.Shukla is interested in the resolution.

Item No.8

Your Company proposes to amend the main objects under the Objects Clause of Memorandum of Association of the Company re-organizing the sub clauses by consolidation/bifurcation/addition of the sub clauses in a more enlarged and explicit manner for undertaking diversified range of activities relating to diversified products namely composite insulators, heat shrinkable sleeves for oil and gas pipelines and prepaid energy meters.

Section 17 of the Companies Act, 1956 ('the Act') stipulates that the Object Clause of the Memorandum of Association of a company can be altered by a Special Resolution passed by the members of the company. Section 192A of the Act read with the Companies (Passing of the



Resolution by Postal Ballot) Rules, 2001, stipulates that the consent of the members of the company for this purpose shall be obtained by means of Postal Ballot.

The Directors of the Company may be deemed to be concerned or interested in the resolution as set out in the Notice to the extent of shares held by them in the Company.

The Board of Directors of the Company recommend the Special Resolution No. 8 set out in the notice for approval by the Members through the Postal Ballot.

Item No.9 & 10

As the Company proposes to raise further equity share capital as detailed in the Resolution No.11 it is necessary to increase the **Authorised Capital from Rs.10 crores to 17 crores.**

Pursuant to Section 94 of the Companies Act, 1956 shareholders approval is required for increase of Authorised Capital through as an ordinary resolution.

Consequential Alteration of Articles of association of the Company by way of special resolution as per Section 31 of is required and hence the resolution No. 11 for approval of the shareholders

The Board recommends the resolution(s) for the approval of the members.

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

Item No.11

Your Company has diversified into power sector for the first time in India to manufacture the state of art Polymer Insulators that are highly reliable, cost effective and of superior performance in all environments. Further your company also wants to diversify into manufacture of products namely composite insulators, heat shrinkable sleeves for oil and gas pipelines and prepaid energy meters and associated systems.

To enable the Company to raise the funds through Rights Issue, the consent of the members is being sought in accordance with Section 81 and other applicable provisions of the Companies Act, 1956 and in terms of provisions of the listing agreement executed by the Company with the Stock Exchanges where the Company's shares are listed.

The Board recommends the resolution for approval of the members

The Directors of the Company may be deemed to be considered or interested to the extent they may be entitled to the shares, which may be offered to them on Rights basis.

For and on behalf of the Board

Place: Secunderabad

Date : 8th August, 2005

Sd/
L P Sashikumar
Managing Director



Directors' Report

To
The Esteemed shareholders
Goldstone Teleservices Limited

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

Financial Results

Particulars	Rs in Lakhs	
	2004-05	2003-04
Net Sales/Income from Operations	2006.35	1376.00
Other Income	84.63	45.47
Total Income	2090.98	1421.47
Operating Profit (PBIDT)	495.17	350.67
Interest	141.88	113.32
Depreciation and Write Offs	232.53	213.45
Profit Before Tax	120.76	23.90
Provision for taxation		
– Current	15.50	0.00
– Deferred	47.12	0.00
Profit after Tax	58.14	23.90
Extra-Ordinary Items		
- Prior period adjustments	19.80	12.41
Net Profit	77.94	11.49
Equity Share Capital (1,36,65,150 Shares of Rs 4/- each; Current year)	546.61	546.61
E.P.S	0.57	0.08
Net Worth	3137.28	2870.69
Book Value (face Value of Rs. 4/- each)	22.96	21.01

Dividend

Your Directors regret their inability to recommend any Dividend for the year under consideration

Fixed deposits

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

Insurance

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

Subsidiaries

Your company has two subsidiaries namely **Newtech Stewing Telecom Limited (NSTL)** with 98% holding and **Shree Shree Telecom Private Limited (SSTL)** with 100% shareholding. The brief financial results of the subsidiaries are given hereunder:

Newtech Stewing Telecom Limited

NSTL posted a total Income of Rs. 144.42 lakhs as against Rs. 202.72 lakhs for the previous year i.e., 2003-04. NSTL posted a Net Loss of Rs.15.33 lakhs as against Net loss of Rs. 21.33 lakhs for the previous year i.e., 2003-04.

Shree Shree Telecom Private Limited

SSTL posted a total Income of Rs. 8.58 lakhs as against Rs. 41.92 lakhs for the previous year i.e. 2003-04. The Net Loss is Rs. 20.31 lakhs as against loss of Rs. 28.06 lakhs for the previous year i.e., 2003-04.

Combined results

Particulars	Rs in lakhs							
	GTSL		NSTL		SSTL		GTSL & Subsidiaries Consolidated	
Period	12 months	12 months	12 months	12 months	12 months	12 months	12 months	12 months
Year	04-05	03-04	04-05	03-04	04-05	03-04	04-05	03-04
Sales	2006.35	1376.00	140.11	200.71	0.00	41.33	2146.46	1618.04
Other Income	84.63	45.47	4.31	2.01	8.58	0.59	97.52	48.07
Total	2090.98	1421.47	144.42	202.72	8.58	41.92	2243.98	1666.11
PBIDT	495.17	350.60	(6.42)	1.26	(19.35)	(24.82)	469.40	327.12
PBT	120.76	23.91	(22.06)	(18.93)	(20.49)	(27.27)	78.21	(22.29)



The Annual Reports of the subsidiary Companies have been attached to this report.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations:

During the financial year 2004-05 the three divisions namely Telecom, Insulators and BPO/Call Center performed better than the previous year in terms of turnover and profit after tax. The improvement in the performance has been mainly due to encouraging economic and business conditions in the country. The segment wise performance is given below:

TELECOM DIVISION:

The telecom sector has seen tremendous growth and is growing. Consequently lot of developments have been taking place in systems and equipments including transportation of telecom signals. With wide use of optical fibre cables, the overall jointing kit requirements have significantly declined. However, with the efforts of your executives the Division has registered a Turnover of Rs 6.44 Crores as against the previous year Turnover of Rs. 3.50 Crores. The Telecom Sector over the years has been evolving and new technologies have been embraced. **Therefore, new initiatives have been taken to arrest the downward growth trend.**

Risks:

Rapid technological innovation in Telecom Industry has an adverse impact on the growth of our Telecom Cable Jointing Kits business.

INSULATOR DIVISION

Realizing the decline in demand for Cable Jointing Kits in Telecom Sector, the Company has identified energy sector as growth area. Accordingly, special R &D efforts were initiated and your company has now introduced cost effective Composite Insulators, for various applications in power sector. Composite Insulators have been introduced in Railway Traction and Power Sector as a Cost-effective option. Your polymer composite insulators conform to all electrical and mechanical performance parameters laid out in relevant Indian and International standards.

Polymer Composite Insulators have many advantages. They are lightweight and easy to handle and transport, less susceptible to breakage in transit. The transportation and installation costs are less in respect of Composite Insulators. Low surface energy and inherently hydrophobic surface gives Superior Anti -Contamination Performance, preventing water filming and suppressing leakage current development. Vandalism resistance of Composite Insulators result in less maintenance and replacement costs, composite insulators apart from having the above advantages have longer life because of discharge free end design.

Your company believes that due to obvious advantages, soon, more and more **Power Utilities, Railways and transmission and distribution agencies** will start using composite insulators. Therefore, to continue leadership through in-house

Rs. in lakhs

	Telecom	BPO	Insulator	Consolidated
Revenue	643.71	595.68	766.96	2006.35
Other Income	84.63	0.00	0.00	84.63
Segment Revenue	728.34	595.68	766.96	2090.98
Segment Results	85.75	81.84	95.05	262.64
Less: Financial Exp.	63.86	56.77	21.24	141.88
Profit before Taxation	21.89	25.07	73.80	120.76
Provision for Taxation	14.00	0.00	1.50	15.50
Pro. for Deferred Tax	(6.80)	6.78	47.14	47.12
Profit after taxation	14.69	18.29	25.17	58.14
Prior period adjust.	2.59	17.20	0.00	19.79
Net Profit	17.28	35.49	25.17	77.94
Segment Assets	3190.98	1750.64	1110.46	6052.08
Segment Liabilities	1554.33	578.27	782.20	2914.80
Capital employed	1636.65	1172.37	328.26	3137.28



R & D, a project has been undertaken in the GOI approved R&D laboratory to develop and manufacture extra high voltage insulators in 132, 220 and 400 KV for power utilities and transmission. Final products are presently undergoing performance evaluation tests and will be ready for commercial scaling up soon. The Company believes that the new range in high voltage / extra high voltage polymer composite insulators will open up fresh business opportunities from users, both in India and Overseas.

The turnover registered during the year under review was Rs. 7.67 crores as against the previous year turnover of Rs. 1.65 crores Adequate orders are on hand for composite insulators and they will be supplied during 2005-06. Your company expects large growth in this area in coming years.

Risks:

The Composite Insulator division has been facing severe competition from cheaper imports and the substitute product Porcelain/Ceramic Insulators.

BPO DIVISION

During the year the BPO division stabilized its operations by concentrating more on inbound calls business than outbound calls business.

The charges for the services rendered have become competitive resulting in reduced margins, inspite of which the company is striving to enlarge its customer base with better commercial terms and conditions to further improve the performance of the division. The progress in the Company's balance to extend services in selected verticals namely health care, finance and insurance is satisfactory.

Risks:

Unhealthy competition and unethical practices to attract personnel leading to increasing attrition rate in employees poses serious risk to ITES/BPO/Call Center business.

INTERNAL CONTROLS & SYSTEMS

The internal audit & other internal controls and internal checks implemented in the company are adequate an commensurate with the size and nature of operations providing sufficient assurance and safe guarding all assets, authorizing all transactions and its recording and reporting properly and timely.

The audit committee constituted by the Board of Directors reviews regularly the financial and other related aspects as per the requirements of the Corporate Governance.

FINANCIAL PERFORMANCE

1. During the year the company has achieved a turnover of Rs.2006.35 lakhs an increase of 46% over the previous year, mainly on account of increase in the orders received and executed in Telecom and Insulator Division.
2. Other Income has increased to 84.63 lakhs during the year on account of receipt of Excise Refund.
3. The value of Raw Material consumed during the year has increased from Rs.374.30 lakhs in the previous year to Rs.782.03 lakhs due to increase in the sales volume, increase in the petroleum/polymer based product prices.
4. Increased productivity has resulted in decrease of personnel expenditure from Rs.243.27 lakhs in the year 2003-04 to Rs.213.07 lakhs during the year 2004-05.
5. Other manufacturing cost have gone up to Rs.68.60 lakhs during the year under review from Rs.48.22 lakhs in the previous year on account of increase in the sales volume.
6. Implementation of cost control measures resulted in decrease of administrative and selling expenses from Rs.435.93 lakhs in the previous year to Rs.384.63 lakhs in the year 2004-05.
7. The marginal increase of Rs.28.65 lakhs in the financial expenses during the year is reasonable considering the higher growth in turnover during the year. The limited financial resources available have been used prudently by the company contain financial expenses.
8. The increase in depreciation charge during the year was on account of addition of Rs.189.54 lakhs to the gross block of Fixed Assets during the year.
9. An amount of Rs.15.50 lakhs has been provided towards provision for tax for current year on the profits of Telecom and Insulators Divisions during the year.



10. An amount of Rs.19.80 lakhs was taken as credit in the Profit and Loss account as prior period adjustments on account of write back of excess provisions and other old unclaimed balance.
11. During the year term loans for value of Rs.100.00 lakhs was raised for expansion of Insulator Division, from State Bank of Hyderabad.
12. Utilization of cash credit from State Bank of Hyderabad was higher by Rs.124.28 lakhs on account of higher sales Turnover.

HUMAN RESOURCE DEVELOPMENT & INDUSTRIAL RELATIONS:

The Industrial relations during the year has been good and satisfactory. The company also implemented new welfare measure. Training programs were conducted regularly by the company enabling the employees to upgrade their skills and cope up with prevailing technological advancements including multi skilling.

As on 31st March'05 the Company has a total strength of 152 employees.

OUTLOOK FOR THE YEAR 2005-2006

Higher growth in Turnover and Profits are expected to continue during the year 2005-06 considering good acceptance and establishment of our product – Composite Insulators by Indian Railways and other Power Generation, Transmission and Distribution companies of various states. The bulk commercial orders from these customers started flowing in resulting in higher turnover and margins. Procurement of Telephone Cable Jointing Kits is also expected to be stable, particularly in view of the implementation of rural telephony programs in rural areas with the support of Planning Commission.

BPO/Call Center business is expected to contribute considerably to the company's growth during the year 2005-06.

Company has achieved a break through in development of cost-effective and qualitative Polymer based compounds for manufacture of Heat Shrinkable Sleeves for protection of joints of Oil and Gas pipelines. Company has plans to diversify into services business and is working towards

acquisition of the required domain knowledge for power business.

CAUTIONARY STATEMENTS:

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 may 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

M/s. P. R. Pramodkumar & Co., Chartered Accountants, Statutory Auditors of your Company retire at the ensuing Annual General Meeting. The company has received Notice from shareholder proposing M/s CKS Associates as Statutory Auditors of the Company, who have given their eligibility and willingness to be appointed as Auditors, and confirmed by the shareholders.

Directors

Mr. M P Mehrotra and Ms Mahita Caddell retire by rotation and being eligible offer themselves for re-appointment. Mr. S.P. Shukla and Mr. S Murali Krishna who were appointed as Additional Director of the Company are proposed for appointment as Director(s) of the Company liable to retire by rotation. Mr. S P Shukla was also appointed as Executive Chairman for 3 years with effect from 17th June 2005 and his appointment is proposed for approval of the Shareholders.

Share Capital

The Company has made Preferential Allotment of 7358155 Equity Warrants convertible into Equity Shares of Rs. 4/- each and the proceeds realized have been/are utilized for the purpose for which the preferential allotment was made.

Stock Exchange Listing

The Equity Shares of the Company are listed on the National Stock Exchange, Mumbai Stock Exchange,



Hyderabad Stock Exchange, Ahmedabad Stock Exchange, Madras Stock Exchange and Delhi Stock Exchanges. The company confirms that it has paid Annual Listing Fees due to all the above Stock Exchanges for the year 2004-2005.

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 twelve months period ending 31st March 2005, the applicable accounting standards have been followed and there are no material departures there from.
- (b) That the accounting policies have been selected and applied consistently and judgements and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2005 and of the profit of the Company for the year 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 year ended 31st March 2005 have been prepared on a going concern basis.

Corporate Governance

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

Balance Sheet Abstract and Company's General Business Profile

Information pursuant to Department of Company Affairs notification relating to Balance Sheet Abstract and Company's General Business Profile is given in the Annual Report for information of the Shareholders.

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 1988.

A. CONSERVATION OF ENERGY

a. Energy Conservation Measures taken or under implementation

Continuous running of the sleeve manufacturing plant

b. Additional investment and proposals if any, being implemented for reduction of consumption of energy

Additional/new measures will be initiated for further reduction in energy consumption based on technical evaluation and energy audit. It is proposed to conduct energy audit and implement the recommendations.

c. Impact of measures at (a) and (b) for reduction of energy consumption and consequent impact on the cost of production of goods

The measures taken during the year has ensured optimum use of energy and increased production. This is a ongoing process.

d. Consumption of Energy Particulars. 2004-05

I. POWER AND FUEL CONSUMPTION

1. Electricity

a. Purchased

Units – KWH	604433
Total Amount	2675676
Rate/Unit –Rs.	4.43

b. Own Generation

Through Diesel Generator	
Units – KWH	29445.75
Total Amount	229142.60
Rate/Unit –Rs.	7.78



B. TECHNOLOGY ABSORPTION:

Research and Development

1. Specific Areas in which R & D carried out by the company:

The Company has taken up Research and development in heat shrinkable cable jointing sleeves division, and in the Insulator division. Research activity has been focused on backward integration to reduce dependence on imports.

2. Benefits derived as results of the above R & D:

Research focused on the development of new product as mentioned in (1) above will reduce the dependence on imports and save foreign exchange and will increase competitive index of your company.

3. Future Plan of Action

The Company proposes to continue its R & D efforts for reducing the cost of inputs and indigenising the import content.

4. Expenditure on R & D : Rs.18.27 lakhs

C. FOREIGN EXCHANGE EARNINGS AND OUT GO

Foreign Exchange Transactions:

(Amount in Rs. Lakhs)

2004-05 2003-04

i) Value of Imports on

ii) CIF basis

- Raw Materials	52.12	61.12
- Capital Goods	26.65	91.47
- Tools & Spares	2.76	0.43

ii) Expenditure in Foreign Currency

- Traveling Expenses	14.48	230.61
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iii) Earnings in Foreign currency

(on receipt basis)

- Export of Goods (FOB Basis)	0.55	163.31
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Particulars of Employees

None of the Employees are drawing remuneration prescribed in Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 as amended by the Companies (Amendment) Act, 1988.

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. Your Directors also thank Auditors, all agencies, who have directly or indirectly supported your company in performance of their business.

Your Directors sincerely acknowledge the encouragement, help, support and advice given to your company by esteemed customers and consultants, without which company could not have performed. We sincerely thank them for reposing confidence in your company by placing orders again and again.

For and on behalf of the Board

Sd/-

S P Shukla

Executive Chairman

Place: Secunderabad

Date: 8th August 2005.



Corporate Governance Report

1. Company's philosophy on Code of Corporate 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.

2. Board of Directors:

The Board of Directors of the Company consists of 4 directors. Three of them are Non-Executive independent Directors and other one is Executive Promoter Director of the Company. The Board is taking all the necessary steps to strengthen the Board with optimum combination of Executive and Non-Executive independent Directors. In consonance with the amended Listing Agreement, the Board comprises of majority of independent directors.

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

30th April 2004; 29th May 2004, 30th July 2004; 30th October 2004; 28th January 2005; 31st January 2005; and 14th March 2005

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

Name of Director	Designation	Number of Board Meetings held	Number of Board Meetings Attended	No. of Committee Positions held in other companies	No. of Directorships in other companies	Attendance at Last AGM (Yes/No)
Mr. L.P. Sashi Kumar	M.D.	7	7	3	2	Yes
Dr. M V S R Kamesam	Non-E.D	7	7	Nil	Nil	Yes
Ms. Mahitha Cadell	Non-E.D	7	3	Nil	3	NO
Mr. M.P. Mehrotra	Non-E.D	7	6	3	11	YES

3. Audit Committee:

As on 31st March 2005 the Audit Committee comprised of Dr. M V S R Kamesam as Chairman, Ms. Mahita Caddell, Mr. L P Sashikumar and Mr M P Mehrotra, 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.

Four Meetings of the Audit Committee were held on 30th April 2004, 30th July 2004, 30th October 2004 and 28th January 2005 The attendance at the meeting was as under

Sl.No	Name of the Director	Position held in the Committee	No. of meetings attended
1.	Dr. M V S R Kamesam	Chairman	4
2.	Mr. L P Sashikumar	Member	4
3.	Mr M P Mehrotra	Member	4
4.	Ms. Mahita Caddell	Member	NIL

4. Remuneration/ Compensation Committee

As on 31st March, 2005 the Remuneration Committee comprised of Mr. M P Mehrotra, Chairman, Dr. M V S R Kamesam and Mr. L P Sashikumar as Members of the committee. The terms of reference of the Remuneration Committee, inter alia include determination of compensation package of Executive Directors and Senior Management of the Company. During the year 2004-2005, no meeting of the Remuneration Committee was required to be held.



5. Shareholders and Investor(s) Grievance Committee:

The company has a Shareholders\Investor Grievance Committee Comprised of Mr. L P Sashikumar as Chairman, Mr. M.P. Mehrotra and Dr. M V S R Kamesam as its members.

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

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

6. Share Transfer Committee

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

No. of share transfer committee meetings	No. of Shares approved for transfer	Duplicate Shares Issued	Re-materialization	Total
9	3500	Nil	100	3600

7. General Body Meetings:

The Last three Annual General Meetings of the company were held at plot No.1 & 9, IDA, Phase-II, Cherlapally, Hyderabad – 500051 as detailed below:

Date of AGM Held	Time
30 th September, 2004 Thursday	11.30 AM
30 th September, 2003 Tuesday	10.30 AM
30 th September, 2002 Monday	10.30 AM

No postal Ballots were required to be used/invited for voting at these meetings in respect of the special resolutions passed. One Extra - Ordinary General Meeting was held on 28th February 2005.

8. 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 interests of the company. The remuneration paid to Whole-time Directors and key management personnel has been disclosed in the Annual Report.

There has been no instance of Non-Compliance by the company on any matter related to capital markets, listing agreements, filing the requisite forms, returns and documents with the Registrar of Companies (ROC); hence no penalties were paid nor were any strictures were imposed on the company by the stock exchanges or SEBI or any statutory authority.

9. Means of Communication:

The company publishes its Quarterly results in Business Standard (English), and Andhra Bhoomi (Telugu). These results are submitted to the stock exchanges in accordance with the Listing Agreements.

Management Discussion and Analyses

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



10. General Shareholders Information:

The Fifth Annual General Meeting of the Company will be held on Monday, 12th September, 2005 at 10.30 A.M at Plot No 1 & 9 Phase II, IDA Cherlapally, Hyderabad- 500051

Dates of Book Closure: 12th September 2005

Stock Exchanges where Shares of the Company are listed

- | | |
|--|---|
| 1. National Stock Exchange of India Limited
Exchange Plaza, 5th Floor Plot No C/1
G Block Bandra Kurla Complex
Bandra (E), Mumbai - 400 051 | 2. The Stock Exchange Mumbai
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai - 400 001 |
| 3. The Hyderabad Stock Exchange Limited
Administrative Office 6-3-654
Adjacent to Erramanzil Bus Stop
Somajiguda Hyderabad – 500 082 | 4. The Stock Exchange Ahmedabad
Kamadhenu Complex
Opp Sahajanand College
Panjarapole,
Ahmedabad – 380 015 |
| 5. Madras Stock Exchange Limited,
Exchange Building Post Box No 183
II Second Line Beach
Chennai - 600 001 | 6. Delhi Stock Exchange Association
Limited,
DSE House 3/1, Asaf Ali Road
New Delhi - 110 002 |

Stock Code:

NSE - GOLDTELE

BSE - 532439

HSE - 6496

Listing fees has been paid to all the stock exchanges for the year 2004-05

Market Price Data:

Month	NSE		BSE	
	High	Low	High	Low
April 2004	5.00	4.05	4.98	4.10
May 2004	5.75	4.10	5.69	4.00
June 2004	4.50	3.40	5.00	3.50
July 2004	4.95	3.70	5.75	3.66
August 2004	5.40	4.05	5.09	4.00
September 2004	6.00	4.10	6.00	4.24
October 2004	6.25	5.00	6.20	4.95
November 2004	8.95	4.95	8.75	4.97
December 2004	8.40	6.60	8.39	6.10
January 2005	9.20	5.60	8.95	6.52
February 2005	15.30	8.25	15.56	8.55
March 2005	21.95	14.20	21.95	14.65

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

The Company has not issued any GDRs/ADRs. However the Company has issued 73,58,155 Equity Warrants and are outstanding for conversion into Equity Shares and there will be corresponding change in the Share Capital of the Company as and when they are converted.

Registrar and Transfer Agents

M/s Venture Capital and Corporate & Investment Limited

6-2-913/914, 3rd Floor, Progressive Towers,
Khairtabad Hyderabad – 04

Tel: +91-40-23322262/64

Fax: +91-40-23324803

Email: vccil_hyd@yahoo.co.in



Distribution of Shareholding as on 31st March 2005

Shares		Holders		Shares	
		Number	% of Total	Number	% of Total
(1)		(2)	(3)	(4)	(5)
Upto	- 500	7685	74.39	1472438	10.78
500	- 1000	1260	12.20	1100961	8.06
10001	- 2000	593	5.74	949448	6.95
20001	- 3000	253	2.45	653823	4.78
30001	- 4000	107	1.04	383111	2.80
40001	- 5000	134	1.30	648458	4.75
50001	- 10000	155	1.50	1193587	8.73
10001 and	above	144	1.39	7263324	53.15
TOTAL		10331	100.00	13665150	100.00

Shareholding Pattern as on 31st March 2005

Category	No. of Equity Shares Held	% of Shareholding	No. of Shareholders	% to Total Shareholders
1 Promoters	2400650	17.57%	3	0.03%
2 Mutual Funds, FI's & Banks	105359	0.76%	4	0.04%
3 Private Bodies Corporate	2421442	17.72%	548	4.98%
4 Public	8342595	61.06%	10228	93.02%
5 NRI'S & OCB's	395104	2.90%	213	1.94%
GRAND TOTAL	13665150	100.00%	10996	100.00%

Dematerialization of Shares and Liquidity

The International Security Identification Number (ISIN) allotted to the Company Scrip is INE260D01016. Investors have a 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 77.38% of the company Shares are now held in Electronic Form.

(k) Location of Divisions:

The Manufacturing Unit of Cable Jointing
Plot No 1 & 9, IDA,
Phase II Cherlapally, Hyderabad – 500051

(k) Address for Correspondence:

Goldstone Teleservices Limited,
Shares Department,
9-1-83 & 84 Amarchand Sharma Complex,
SD Road Secunderbad – 500003
Tel: + 91-40-27807640, Fax + 91-040-27801910,
E-mail: infosecretarial@goldstone.net, pvrMurthy@goldstonetech.com

Compliance Certificate of the Auditors

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



Auditors' Certificate on Corporate Governance

To

The Members of Goldstone Teleservices Limited

Secunderabad

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

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

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

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

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

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

Place: Hyderabad
Date: 8th August 2005

Sd/-
P R Pramodkumar
Proprietor



AUDITORS' REPORT

To
The Members of
Goldstone Teleservices Limited

- 1) We have audited the attached Balance Sheet of Goldstone Teleservices Limited as at 31st March, 2005 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
 - 2) We have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
 - 3) As required by the Companies (Auditors' Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by Central Government in terms of section 227 (4A) of the Companies Act, 1956 (the Act) and on the basis of such checks as we considered appropriate and according to the information and explanations given to us during the course of our audit, we set out in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
 - 4) Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) *In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of the books;*
- c) The Balance Sheet, Profit and Loss Account dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report have been prepared in compliance with the applicable Accounting Standards referred to in Sub-Section (3C) of Section 211 the Act.
 - e) On the basis of written representations received from the Directors as on March 31, 2005 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2005 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, together with the notes thereon, give the information required by the Act, in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2005; and
 - ii). In the case of the Profit and Loss Account, of the Profit for the year ended on that date; and

For P.R.PRAMODKUMAR & Co.
Chartered Accountants

Sd/-
P.R.PRAMODKUMAR
Proprietor

Hyderabad.
08th Aug 2005



Annexure to the Auditors' Report

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

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



- (b) According to the records of the Company, information and explanations given by the management, there are no dues outstanding on account of sales tax, income tax, customs duty, wealth tax, excise duty and cess on account of any dispute.
- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred any cash losses in the current and immediately preceding financial year.
- (xi) The Company has not defaulted in repayment of dues to banks. The Company had no transactions with financial institutions and had no debentures outstanding during the year.
- (xii) The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The nature of activities of the Company does not attract any special statute applicable to chit fund and nidhi/mutual benefit fund/ societies.
- (xiv) The Company does not deal or trade in shares, securities, debentures and other investments.
- (xv) According to the information and explanations given to us, the Company has given corporate guarantee for loan taken by three of its group companies from a financial institutions, the terms and conditions whereof in our opinion, are not prima-facie prejudicial to the interest of the company.
- (xvi) Based on information and explanations given to us by the management, the loans were applied for the purpose for which the said loans were obtained.
- (xvii) According to the information and explanations given to us and on overall examination of the Balance Sheet of the Company as at March 31, 2005 we report that no funds raised on short term basis have been used for long term investment.
- (xviii) The Company has made preferential allotment of shares during the year to parties covered in the register maintained under section 301 of the Act at prices worked out as per SEBI Guidelines and rules framed thereunder which in our opinion are not prejudicial to the interest of the Company.
- (xix) The Company did not have any debentures outstanding during the year.
- (xx) The Company has not raised any money through a public issue during the year.
- (xxi) Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For P.R.PRAMODKUMAR & Co.
Chartered Accountants

Sd/-
P.R.PRAMODKUMAR
Proprietor.

Hyderabad.
08th Aug , 2005.



Goldstone Teleservices Limited

BALANCE SHEET AS AT 31ST MARCH 2005

	SCHEDULE	As at 31.03.2005 Rs.	As at 31.03.2004 Rs.
SOURCES OF FUNDS			
SHAREHOLDERS FUNDS:			
Share Capital	1	54660600	54660600
Reserves and Surplus	2	259479247	238685593
Preferential Share warrants money		5150709	0
		<u>319290556</u>	<u>293346193</u>
LOAN FUNDS:			
Secured Loans	3	90772099	79844298
Unsecured Loans	4	46389722	43169054
		<u>137161821</u>	<u>123013352</u>
Total		<u>456452377</u>	<u>416359545</u>
APPLICATION OF FUNDS			
FIXED ASSETS:			
Gross Block	5	275909912	257473149
Less: Depreciation		90087248	67893715
Net Block		<u>185822664</u>	<u>189579434</u>
Capital work in progress		53328951	13810338
		<u>239151615</u>	<u>203389772</u>
INVESTMENTS			
	6	42510550	50150000
CURRENT ASSETS, LOANS & ADVANCES			
Inventories	7	27917140	17925797
Sundry Debtors	8	205507103	103507580
Cash and Bank Balances	9	12199448	12255739
Loans and Advances	10	77922249	71032118
		<u>323545940</u>	<u>204721234</u>
CURRENT LIABILITIES & PROVISIONS			
Current liabilities	11	109551171	9097385
Provisions	12	4590193	3615420
		<u>114141364</u>	<u>12712805</u>
Net Current Assets		209404576	192008429
Miscellaneous Expenditure	13	5562388	6276503
Deferred Tax Asset / (Liability)		(40176752)	(35465159)
Total		<u>456452377</u>	<u>416359545</u>
Accounting policies	22		
Notes to Accounts	23		

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

on behalf of the Board

Sd/-
P.R.Pramodkumar
Proprietor

Sd/-
L P Sashikumar
Managing Director

Sd/-
Dr.M V S R Kamesam
Director

Place: Secunderabad
Date :08.08.2005



Goldstone Teleservices Limited

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2005

	SCHEDULE	For the Year ended 31.03.2005 Rs.	For the Year ended 31.03.2004 Rs.
INCOME			
Sales	14	200634898	137600554
Accretion / (Decretion) to stocks	15	(8465421)	7019536
Other Income	16	8463057	4547051
Total		200632534	149167141
EXPENDITURE			
Material Cost	17	78202946	37430436
Excise Duty		6282459	3927051
Personnel Expenditure	18	21307496	24326794
Other Manufacturing Costs	19	6860471	4822276
Administrative and Selling Expenses	20	38462509	43592674
Financial Expenses	21	14187709	11332361
Depreciation		22539126	20630753
Miscellaneous Expenses Written off		714115	714115
Total		188556831	146776460
Profit before Taxation		12075703	2390681
Provision for taxation			
- Current		1550000	0
- Deferred		4711593	0
Profit after tax for the year		5814110	2390681
Prior period adjustments		(1979544)	1240974
Net Profit		7793654	1149707
Profit brought forward from the previous year		44435677	43285970
Amount available for appropriation		52229331	44435677
APPROPRIATIONS			
Proposed Dividend		0	0
Transfer to General Reserve		0	0
Surplus Transferred to Balance Sheet		52229331	44435677
Earnings per Share (Basic / diluted) (Nominal Value of Share Rs 4/- each)		0.57	0.08
No. of Shares used in computing Earning per Share		13665150	13665150
Accounting policies	22		
Notes to Accounts	23		

per our report attached

On behalf of the Board

For P.R. Pramodkumar & Co.
Chartered Accountants

Sd/-
P.R.Pramodkumar
Proprietor

Sd/-
LP Sashikumar
Managing Director

Sd/-
Dr.M V S R Kamesam
Director

Place: Secunderabad
Date : 08.08.2005



SCHEDULES FORMING PART OF THE ACCOUNTS

	As at 31.03.2005 Rs.	As at 31.03.2004 Rs.
1: SHARE CAPITAL		
Authorised:		
2,50,00,000 Equity Shares of Rs.4/- each	<u>100000000</u>	<u>100000000</u>
Issued, Subscribed and Paid up:		
1,36,65,150 Equity Shares of Rs. 4/- each, fully paid up	54660600	54660600
Total	<u><u>54660600</u></u>	<u><u>54660600</u></u>
2: RESERVES AND SURPLUS		
Share Premium	134439028	134439028
Grant received from DSIR	13000000	0
General Reserve	59810888	59810888
Surplus:		
Opening Balance	44435677	58559198
Less: Accumulated Deferred Tax Liability	0	15273228
Add: Balance transferred from the Profit and Loss Account	<u>7793654</u>	<u>1149707</u>
Balance	52229331	44435677
Total	<u><u>259479247</u></u>	<u><u>238685593</u></u>
3: SECURED LOANS		
Working Capital Advances:		
Cash Credit from State Bank of Hyderabad.	37273674	24845873
Term Loan from State Bank of Hyderabad		
Opening Balance	54998425	
Add: Loan taken during the year	10000000	
Less: Repayments made during the year	<u>11500000</u>	
Closing Balance	53498425	54998425
Total	<u><u>90772099</u></u>	<u><u>79844298</u></u>
4: UNSECURED LOANS:		
Sales Tax Deferment		
Opening Balance	43169054	41811040
Additions during the year	<u>3220668</u>	<u>1358014</u>
Closing Balance	46389722	43169054
Total	<u><u>46389722</u></u>	<u><u>43169054</u></u>



SCHEDULES FORMING PART OF THE ACCOUNTS											
5: FIXED ASSETS											
Description	GROSS BLOCK				DEPRECIATION				NET BLOCK		
	Cost as at 01.04.2004	Additions during the year	Deductions during the year	Cost As at 31.03.2005	As at 01.04.2004	For the year	Deductions during the year	Upto 31.03.2005	As at 31.03.2005	As at 31.03.2004	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Land	1606095			1606095					1606095	1606095	
Buildings	14305777			14305777		477813		4254369	10051408	10529221	
Plant & Machinery	114948209	15174136		130122345	30563937	6028928		36592865	93529480	84384272	
Furniture & Fixures	6961116			6961116	1570201	440639		2010840	4950276	5390915	
Lab Tools & Equipment	4554429	348841		4903270	1101535	218131		1319666	3583604	3452894	
Electrical Equipment/ Installation	9135570	3540		9139110	2469329	1067224		3536553	5602557	6666241	
Vehicles	10207470	3229268	517664	12919074	5104837	1151638	345593	5910882	7008192	5102633	
Computer system	55795717	86325		55882042	16251609	9054590		25306199	30575843	39544108	
Office equipment	3617187	99544		3716731	585104	175366		760470	2956261	3032083	
Generator	4774177			4774177	1438760	226773		1665533	3108644	3335417	
Leasehold Improvements	6048004	12773		6060777	412216	202368		614584	5446193	5635788	
Air Conditioners	2065385			2065385	194199	98106		292305	1773080	1871186	
Network Equipments	20028922			20028922	4245318	3246688		7492006	12536916	15783604	
Electronic Equipment & UPS	2569680			2569680	158895	122060		280955	2288725	2410785	
Tools & Spares	16414			16414	6050	780		6830	9584	10364	
Temporary Sheds	838997			838997	15170	28022		43192	795805	823827	
Total	257473149	18954427	517664	275909912	67893716	22539126	345593	90087249	185822663	189579433	
Previous year	227655028	30594226	776105	257473149	47482966	20630755	220005	67893716	189579433	180172062	



SCHEDULES FORMING PART OF THE ACCOUNTS

	As at 31.03.2005 Rs.	As at 31.03.2004 Rs.
6: INVESTMENTS- AT COST		
Trade (Quoted, Long-term)		
Long- term Investments		
GTCL Mobilecom Technology Limited		
9700 Equity Shares of 10/- each, fully paid up (Market Value as on 31.03.05 @ Rs. 2.35 per Share - Rs.22,795/-)	97000	97000
GR Cables Limited		
11,45,000 Equity Shares of 10/- each, fully paid up	11003000	
Less: 795000 nos of Equity Shares sold during the year	<u>7639450</u>	11003000
3,50,000 nos of Equity shres Market Value as on 31.03.05 @ Rs 7.88 per ShareRs.-27,58,000/-)	3363550	
Investments in Subsidiary Companies (Unquoted)		
Newtech Stewing Telecom Limited	20050000	20050000
1459067 Equity Shares of Rs.10/- each,fully paid up		
Shree Shree Telecom Pvt Ltd		
1,50,000 Equity Shares of Rs. 10/- each, fully paid up	1500000	1500000
Share application money invested	17500000	17500000
Total	<u>42510550</u>	<u>50150000</u>
7: INVENTORIES		
(As Certified by the Management)		
Components and Packing Materials (at cost)	8627294	4078284
Rawmaterials (at cost) - Sleeves	2593964	1305630
Rawmaterials (at cost) - Insulators	5092565	1595270
Work-in-process (at cost) - Sleeves	1109304	6296358
Work-in-process (at cost) - Insulators	9122125	4650255
Finished Goods (at cost) - Insulators	1371888	0
Total	<u>27917140</u>	<u>17925797</u>
8 : SUNDRY DEBTORS		
(Unsecured, considered good)		
Debts outstanding for a period exceeding six months	20707137	78670069
Other Debts	184799966	24837511
Total	<u>205507103</u>	<u>103507580</u>



SCHEDULES FORMING PART OF THE ACCOUNTS

	As at 31.03.2005 Rs.	As at 31.03.2004 Rs.		
9: CASH & BANK BALANCES				
Cash on hand	88362	96556		
Balances with Scheduled Banks:				
- In Current Accounts	4495354	1894431		
- In Fixed Deposits towards margins against Foreign Letters of credit and Bank Guarantees	7615732	10264752		
Total	<u>12199448</u>	<u>12255739</u>		
10: LOANS & ADVANCES				
(Unsecured, considered good)				
Advances to Subsidiary Companies	3031406	936650		
Advances to suppliers	203279	2569472		
Advances recoverable in cash or kind or for value to be received	67605316	60557062		
Advances to Staff	180420	375965		
Balance with Govt. bodies	498759	802722		
Deposits	3882102	2841985		
Tax deducted at source	1970351	1818202		
Prepaid Expenses	550616	1130060		
Total	<u>77922249</u>	<u>71032118</u>		
11: CURRENT LIABILITIES				
Sundry Creditors				
Dues of Small Scale Industrial undertakings	359575	613277		
Others	73779202	2814391		
Statutory Liabilities	3930791	4489642		
Other Creditors/liabilities	31481603	1180075		
Total	<u>109551171</u>	<u>9097385</u>		
12: PROVISIONS				
Provision for Taxation	3550000	2154884		
Provision for Staff Benefit Schemes:				
For Gratuity	760189	1245400		
For Earned Leave Encashment	280004	215136		
Total	<u>4590193</u>	<u>3615420</u>		
13: MISCELLANEOUS EXPENDITURE				
(To the extent not written off or adjusted)				
Miscellaneous Expenditure	5824934	6472149		
Less: Written off during the year	647215	5177719	670145	5802004
Preliminary expenses	451569	518469		
Less: Written off during the year	66900	384669	43970	474499
Total	<u>5562388</u>	<u>6276503</u>		



SCHEDULES FORMING PART OF THE ACCOUNTS

	For the Year ended 31.03.2005 Rs.	For the Year ended 31.03.2004 Rs.
14: SALES & SERVICES		
Telecom & Insulator Division		
- Domestic	140811488	51124608
- Exports	255029	357939
BPO Division	59568381	86118007
Total	<u>200634898</u>	<u>137600554</u>
15: ACCRETION / (DECRETION) TO STOCKS		
Closing Stock of WIP & Finished Goods	2481192	10946613
Less: Opening Stock of WIP & Finished Goods	10946613	3927077
Total	<u>(8465421)</u>	<u>7019536</u>
16: OTHER INCOME		
Insurance Claims received	266252	167013
Interest on Fixed Deposits & loans	693240	1267207
Service Charges	528422	812837
Interest on Excise Refund	6972293	0
Miscellaneous Income	2850	2214994
Share warrants forfeited	0	85000
Total	<u>8463057</u>	<u>4547051</u>
17: MATERIAL COST		
Opening Stock	6979184	3953736
Purchases:		
- Kit Components	15778319	17995725
- Polymer Insulators	17810087	2545409
- Packing Materials	1848327	2283506
- Rawmaterials		
Imports	5506551	12352641
Domestic	54804957	4484925
Other Purchase costs	911469	793678
	<u>103638894</u>	<u>44409620</u>
Less: Closing Stock	25435948	6979184
Total	<u>78202946</u>	<u>37430436</u>
18: PERSONNEL EXPENDITURE		
Salaries, Wages and other Benefits	20516766	22917941
Staff Welfare	790730	1408853
Total	<u>21307496</u>	<u>24326794</u>



SCHEDULES FORMING PART OF THE ACCOUNTS

	For the Year ended 31.03.2005 Rs.	For the Year ended 31.03.2004 Rs.
19: OTHER MANUFACTURING EXPENSES		
Power and fuel	2766984	1794221
Consumables	520293	452949
Repairs and Maintenance		
- Plant and Machinery	647656	491561
- Buildings	57349	147515
- Others	1825302	1032166
Testing and Inspection Charges	274629	281773
Job Work Charges	768258	622091
Total	6860471	4822276
20: ADMINISTRATIVE AND SELLING EXPENSES		
Directors Remuneration	1924415	1913997
Advertisement	121558	202571
Electricity	1259768	2053512
Rent	2056330	1801026
Legal Fees	671863	93986
Printing and Stationery	446059	306866
Tender Expenses	225832	96462
Postage ,Telephones and Internet	2170279	401602
Communication Expenses	8568082	18294859
Leads Purchases	2320500	3030309
Insurance	761368	1306065
Professional and Consultancy	1030951	845076
Fees, Rates and Taxes	555061	710622
Gifts and Donations	40725	56992
Vehicle Maintenance	1327705	164727
Travelling Expenses		
- Directors	573566	240339
- Others	4113217	1865293
Conveyance	1344977	3473201
Carriage Outward	1848032	1780561
Sales Tax	2664611	1999020
Auditors Remuneration	160000	140000
Business Promotion	867029	357604
Office Maintenance	714262	442262
Miscellaneous Expenses	1535540	1252685
Listing Fees	50649	10000
Liquidated Damage expenses	309371	35496
Price reduction	0	76132
Loss on Sale of Assets	67071	165643
Security Charges	733688	475766
Total	38462509	43592674
21: FINANCIAL EXPENSES		
Interest on Working Capital & Term Loans	11748593	10504628
Bank Charges & Commission	1876644	726173
Other Finance Charges	562472	101560
Total	14187709	11332361



Schedules Forming Part of the Accounts

22: STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation of Financial Statements

The Financial statements have been 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.

Revenue recognition:

- i) All incomes and expenditure are accounted on accrual basis
- ii) Sales are recognized when goods are supplied in accordance with the terms of sale and include Sales Tax.
- iii) Excise Duty is accounted for on clearance of goods from factory; Customs duty on goods kept in bonded warehouses or lying at port is accounted for on clearance.
- iv) In respect of BPO operations the revenue from engagement services are based on the engagement performed. Revenues from time period services are recognized based on the time incurred in providing services at the contract rates.

Fixed Assets:

- i) Fixed Assets are stated at cost, net of CENVAT credit and include acquisition costs like freight, installation cost, finance cost, duties and taxes and other incidental expenses incurred during construction/installation stage. Project expenses are capitalised to the respective asset heads on a proportionate basis. Any capital grant or subsidy received is reduced from the cost of eligible assets.
- ii) 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.

Investments:

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

Inventories:

All inventories are valued at cost or net realizable values whichever is less.

Sundry Debtors and Loans & Advances:

Debts and advances considered doubtful are written off in the year in which those are considered irrecoverable.

Miscellaneous Expenditure:

One-tenth of the Miscellaneous Expenditure is charged to revenue every year.



Sales Tax Deferment:

Sales Tax is charged to revenue and Sales tax payable on sale of jointing kits is treated as unsecured Loan on the basis of an express notification of the AP State Government vide GOMS No 108 dt 20.05.1996.

Foreign Currency Transactions:

Foreign currency transactions are accounted at the exchange rates prevailing at the date of transaction. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the profit and loss account. Exchange differences relating to fixed assets are adjusted in the cost of the asset.

Government Grants/incentives:

Government grants and subsidies are accounted for on receipt basis. Grants like State investment subsidy as and when received are set off and reduced from the cost of capital asset acquired under the scheme evolved by the government. Incentives like sales tax deferment are accounted for as unsecured loans. Asset - specific grants received from government agencies are accumulated under reserves till the completion of the relevant project.

Retirement Benefits

Contributions to defined Schemes such as Provident Fund, Employees State Insurance Scheme and Gratuity are charged on accrual basis. Provision for gratuity and Leave Encashment benefits are made on the basis of actuarial valuation.

Income / Deferred Tax :

Provision for income tax is made on the basis of estimated taxable income. The company provides for deferred tax using the liability method, based on the tax effect of timing differences resulting from the recognition of items in the financial statements and in estimating its current income tax provision.

Deferred Tax asset or liability is recognised for timing differences between the profit as per the financial statements and the profit offered for income taxes as per Accounting Standard 22 issued by the Institute of Chartered Accountants of India .

Schedules Forming Part of the Accounts

23: NOTES TO ACCOUNTS

During the year, the Company has issued further 73,58,155 Equity Share warrants @ 7/- each convertible into Equity shares on preferential basis. Company received Rs. 51,50,709/- towards 10% value of the Preferential issue.

Secured Loans:

The working capital advances from State Bank of Hyderabad, are secured by hypothecation of inventories, book debts, personal guarantee of a Promoter director, corporate guarantee and mortgage on the immovable property of Goldstone Exports Limited and further secured by a second charge on fixed assets of the company and Goldstone Technologies Limited.

Term Loans from State Bank of Hyderabad is secured by second charge on the current assets of the company, corporate guarantee of Goldstone Exports Ltd, Corporate Guarantee of Goldstone Technologies Ltd Receivables of the BPO operations ,Personal Guarantee of Managing Director and Equitable Mortgage of immovable property of the Company.



Unsecured Loans:

The Unsecured loans represent Sales Tax deferment. During the year, an amount of Rs.26,64,611/- (Previous year Rs.19,99,020/-) was charged to the profit and loss account. An amount of Rs.32,20,668/- (Previous year Rs. 13,58,014/-) has been deferred and treated as Unsecured loan on the basis of an express notification of the A.P.State Government vide G.O.Ms.No. 108 Dated 20.05.96. The total amount of Sales tax thus deferred up to 31.03.05 is Rs.4,63,89,722 (previous year Rs. 4,31,69,054/-).

Investments in Various Projects under progress:

Investments made by the Company during the year on projects under implementation:

Name of the Project	2004-2005	2003-2004
	(Rs.)	(Rs.)
Power Project – TPDUP	3,10,05,023/-	20,90,242/-

Sundry debtors, Loans and advances and sundry creditors:

Balances of Sundry debtors, loans and advances and sundry creditors balance, are subject to confirmation by the parties.

Prior period adjustments:

Prior period adjustments include writing back unclaimed salaries Rs. 4,34,387/- , excess provision made in prior years for Gratuity & Leave encashment Rs. 4,60,245/- and Suppliers credit balances no longer considered payable Rs.10,84,912/-.

Segment Reporting:

Business Segments:

Segment wise results for Telecom Division, BPO Division and Insulator Division are given as under:

	Rs in lakhs			
	Telecom	BPO	Insulator	Consolidated
Revenue	643.71	595.68	766.96	2006.35
Other Income	84.63	0.00	0.00	84.63
Segment Revenue	728.34	595.68	766.96	2090.98
Segment Results	85.75	81.84	95.05	262.64
Less:Financial Exp.	63.86	56.77	21.24	141.88
Profit before Taxation	21.89	25.07	73.80	120.76
Provisionfor Taxation	14.00	0.00	1.50	15.50
Pro.for Deferred Tax	(6.80)	6.78	47.14	47.12
Profit after taxation	14.69	18.29	25.17	58.14
Prior period adjust.	2.59	17.20	0.00	19.79
Net Profit	17.28	35.49	25.17	77.94
Segment Assets	3190.98	1750.64	1110.46	6052.08
Segment Liabilities	1554.33	578.27	782.20	2914.80
Capital employed	1636.65	1172.37	328.26	3137.28



Retirement Benefits:

Provisions for Gratuity and Leave encashment are made in the accounts in respect of employees on the basis of actuarial valuation.

Related party disclosures:

Transactions with subsidiary companies:

Name and nature of relationship of the related party where control exists:

Newtech Stewing Telecom Limited (NSTL) subsidiary company to Goldstone Teleservices Limited (GTSL). (GTSL holds 14,59,067 Equity shares i.e., 97.59% of the Equity Share Capital as at 31.03.2005

Shree Shree Telecom Limited (SSTL), 100% subsidiary company of Goldstone Teleservices Limited (GTSL).

Details of transactions:

	(Rs.in lacs)			
	2004-2005		2003-2004	
	NSTL	SSTL	NSTL	SSTL
Sale of finished goods	7.72	0.90	4.27	2.15
Receipt towards share of common (allocated) expenses.	7.39	-	30.39	18.99

Transactions with Key Management Personnel: Nil

Managerial Remuneration:

	Year ended	Year ended
	31.03.2005	31.03.2004
L P Sashikumar , Managing Director		
Salary	12.00	12.00
Reimbursement of Expenses	0.14	0.14

Earnings per share:

Calculation of EPS

	(Rs. In Lakhs)	
	2004-05	2003-04
Total No. of Shares outstanding	13665150	(Nos.)13665150
Profit after taxes before Exceptional items	58.14	23.11
Profit after taxes after Exceptional items	77.94	11.50
EPS before Non-recurring and Exceptional items	0.43	0.17
EPS after Non-recurring and Exceptional items	0.57	0.08

Preparation of Consolidated Financial Statements

List of subsidiary companies considered for consolidation

Sl.No.	Name of the Subsidiary Company	Extent of holding (%) As on 31.03.2005	Extent of holding (%) As on 31.03.2004
1	Newtech Stewing Telecom Ltd	97.59	97.59
2	Shree Shree Telecom Pvt Ltd	100.00	100.00

Consolidated Financial Statements are prepared in accordance with the guidelines given in Accounting standard 21 issued by the Institute of Chartered Accountants of India with respect to current year financial statements of the above stated companies.



Contingent Liabilities:

	As at 31.03.2005 (Rs.)	As at 31.03.2004 (Rs.)
a) Un-expired Letters of Credit for Raw Materials	2,32,56,341/-	40,48,600/-
b) Bank Guarantees Outstanding	1,73,72,566/-	1,86,24,082/-
c) The company has created, as an additional security, first charge on the movable and immovable assets in favour of Industrial Development Bank of India securing the term loan of Rs 1000 lakhs sanctioned to Goldstone Technologies Limited		
d) Corporate Guarantees were issued on behalf of Newtech Stewing Telecom Limited, a subsidiary of Goldstone Teleservices Limited for their working capital advances from State Bank of India amounting to Rs 320.00 Lakhs. (Previous year Rs. 320 lakhs).		
e) The company has issued Corporate Guarantee, as an additional security, in favour of State Bank of Hyderabad for the Working Capital advances of Rs 95 lakhs sanctioned to Shree Shree Telecom Private Limited, a subsidiary company.		
f) Municipal taxes in respect of leased premises occupied by BPO division Rs. 4,66,294/- held in deposit with landlords subject to settlement of the dispute.		

Figures have been rounded off to the nearest rupee.

Previous year figures have been regrouped wherever necessary

As per our report of even date
For P.R.Pramodkumar & co.
Chartered Accountants

On behalf of the Board

Sd/-
P.R.Pramodkumar
Proprietor

Sd/-
L.P.Sashikumar
Managing Director

Sd/-
Dr.M.V.S.R.Kamesam
Director

Place: Secunderabad
Date : 08.08.2005

**Notes forming part of Accounts****ADDITIONAL INFORMATION REQUIRED AS PER PARA****3 & 4 OF PART II OF SCHEDULE VI TO THE COMPANIES ACT, 1956**

		for the year ended 31.03.2005	For the Year ended 31.03.2004
Licensed & Installed Capacities			
a. Installed Capacity (Nos)			
- Heat Shrinkable Sleeves		690000	690000
- Polymer Insulators		342000	0
Production (Nos)			
- Heat Shrinkable Sleeves			
for Telecom Cable Jointing Kits	(Nos.)	87770	209718
- Polymer Insulators	(Nos.)	23843	0
Purchase of Components & Raw materials		96659710	40455884
Production of Cable Jointing Kits	(Nos)	88285	198075
Turnover			
- Jointing kits	(Nos)	88285	198075
Value (Rs.)		34627041	32544092
- Sub kits (Sleeves with Channels)	(Nos)	3825	6687
Value (Rs.)		377587	1649508
- Polymer Insulators	(Nos.)	24843	0
Value (Rs.)		29693680	0
- BPO Division Sales	Value (Rs.)	59568381	86118007
- Others	Value (Rs.)	76368209	17288947
		<u>200634898</u>	<u>137600554</u>
Opening & Closing Stocks			
Opening Stock			
- Manufactured Sleeves	(Nos)	5001	45
		Value (Rs.)	257166
			4231
- Work in process		Value (Rs.)	6039192
			3922846
- Components & Raw materials		Value (Rs.)	5383914
			3953736
- Rawmaterials - Insulators		Value (Rs.)	1595270
			0
- Work in Process - Insulators		Value (Rs.)	4650255
			0
		<u>17925797</u>	<u>7880813</u>
Closing Stock			
- Manufactured Sleeves	(Nos)	661	5001
		Value (Rs.)	37054
			257166
- Work in process		Value (Rs.)	1072250
			6039192
- Components & Raw materials		Value (Rs.)	11221258
			5383914
- Rawmaterials - Insulators		Value (Rs.)	5092565
			1595270
- Work in process - Insulators		Value (Rs.)	10494013
			4650255
		<u>27917140</u>	<u>17925797</u>



Raw Materials Consumed

- Hotmelt Adhesive	Kgs	31470	23760
Value (Rs.)		3483126	3134948
- Granules	kgs.	41416	39405
Value (Rs.)		2921878	1928019
-Others	Value (Rs.)	71797942	32367469
		<u>78202946</u>	<u>37430436</u>

Consumption of Imported & Indigenous Materials

- Imported Materials	Value (Rs)	6405004	3561906
	%	8.19%	9.52%
- Indigenous Materials	Value (Rs)	71797942	33868530
	%	91.81%	90.48%
- Total	Value (Rs)	<u>78202946</u>	<u>37430436</u>
	%	100%	100%

Foreign Exchange Transactions

Value of Imports on CIF basis

- Raw Materials	Value (Rs)	5212073	6112949
- Capital Goods	Value (Rs)	2665130	9147419
- Tools & Spares	Value (Rs)	276243	43041

Expenditure/Earnings in Foreign Currency

Travelling & other Expenses	Value (Rs)	1448149	23060544
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Export of goods (FOB basis)

	Value (Rs)	54775	16331168
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Auditors' Remuneration

Audit Fee	Value (Rs)	140000	125000
Taxation Matters	Value (Rs)	20000	15000
		<u>160000</u>	<u>140000</u>



Statement of Cash Flows for the year ended 31.03.2005

	Rs. In lakhs	
	31.03.2005	31.03.2004
A Cash Flow from operating activity		
Net Profit before tax	120.76	23.91
Adjustments for:		
Depreciation	221.94	204.11
Miscellaneous expenditure written off	7.14	7.14
Share Warrants money forfeiture	0.00	(0.85)
Provision for Gratuity & Earned Leave	(4.20)	0.66
Loss on sale of vehicles	0.67	0.00
Other Income	(84.63)	(45.47)
Operating Profit before working capital changes	261.68	189.50
Adjustments for:		
Trade and other receivables	(1020.00)	(513.84)
Inventories	(99.91)	(100.45)
Trade advances	(67.38)	66.72
Trade Payable	1004.54	(189.49)
Cash generated from operations	78.93	(547.56)
Direct Taxes paid (net)	(3.07)	5.43
Cashflow before extraordinary items	75.86	(542.13)
Extra ordinary items	19.79	(12.41)
Net Cash flow from operating activity	95.65	(554.54)
B. Cash Flow from Investing Activity		
Purchase of fixed assets	(184.37)	(298.18)
Capital work in progress	(395.19)	365.46
Sale of investments	76.39	25.00
Miscellaneous Expenditure	0.00	0.00
Other income	84.63	45.47
Loss on Sale of Vehicle	(0.67)	0.00
Net Cash used for investing activity	(419.21)	137.75
C. Cash Flow from financing activities		
Repayment of Working capital Loan	124.28	(104.25)
Term Loan from State Bank of Hyderabad	(15.00)	54.72
Deferred sales tax loan	32.20	13.58
Dividend paid	0.00	0.00
Premium Received on Preferential allotment	0.00	0.00
Grant received from DSIR	130.00	0.00
Proceeds from Preferential allotment	51.51	0.00
Net cash generated from financing activity	322.99	(35.95)
Cash and cash equivalents (Opening Balance)	122.56	575.30
Net increase in Cash & Cash equivalents (A+B+C)	(0.57)	(452.74)
Cash and cash equivalents (Closing Balance)	121.99	122.56

For P .R.Pramodkumar & Co.
Chartered Accountants

on behalf of the Board

Sd/-
P.R.Pramodkumar
Proprietor
Place: Secunderabad
Date : 08.08.2005

Sd/-
L P Sashikumar
Managing Director

Sd/-
Dr. M V S R Kamesam
Director



BALANCE SHEET ABSTRACT AND COMPANY'S BUSINESS PROFILE:

I. Registration Details:

Registration No.	3 5 4 5 1	State Code:	0 1
Balance Sheet Date:	3 1 . 0 3 . 2 0 0 5		

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

Public Issue:	N I L	Rights Issue:	N I L
Bonus Issue:	N I L	Private Placement:	N I L

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

Sources of Funds:

Total Liabilities:	4 5 6 4 . 5 2	Total Assets:	4 5 6 4 . 5 2
Paid-up Capital	5 4 6 . 6 1	Reserves and Surplus	2 6 4 6 . 3 0
Secured Loans:	9 0 7 . 7 2	Unsecured Loans:	463.90

Application of Funds:

Net Fixed Assets	2 3 9 1 . 5 2	Investments	4 2 5 . 1 0
Net Current Assets:	1 6 9 2 . 2 8	Misc. Expenditure	5 5 . 6 2

* Includes Deferred Tax Liabilities

Accumulated Losses: N I L

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

Turnover/Income	2 0 9 0 . 9 8	Total Expenditure	1 9 7 0 . 2 2
Profit before tax	1 2 0 . 7 6	Profit after tax	7 7 . 9 4
Earning per Share in Rs.	0 . 5 7	Dividend Rate	-

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

Item Code No. (ITC Code):754690

Product Description: Thermoweld Filled Heat Shrinkable Sleeves

Item Code No. (ITC Code):854790

Product Description :Jelly Filled Telephone Cable Jointing Kits & Sub Kits

Item Code No. (ITC Code):854620

Product Description :Composite Polymer Insulators



AUDITORS' REPORT

To,
The Board of Directors
On the consolidated financial statements of
Goldstone Teleservices Limited
& its Subsidiaries.

1. We have audited the attached Consolidated Balance sheet of Goldstone Teleservices Limited as at 31st March, 2005 and also Profit and Loss Account for the year ended on that date annexed thereto and the consolidated Cash Flow Statement for the year ended on that date. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the amounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of the subsidiaries of Goldstone Teleservices Limited, whose financial statements reflect total assets of Rs.7,09,80,669/- as at 31st March, 2005 and total revenues of Rs. 1,53,00,007/- for the year ended on that date. These financial statements have been audited by other auditors whose reports have been furnished to us. Our opinion in so far as it relates to the said amounts included in respect of these subsidiaries is based solely on the report of the other auditors.
4. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company and its subsidiaries included in the consolidated financial statements.
5. On the basis of the information and explanation given to us, and on consideration of the separate audit reports on individual audited financial statements of the company and its 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 Consolidated Balance Sheet, of the consolidated state of affairs of the Company and its subsidiaries as at March 31, 2005;
 - ii) In the case of Consolidated Profit & Loss Account, of the consolidated results of operations of the Company and its subsidiaries for the year ended March 31, 2005;
 - iii) In the case of Consolidated Cash Flow statement, of the consolidated cash flows of the Company and its subsidiaries for the year ended March 31, 2005.

for **P.R.PRAMODKUMAR & CO.**
Chartered Accountants

Sd/-
P.R.PRAMODKUMAR
Proprietor.

Hyderabad
08.08. 2005.



Goldstone Teleservices Limited

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2005

	SCHEDULE	As at 31.03.2005	As at 31.03.2004
		Rs.	Rs.
SOURCES OF FUNDS			
SHAREHOLDERS FUNDS:			
Share Capital	1	54660600	54660600
Reserves and Surplus	2	270638246	253363211
Preferential Share Warrants money		5150709	0
		<u>330449555</u>	<u>308023811</u>
Minority Interest	3	287582	333080
LOAN FUNDS:			
Secured Loans	4	90772099	81850925
Unsecured Loans	5	46389722	43589054
		<u>137161821</u>	<u>125439979</u>
Total		<u>467898958</u>	<u>433796870</u>
APPLICATION OF FUNDS			
FIXED ASSETS:			
Gross Block	6	300249976	283514436
Less: Depreciation		102605981	79601283
Net Block		197643995	203913153
Work in progress		53328951	13810338
		<u>250972946</u>	<u>217723491</u>
INVESTMENTS	7	28835542	41534435
CURRENT ASSETS, LOANS & ADVANCES			
Inventories	8	29518868	26918951
Sundry Debtors	9	211451308	121730254
Cash and Bank Balances	10	16035743	22939653
Loans and Advances	11	78577075	72311180
		<u>335582994</u>	<u>243900038</u>
CURRENT LIABILITIES & PROVISIONS			
Current liabilities	12	105575427	33533769
Provisions	13	4657597	3682824
		<u>110233024</u>	<u>37216593</u>
Net Current Assets		225349970	206683445
Miscellaneous Expenditure	14	5782442	6558377
Deferred Tax Asset / (Liability)		(43041942)	(38702878)
Total		<u>467898958</u>	<u>433796870</u>
Notes to Accounts	23		

per our report attached
for P.R.Pramodkumar & Co.

on behalf of the Board

Chartered Accountants

Sd/-
P.R.Pramodkumar
Proprietor

Sd/-
LP Sashikumar
Managing Director

Sd/-
Dr.M.V.S.R.Kamesam
Director

Place: Secunderabad
Date :08.08. 2005



CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2005

	SCHEDULE	For the year ended 31.03.2005	For the year ended 31.03.2004
		Rs.	Rs.
INCOME			
Sales	15	213784608	161162404
Accretion / (Decretion) to stocks	16	(11064341)	3697006
Other Income	17	9752082	4806718
Total		212472349	169666128
EXPENDITURE			
Material Cost	18	87262547	49922121
Excise Duty		6479114	5100787
Personnel Expenditure	19	21891836	25624139
Other Manufacturing Costs	20	7195524	6224264
Administrative and Selling Expenses	21	42702916	50082459
Financial Expenses	22	14676800	12353704
Depreciation		23667103	21812930
Miscellaneous Expenses Written off		775935	775935
Total		204651775	171896339
Profit before Taxation		7820574	(2230211)
Provision for taxation			
- Current		1550000	0
- Deferred		4339064	14981979
Profit after tax for the year		1931510	(17212190)
Prior period adjustments		2298027	(1506361)
Net Profit		4229537	(18718551)
Minority Interest (+)		45498	51414
Profit brought forward from the previous year		41565436	60232573
Amount available for appropriation		45840471	41565436
APPROPRIATIONS			
Proposed Dividend		0	0
Transfer to General Reserve		0	0
Surplus Transferred to Balance Sheet		45840471	41565436
Earnings per share (Basic/diluted) (Nominal Value of Share of Rs. 4/- each)		0.31	0.00
No of Shares used in computing Earnings per share		13665150	13665150
Notes to Accounts	23		

per our report attached

On behalf of the Board

for P.R.Pramodkumar & Co.
Chartered Accountants

Sd/-
P.R.Pramodkumar
Proprietor

Sd/-
LP Sashikumar
Managing Director

Sd/-
Dr.M.V.S.R.Kamesam
Director

Place: Secunderabad
Date : 08.08.2005



SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

	As at 31.03.2005 Rs.	As at 31.03.2004 Rs.
1: SHARE CAPITAL		
Authorised: 2,50,00,000 Equity Shares of Rs.4/- each,	<u>100000000</u>	<u>100000000</u>
Issued,Subscribed and Paid up: 1,36,65,150 Equity Shares of Rs.4/- each,fully paid up	54660600	54660600
Share Warrants application money received	0	85000
Less: Share Warrants forfeited during the year	<u>0</u>	<u>85000</u>
Total	<u><u>54660600</u></u>	<u><u>54660600</u></u>
2: RESERVES AND SURPLUS		
Share Premium	134439028	134439028
Grant received from DSIR	13000000	
General Reserve	60237467	60237467
Capital Reduction Account	17121280	17121280
Surplus:		
Opening Balance	41565436	60232573
Add: Balance transferred from the Profit and Loss Account	<u>4275035</u>	<u>(18667137)</u>
Balance	45840471	41565436
Total	<u><u>270638246</u></u>	<u><u>253363211</u></u>
3: MINORITY INTEREST		
As at the commencement of the year	333080	384494
Current Year Profit / (Loss)	(45498)	(51414)
Total	<u><u>287582</u></u>	<u><u>333080</u></u>
4: SECURED LOANS		
Working Capital Advances:		
Cash Credit from State Bank of Hyderabad.	37273674	24845873
Cash Credit from State Bank of India	0	2006627
Term Loan from State Bank of Hyderabad	53498425	54998425
Total	<u><u>90772099</u></u>	<u><u>81850925</u></u>
5: UNSECURED LOANS:		
Sales Tax Deferment		
Opening Balance	43169054	41811040
Additions during the year	<u>3220668</u>	<u>1358014</u>
Balance	46389722	43169054
Loans & Advances from Corporate body	0	420000
Total	<u><u>46389722</u></u>	<u><u>43589054</u></u>



SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS
6: FIXED ASSETS

Description	GROSS BLOCK			DEPRECIATION			NET BLOCK		
	Cost as at 1.04.2004	Additions during the year	Deductions during the year	Cost As at 31.03.2005	As at 01.04.2004	For the Adjustments/ Deductions year	Upto 31.03.2005	As at 31.03.2005	As at 31.03.2004
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Goodwill	5459330		5459330		0		0	5459330	5459330
Land	1606095		1606095		0		0	1606095	1606095
Buildings	14305777		14305777		3776556	477813	4254369	10051408	10529221
Plant & Machinery	132582793	15174136	1701223	146055706	40738795	6819636	316812	98814087	91843998
Furniture & Fixures	7335984		7335984		1945069	440639	2385708	4950276	5390915
Lab Tools & Equipment	4672810	348841		5021651	1121178	223754	1344932	3676719	3551632
Electrical Equipment/ Installation	9248411	3540		9251951	2488079	1072584	3560663	5691288	6760332
Vehicles	10226480	3229268	517664	12938084	5123847	1151638	345593	7008192	5102633
Computer system	57680341	86325		57766666	17069381	9360088	26429469	31337197	40610960
Office equipment	4054836	99544		4154380	867769	196154	1063923	3090457	3187067
Generator	4774177			4774177	1438760	226773	1665533	3108644	3335417
Leasehold Improvements	6048004	12773		6060777	412216	202368	614584	5446193	5635788
Air Conditioners	2065385			2065385	194199	98106	292305	1773080	1871186
Network Equipments	20028922			20028922	4245318	3246688	7492006	12536916	15783604
Electronic Equipment & UPS	2569680			2569680	158895	122060	280955	2288725	2410785
Tools & Spares	16414			16414	6050	780	6830	9584	10364
Temporary Sheds	838997			838997	15170	28022	43192	795805	823827
Total	283514436	18954427	2218887	300249976	79601282	23667103	662405	197643996	203913154
Previous year	253696315	30594226	776105	283514436	58008357	21812930	220005	203913154	195687958



SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

	As at 31.03.2005 Rs.	As at 31.03.2004 Rs.
7: INVESTMENTS- AT COST		
Trade (Quoted, Long-term)		
GTCL Mobilecom Technology Limited	97000	97000
9700 Equity Shares of 10/- each, fully paid up (Market Value as at 31.03.05 @ Rs.2.35 per share - Rs. 22,795/-)		
GR Cables Limited	28572807	40663000
31,31,577 Equity Shares of 10/- each, fully paid up (Market Value as at 31.03.05 @ Rs. 7.88 per share - Rs.2,46,76,827/-)		
Bharti Televenture Limited	165735	165735
3,683 nos. of Equity Shares of 10/- each, fully paid up (Market Value as at 31.03.05 @Rs.206.85 per share - Rs. 761829/-)		
Goldstone Teleservices Limited		
50,000 nos. of Equity Shares of 4/- each, fully paid up	608700	
Less: Sold during the year	608700	608700
Trade (Unquoted) Long-term:		
GEL Infrastructure Private Limited		
Share application money invested		2500000
Less: Application money received back during the year	0	2500000
Total	<u>28835542</u>	<u>41534435</u>
8: INVENTORIES		
(As Certified by the Management)		
Components and Packing Materials (at cost)	9846448	10089944
Raw Materials (at cost) - Sleeves	2593964	1305630
Raw Materials (at cost) - Insulators	5092565	1595270
Work-in process (at cost) - Sleeves	1491878	9277852
Work-in process (at cost) - Insulators	10494013	4650255
Total	<u>29518868</u>	<u>26918951</u>
9: SUNDRY DEBTORS		
(Unsecured,considered good)		
Debts outstanding for a period exceeding six months	21012748	105666819
Other Debts	190438560	16063435
Total	<u>211451308</u>	<u>121730254</u>



SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

	As at 31.03.2005 Rs.	As at 31.03.2004 Rs.
10: CASH & BANK BALANCES		
Cash on hand	89591	97785
Balances with Scheduled Banks:		
- In Current Accounts	4696091	4647467
- In Fixed Deposits	0	0
- In Fixed Deposits against Foreign Letters of Credit and Bank Guarantees	11250061	18194401
Total	<u><u>16035743</u></u>	<u><u>22939653</u></u>
11: LOANS & ADVANCES (Unsecured, considered good)		
Advances recoverable in cash or kind or for value to be received	70692791	62461119
Advances to Subsidiary companies	0	0
Advances to suppliers	203279	2569472
Advances to Staff	181620	377965
Balance with Govt. bodies	532606	803342
Deposits	4007102	2966985
Advance Tax	0	0
Tax deducted at source	2409061	2002237
Prepaid Expenses	550616	1130060
Total	<u><u>78577075</u></u>	<u><u>72311180</u></u>
12: CURRENT LIABILITIES		
Sundry Creditors		
Dues of Small Scale Industrial Undertakings	359575	2114924
Others	78552331	20486547
Statutory Liabilities	4275516	5592370
Other liabilities	22388005	5339928
Total	<u><u>105575427</u></u>	<u><u>33533769</u></u>
13: PROVISIONS		
Provision for Taxation	3550000	2154884
Proposed Dividend	0	0
Provision for Staff Benefit Scheme:		
For Gratuity	813427	1298638
For Earned Leave Encashment	294170	229302
Total	<u><u>4657597</u></u>	<u><u>3682824</u></u>
14: MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)		
Preliminary Expenses	733443	862163
Less: Written off during the year	<u>128720</u>	<u>604723</u>
		105790
Miscellaneous Expenditure	5824934	6472149
Less: Written off during the year	<u>647215</u>	<u>5177719</u>
		670145
Total	<u><u>5782442</u></u>	<u><u>6558377</u></u>



SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

	For the year ended 31.03.2005	For the year ended 31.03.2004
15: SALES	Rs.	
Telecom Division		
- Domestic	153961198	74686458
- Exports	255029	357939
BPO Division	59568381	86118007
	Total	Total
	<u>213784608</u>	<u>161162404</u>
16: ACCRETION / (DECRETION) TO STOCKS		
Closing Stock of WIP & Finished Goods	2863766	13928107
Less: Opening Stock of WIP & Finished Goods	13928107	10231101
	Total	Total
	<u>(11064341)</u>	<u>3697006</u>
17: OTHER INCOME		
Insurance Claims received	357104	171848
Interest on Fixed Deposits & loans	1891413	1522039
Service Charges	528422	812837
Miscellaneous Income	2850	2214994
Profit on sale of Investments	0	0
Interest on Excise Refund	6972293	0
Share Warrants forfeited	0	85000
	Total	Total
	<u>9752082</u>	<u>4806718</u>
18: MATERIAL COST		
Opening Stock	12990844	10087551
Purchases:		
- Kit Components	19834788	28762415
- Polymer Insulators	17810087	2545409
- Packing Materials	2135742	3501410
- Raw materials		
Imported	6199846	12902157
Domestic	53943685	4320200
Other Purchase costs	1002657	793823
	113917649	62912965
Less: Closing Stock	26655102	12990844
	Total	Total
	<u>87262547</u>	<u>49922121</u>
19: PERSONNEL EXPENDITURE		
Salaries, Wages and other Benefits	21097555	24156052
Staff Welfare	794281	1468087
	Total	Total
	<u>21891836</u>	<u>25624139</u>
20: OTHER MANUFACTURING EXPENSES		
Power and fuel	2985210	2693903
Consumables	541119	479817
Repairs and Maintenance		
- Plant and Machinery	673454	529225
- Buildings	57349	152594
- Others	1832402	1082518
Testing and Inspection Charges	304008	541781
Job Work Charges	801982	744426
	Total	Total
	<u>7195524</u>	<u>6224264</u>



SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

	For the year ended 31.03.2005	For the year ended 31.03.2004
	Rs.	
21: ADMINISTRATIVE AND SELLING EXPENSES		
Directors Remuneration	1924415	1913997
Advertisement	121558	208659
Electricity	1311053	2303371
Rent	2407885	2244479
Legal Fees	709863	105837
Printing and Stationery	457309	324708
Tender Expenses	293225	175646
Postage ,Telephones and Internet	10952529	19219340
Leads Purchases	2320500	3030309
Insurance	886920	1447431
Professional and Consultancy	1181134	2241737
Fees, Rates and Taxes	583313	848078
Gifts and Donations	40725	60267
Vehicle Maintenance	1461580	906512
Travelling Expenses		
- Directors	573566	245477
- Others	4113217	1979829
Conveyance		
- Staff Transport	1363531	3807438
- Others	1458	0
Carriage Outward	2789313	2222942
Sales Tax	2868865	2933149
Auditors Remuneration	255000	235000
Business Promotion	912687	577483
Office Maintenance	714262	464363
Miscellaneous Expenses	1712479	1431148
Listing Fees	50649	10000
Loss on sale of Investments	531978	0
Loss on sale of Assets	851482	165643
Security Charges	839392	612640
Liquidated damage expenses	328143	290844
Price Reduction	144885	76132
Commission & Brokerage	0	0
Total	<u>42702916</u>	<u>50082459</u>
22: FINANCIAL EXPENSES		
Interest on Working Capital & Term Loan	11837137	11047743
Bank Charges & Commission	2187591	1204401
Other Finance Charges	652072	101560
Total	<u>14676800</u>	<u>12353704</u>



Schedules Forming Part of the Consolidated Accounts

23: Notes to Accounts:

Description of Business

Goldstone Teleservices and its consolidated subsidiaries are all engaged in the business of manufacture of telecom cable jointing kits and Composite Polymer Insulators with production facilities situated at IDA, Cherlapally, Hyderabad, R.R. Dist.

Basis of Consolidation

The consolidated financial statements of Goldstone Teleservices Ltd and its subsidiaries have been prepared under the historical cost convention in accordance with the generally accepted accounting principles, the provisions of the Companies Act 1956, and the Accounting Standard 21 on consolidation of financial statements issued by the Institute of Chartered Accountants of India to the extent possible in the same format as that adopted by the parent company, Goldstone Teleservices Ltd for its separate financial statements.

Revenue recognition:

All incomes and expenditure are accounted on accrual basis

Sales are recognized when goods are supplied in accordance with the terms of sale and include Sales Tax.

Excise Duty is accounted for on clearance of goods from factory, customs duty on goods kept in bonded warehouses or lying at port is accounted for on clearance

In respect of BPO operations the revenue from per engagement services are based on the engagement performed. Revenues from per time period services are recognized based on the time incurred in providing services at the contract rates.

Fixed Assets:

Fixed Assets are stated at cost, net of CENVAT credit and include acquisition costs like freight, installation cost, finance cost, duties and taxes and other incidental expenses incurred during construction/installation stage. Project expenses are capitalised to the respective asset heads on a proportionate basis. Any capital grant or subsidy received is reduced from the cost of eligible assets.

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.

Investments:

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

Inventories:

All inventories are valued at cost or net realizable value whichever is less.

Sundry Debtors and Loans & Advances:

Debts and advances considered doubtful are written off in the year in which those are considered irrecoverable.

Miscellaneous Expenditure:

One-tenth of the Miscellaneous Expenditure is charged to revenue every year.



Sales Tax Deferment

Sales Tax is charged to revenue and Sales tax payable on sale of jointing kits is treated as unsecured Loan on the basis of an express notification of the AP State Government vide GOMS No 108 dt 20.05.1996.

Foreign Currency Transactions:

Foreign currency transactions are accounted at the exchange rates prevailing at the date of transaction. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the profit and loss account. Exchange differences relating to fixed assets are adjusted in the cost of the asset.

Government Grants/incentives:

Government grants and subsidies are accounted for on receipt basis. Grants like State investment subsidy as and when received are set off and reduced from the cost of capital asset acquired under the scheme evolved by the government. Incentives like sales tax deferment are accounted for as unsecured loans.

Retirement Benefits

Contributions to defined Schemes such as Provident Fund, Employees State Insurance Scheme and Gratuity are charged on accrual basis. Provision for gratuity and Leave Encashment benefits are made on the basis of actuarial valuation.

Income Tax

Income tax for the year comprises current and deferred tax.

Provision for income tax is made on the basis of estimated taxable income. The company provides for deferred tax using the liability method, based on the tax effect of timing differences resulting from the recognition of items in the financial statements and in estimating its current income tax provision.

Segment Reporting:

Business Segments:

Segment wise results for Telecom Division , BPO Division and Insulator Division are given as under:

	Rs in lakhs			
	Telecom	BPO	Insulator	Consolidated
Revenue	643.71	595.68	766.96	2006.35
Other Income	84.63	0.00	0.00	84.63
Segment Revenue	728.34	595.68	766.96	2090.98
Segment Results	85.75	81.84	95.05	262.64
Less: Financial Expenses	63.86	56.77	21.24	141.88
Profit before Taxation	21.89	25.07	73.80	120.76
Provision for Taxation	14.00	0.00	1.50	15.50
Pro. For Deferred Tax	(6.80)	6.78	47.14	47.12
Profit after taxation	14.69	18.29	25.17	58.14
Prior period adjustments	2.59	17.20	0.00	19.79
Net Profit	17.28	35.49	25.17	77.94
Segment Assets	3190.98	1750.64	1110.46	6052.08
Segment Liabilities	1554.33	578.27	782.20	2914.80
Capital employed	1636.65	1172.37	328.26	3137.28

Deferred Tax Liability:

Deferred Tax asset or liability is recognised for timing differences between the profit as per the financial statements and the profit offered for income taxes as per Accounting Standard 22 issued by the Institute of Chartered Accountants of India



Retirement Benefits:

Provisions for Gratuity and Leave encashment are made in the accounts in respect of employees on the basis of actuarial valuation.

Related party disclosure:

Transactions with subsidiary companies :

Name and nature of relationship of the related party where control exists:

Newtech Stewing Telecom Limited (NSTL) subsidiary company to Goldstone Teleservices Limited (GTSL). (GTSL holds 14,59,067 Equity shares i.e., 97.59% of the Equity Share Capital as at 31.03.2005

Shree Shree Telecom Private Limited (SSTL), 100% subsidiary company of Goldstone Teleservices Limited (GTSL).

	2004-2005		2003-2004		(Rs.in lacs)
	NSTL	SSTL	NSTL	SSTL	
Sale of finished goods	7.72	0.90	4.27	2.15	
Receipt towards share of common exp.	7.39	0.00	30.39	18.99	

Transactions with Key Management Personnel:

	Year ended 31.03.2005	Year ended 31.03.2004
Sri. L P Sashikumar , Managing Director		
Salary	12.00	12.00
Reimbursement of Expenses	0.14	0.14

Earnings per share:

Calculation of EPS

(Rs. In Lakhs)

	2004-05	2003-04
Total No. of Shares outstanding	13665150	13665150
Profit after taxes before Exceptional items	19.32	(172.12)
Profit after taxes after Exceptional items	42.30	(187.19)
EPS before Non-recurring and Exceptional items	0.31	0.00
EPS after Non-recurring and Exceptional items	0.14	0.00

Preparation of Consolidated Financial Statements

List of subsidiary companies considered for consolidation

Sl.No.	Name of the Subsidiary Company (%)	Extent of holding (%)	Extent of holding (%)
		As on 31.03.2005	As on 31.03.2004
1	Newtech Stewing Telecom Ltd	97.59	97.59
2	Shree Shree Telecom Pvt Ltd	100.00	100.00

Consolidated Financial Statements are prepared in accordance with the guidelines given in Accounting standard 21 issued by the Institute of Chartered Accountants of India only with respect to current year financial statements.

Figures have been rounded off to the nearest rupee.

Previous period figures have been regrouped wherever necessary

As per our report of even date
For P.R.Pramodkumar & Co.

On behalf of the Board

Chartered Accountants

Sd/-

P.R.Pramodkumar
Proprietor

Sd/-

L.P.Sashikumar
Managing Director

Sd/-

Dr.M V S R Kamesam
Director

Place : Secunderabad

Date : 08.08.2005



Statement of Consolidated Cash Flows for the year ended 31.03.2005

(Rs. In lacs)

	31.03.2005	31.03.2004
A Cash Flow from operating activity		
Net Profit before tax	78.20	(22.30)
Adjustments for:		
Depreciation	230.05	215.93
Miscellaneous expenditure written off	7.76	7.76
Provision for Gratuity & Earned Leave	(4.20)	0.53
Share Warrants forfeited	0.00	(0.85)
Loss on sale of assets	8.51	0.00
Loss on sale of investments	5.32	0.00
Other Income	(97.52)	(47.22)
Operating Profit before working capital changes	228.12	153.85
Adjustments for:		
Trade and other receivables	(897.21)	(628.81)
Inventories	(26.00)	(66.00)
Trade Advances	(58.59)	18.90
Trade Payable	720.42	2.45
Cash generated from operations	(33.26)	(519.61)
Direct Taxes paid	(5.62)	0.12
Cash Flow before extraordinary items	(38.88)	(519.49)
Extraordinary items	22.98	(15.06)
Cash flow after extraordinary items	(15.90)	(534.55)
B Cash Flow from Investing Activity		
Purchase of fixed assets	(167.36)	(298.18)
CWP	(395.19)	365.46
(Purchase)/Sale of Investments	126.99	25.00
Miscellaneous Expenditure	0.00	0.00
Interest received	18.91	15.22
Dividend Received	0.00	0.00
Loss on sale of assets	(8.51)	0.00
Loss on Sale of investments	(5.32)	0.00
Other income	78.61	32.00
Net Cash used for investing activity	(351.87)	139.50
C Cash Flow from financing activities		
Repayment of Working Capital Loan (SBH)	124.28	(104.26)
Repayment of Working Capital Loan (SBI)	(20.07)	(74.25)
Term Loan from State Bank of Hyderabad	(15.00)	54.72
Deferred Sales Tax Loan	32.21	13.58
Repayment of Unsecured Loan	(4.20)	0.00
Dividend Provision written back	0.00	(2.90)
Premium Received from Preferential Allotment	0.00	0.00
Grant received from DSIR	130.00	0.00
Proceeds from Preferential Allotment	51.51	0.00
Net cash generated from financing activity	298.73	(113.11)
Net increase in Cash & Cash equivalents (A + B + C)	(69.04)	(508.16)
Cash & Cash equivalents (Opening Balance)	229.40	737.56
Cash & Cash equivalents (Closing Balance)	160.36	229.40

for P R Pramodkumar & Co.

Chartered Accountants

Sd/-

P R Pramodkumar

Proprietor

Place: Secunderabad

Date:08.08.2005

on behalf of the board

Sd/-

L P Sashikumar
Managing Director

Sd/-

Dr. M V S R Kamesam
Director



Newtech Stewing Telecom Limited

DIRECTORS' REPORT

To
The Members
Newtech Stewing Telecom Limited

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

Financial Results Particulars	Rs in Lakhs	
	2004-2005	2003-2004
Net Sales from Operations	140.11	200.71
Other Income	4.31	2.01
Total Income	144.42	202.72
Operating Profit (PBIDT)/Loss	(6.42)	1.26
Interest	4.46	8.95
Depreciation and Write Offs	11.18	11.25
Profit Before Tax	(22.06)	(18.93)
Provision for Tax - Current	-	-
- Deferred + prior period adjustments	3.54	3.44
	3.18	(2.39)
Net Profit	(15.33)	(17.89)
Equity Share Capital	149.51	149.51
Tangible Network	295.39	310.13

Fixed deposits

Your Company has not accepted any Fixed Deposits.

Auditors

The Statutory Auditors M/s. Srinivas P & Associates Chartered Accountants, Hyderabad, retire at the conclusion of the ensuing Annual General Meeting and being eligible are recommended 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.

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 year ended 31st March 2005, the applicable accounting standards have been followed and there are no material departures there from.
- That the accounting policies have been selected and applied consistently and judgements and estimates have

been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2005 and the profit or loss of the Company for the period ended on that date.

- 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.
- That the accounts for the year ended 31st March 2005 have been prepared on a going concern basis.

Secretarial Compliance Report as per Section 383(A) has been obtained from Puttaparthi Jagannatham & Co., Company Secretary.

Conservation of energy / technology absorption, foreign exchange earnings and outgoings as per Section 217(1) (e)

Though the manufacturing process is not power intensive, continuous efforts are made to ensure conservation of energy

Foreign Exchange Outgo on account of:- Value of Imports on CIF basis of Raw Materials for the year ended 31st March 2005 is Rs. Nil as against Rs. Nil previous year.

There were no Foreign Exchange Earnings

Particulars of Employees as per Section 217(2A)

There are no employees covered under this Section

Directors

Mr. P. V. S Sarma, and Ms. Indrani Prasad Directors of the Company retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

Acknowledgements

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

Your Directors thank all the Employees of your company for their dedicated service, which enabled your company to achieve good results during the year.

For and on behalf of the Board

Place: Secunderabad
Date: 8th August 2005

Sd/-
L.P. Sashikumar
Director

Sd/-
P. Indrani Prasad
Director



Newtech Stewing Telecom Limited

AUDITORS' REPORT

**TO
THE MEMBERS OF
NEWTECH STEWING TELECOM LIMITED:**

1. We have audited the attached Balance Sheet of Newtech Stewing Telecom Limited as at 31st March, 2005 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003, issued by Central Government in terms of section 227 (4A) of the Companies Act, 1956 (the Act) and on the basis of such checks as we considered appropriate and according to the information and explanations given to us during the course of our audit, we set out in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of the books;
 - c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet and Profit and Loss Account statement dealt with by this report have been prepared in compliance with the applicable Accounting Standards referred to in Sub-Section (3C) of Section 211 the Act.
 - e) On the basis of written representations received from the Directors as on March 31, 2005 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2005 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, together with the notes thereon, give the information required by the Act, in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - i. In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2005; and
 - ii. In the case of the Profit and Loss Account, of the Loss for the year ended on that date.

**For Srinivas P & Associates.
Chartered Accountants**

**Sd/-
P. Srinivas
Proprietor.**

Secunderabad.
08.08. 2005.



Newtech Stewing Telecom Limited

Annexure to the Auditors' Report

Annexure referred to in paragraph 3 of our report of even date to the members of Newtech Stewing Telecom Limited for the year ended 31st March, 2005.

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



Newtech Stewing Telecom Limited

- (b) According to the records of the Company, information and explanations given by the management, there are no dues outstanding on account of sales tax, income tax, customs duty, wealth tax, excise duty and cess on account of any dispute.
- (x) The Company has no accumulated losses at the end of the financial year and it has incurred a cash loss of Rs.10.90 lacs during the current year and no cash losses was incurred in the immediately preceding financial year.
- (xi) The Company has not defaulted in repayment of dues to banks. The Company had no transactions with financial institutions and had no debentures outstanding during the year.
- (xii) The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The nature of activities of the Company does not attract any special statute applicable to chit fund and nidhi/mutual benefit fund/ societies.
- (xiv) The Company does not deal or trade in shares, securities, debentures and other investments.
- (xv) The Company has not given corporate guarantee to any one.
- (xvi) Based on information and explanations given to us by the management, the loans were applied for the purpose for which the said loans were obtained.
- (xvii) According to the information and explanations given to us and on overall examination of the Balance Sheet of the Company as at March 31, 2005 we report that no funds raised on short term basis have been used for long term investment.
- (xviii) The Company has not made any preferential allotment of shares during the year.
- (xix) The Company did not have any debentures outstanding during the year.
- (xx) The Company has not raised any money through a public issue during the year.
- (xxi) Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

**For Srinivas P & Associates
Chartered Accountants**

**Sd/-
P. Srinivas
Proprietor**

Secunderabad.
08.08.2005

**Newtech Stewing Telecom Limited**

BALANCE SHEET AS AT 31ST MARCH 2005

	SCHEDULE	As at 31.03.2005	As at 31.03.2004
		Rs.	Rs.
SOURCES OF FUNDS			
SHAREHOLDERS FUNDS:			
Share Capital	1	14951120	14951120
Reserves and Surplus	2	14796066	16329522
		<u>29747186</u>	<u>31280642</u>
LOAN FUNDS:			
Secured Loans	3	0	2006627
Unsecured Loans	4	0	420000
		<u>0</u>	<u>2426627</u>
Total		<u>29747186</u>	<u>33707269</u>
APPLICATION OF FUNDS			
FIXED ASSETS:			
Gross Block	5	18127260	18127260
Less: Depreciation		12360094	11301780
Net Block		<u>5767166</u>	<u>6825480</u>
INVESTMENTS	6	9565735	10174435
CURRENT ASSETS, LOANS & ADVANCES			
Inventories	7	1601728	8458692
Sundry Debtors	8	5685224	14091764
Cash and Bank Balances	9	2514962	5796723
Loans and Advances	10	12877549	1252242
		<u>22679463</u>	<u>29599421</u>
CURRENT LIABILITIES & PROVISIONS			
Current liabilities	11	5985857	10318375
Provisions	12	67404	67404
		<u>6053261</u>	<u>10385779</u>
Net Current Assets		<u>16626202</u>	<u>19213642</u>
Miscellaneous Expenditure	13	207825	267201
Deferred Tax Asset / (Liability)		(2419742)	(2773489)
Total		<u>29747186</u>	<u>33707269</u>
Accounting policies	22		
Notes to Accounts	23		

per our report attached

on behalf of the Board

for Srinivas P & Associates
Chartered AccountantsSd/-
P.Srinivas
ProprietorSd/-
LP Sashikumar
DirectorSd/-
P.Indrani Prasad
DirectorPlace: Secunderabad
Date : 08.08.2005



Newtech Stewing Telecom Limited

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2005

	SCHEDULE	For the Year ended 31.03.2005	For the year ended 31.03.2004
		Rs.	Rs.
INCOME			
Sales	14	14010982	20071394
Accretion / (Decretion) to stocks	15	(2598920)	(3322530)
Other Income	16	431469	200828
	Total	11843531	16949692
EXPENDITURE			
Material Cost	17	9300439	9690485
Excise Duty		196655	937999
Personnel Expenditure	18	579451	449006
Other Manufacturing Costs	19	282914	1093407
Administrative and Selling Expenses	20	2125695	4652452
Financial Expenses	21	446373	894853
Depreciation		1058314	1065579
Miscellaneous Expenses Written off		59376	59376
	Total	14049217	18843157
Profit before Taxation		(2205686)	(1893465)
Provision for taxation			
- Current		0	0
- Deferred (+)		353747	343524
Prior period adjustments		318483	(239145)
Net profit / (Loss)		(1533456)	(1789086)
Profit brought forward from previous period		(1228875)	560211
Surplus transferred to Balance Sheet		(2762331)	(1228875)
Accounting policies	22		
Notes to Accounts	23		
per our report attached		On behalf of the Board	

**for SrinivasP.& Associates
Chartered Accountants**

Sd/-
P.Srinivas
Proprietor

Sd/-
LP Sashikumar
Director

Sd/-
P.Indrani Prasad
Director

Place: Secunderabad
Date : 08.08.2005



Newtech Stewing Telecom Limited

SCHEDULES FORMING PART OF THE ACCOUNTS

	As at 31.03.2005 Rs.	As at 31.03.2004 Rs.
1: SHARE CAPITAL		
Authorised:		
60,00,000 Equity Shares of Rs. 10/- each	<u>6000000</u>	<u>6000000</u>
Issued, Subscribed and Paid up:		
1495112 Equity Shares of Rs. 10/- each fully paid up	<u>14951120</u>	<u>14951120</u>
Total	<u>14951120</u>	<u>14951120</u>
2: RESERVES AND SURPLUS		
General Reserve	437117	437117
Capital Reduction	17121280	17121280
Surplus:		
Opening Balance	(1228875)	560211
Add: Deferred Tax Liability(-) / Asset (+)	0	343524
Add: Balance transferred from the Profit and Loss Account	(1533456)	(2132610)
Balance	<u>(2762331)</u>	<u>(1228875)</u>
Total	<u>14796066</u>	<u>16329522</u>
3: SECURED LOANS		
Working Capital Advances:	0	2006627
Cash Credit from State Bank of India		
Total	<u>0</u>	<u>2006627</u>
4: UNSECURED LOANS:		
Unsecured loan from others	0	420000
Total	<u>0</u>	<u>420000</u>

5: FIXED ASSETS	GROSS BLOCK			DEPRECIATION			Amount in Rs.	
	Cost as at 01.04.2004	Additions during the year	As At 31.03.2005	Upto 01.04.2004	For the year	Upto 31.03.2005	As at 31.03.2005	As at 31.03.2004
Furniture & fixtures	374868	-	374868	374868	-	374868	-	-
Office equipments	437649	-	437649	282665	20788	303453	134196	154984
Computers & Software	1884624	-	1884624	817773	305498	1123271	761353	1066851
Vehicles	19010	-	19010	19010	-	19010	-	-
Plant & machinery	15411109	-	15411109	9807464	732028	10539492	4871617	5603645
Total	18127260	-	18127260	11301780	1058314	12360094	5767166	6825480
Previous Year	18127260		18127260	9368946	867255	10236201	7891059	8758314

6: INVESTMENTS- AT COST		
Trade (Quoted, Long-term)		
Goldstone Teleservices Limited		
50000 Nos. Equity Shares of 4/- each, fully paid up	<u>608700</u>	
Less: Sold during the year	<u>608700</u>	
G R Cables Limited		
13,42,857 Nos. of Equity Shares @ 10/- each, fully paid up (Market Value as at 31.03.05 @ Rs. 7.88ps per share - Rs.10581713/-)	9400000	9400000
Bharati Televenture Limited		
3,683 Nos. of Equity Shares of @ 10/- each, fully paid up (Market Value as at 31.03.05 @ 206.85 per share - Rs.761829/-)	165735	165735
Total	<u>9565735</u>	<u>10174435</u>



Newtech Stewing Telecom Limited

SCHEDULES FORMING PART OF THE ACCOUNTS

	As at 31.03.2005 Rs.	As at 31.03.2004 Rs.
7: INVENTORIES		
(As Certified by the Management)		
Components and Packing Materials (at cost)	1219154	5477198
Raw materials (at cost)	0	0
Work-in-process- Sleeves (at cost)	382574	2981494
Total	<u>1601728</u>	<u>8458692</u>
8: SUNDRY DEBTORS		
(Unsecured, considered good)		
a. Debts outstanding for a period exceeding six months	305610	2034223
b. Other Debts	5379614	12057541
Total	<u>5685224</u>	<u>14091764</u>
9: CASH & BANK BALANCES		
Cash on hand	1229	1229
Balances with Scheduled Banks:		
- In Current Accounts	141512	2706462
- In Fixed Deposits against Foreign Letters of Credit and Bank Guarantees	2372221	3089032
Total	<u>2514962</u>	<u>5796723</u>
10: LOANS & ADVANCES		
(Unsecured, considered good)		
Advances recoverable in cash or kind or for value to be received	12676312	1125063
Advances to suppliers	0	0
Advances to Staff	1200	2000
Balance with Govt bodies.	28759	292
Deposits	10000	10000
Advance Tax	0	0
Tax deducted at source	161278	114887
Prepaid Expenses	0	0
Total	<u>12877549</u>	<u>1252242</u>
11: CURRENT LIABILITIES		
Sundry Creditors		
Dues of Small Scale Industrial undertakings	0	1246650
Others	4773129	6653546
Statutory Liabilities	290776	753334
Other liabilities	921952	1664845
Total	<u>5985857</u>	<u>10318375</u>
12: PROVISIONS		
Provision for Taxation	0	0
Proposed Dividend	0	0
Provision for Staff Benefit Scheme:		
For Gratuity	53238	53238
For Earned Leave Encashment	14166	14166
Total	<u>67404</u>	<u>67404</u>
13: MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
Preliminary Expenses	267201	326577
Less: Written off during the year	59376	59376
Total	<u>207825</u>	<u>267201</u>



Newtech Stewing Telecom Limited

SCHEDULES FORMING PART OF THE ACCOUNTS

	For the Year ended 31.03.2005	For the Year ended 31.03.2004
	Rs	Rs
14: SALES		
- Domestic	14010982	20071394
Total	<u>14010982</u>	<u>20071394</u>
15: ACCRETION / (DECRETION) TO STOCKS		
Closing Stock of WIP & Finished Goods	382574	2981494
Less: Opening Stock of WIP & Finished Goods	2981494	6304024
Total	<u>(2598920)</u>	<u>(3322530)</u>
16: OTHER INCOME		
Insurance Claims received	90852	4835
Interest on Fixed Deposits	340617	195993
Total	<u>431469</u>	<u>200828</u>
17: MATERIAL COST		
Opening Stock	5477198	5580256
Purchases:		
- Kit Components	4056469	8171526
- Packing Materials	287415	866280
- Imported Raw materials	693295	549516
Other Purchase costs	5216	105
	<u>10519593</u>	<u>15167683</u>
Less: Closing Stock	1219154	5477198
Total	<u>9300439</u>	<u>9690485</u>
18: PERSONNEL EXPENDITURE		
Salaries, Wages and other Benefits	578754	432909
Staff Welfare	697	16097
Total	<u>579451</u>	<u>449006</u>
19: OTHER MANUFACTURING EXPENSES		
Power and fuel	174337	697346
Consumables	20826	26868
Repairs and Maintenance		
-Plant and Machinery	25798	6258
-Others	7050	200
Testing and Inspection Charges	21179	240400
Job Work Charges	33724	122335
Total	<u>282914</u>	<u>1093407</u>
20: ADMINISTRATIVE AND SELLING EXPENSES		
Electricity	51285	205140
Rent	34155	136620
Legal Fees	25000	2000
Printing and Stationery	11250	485
Tender Expenses	67393	46041
Postage, Telephones and Internet	214168	419975
Insurance	125552	127002
Professional and Consultancy	145071	1170283
Fees, Rates and Taxes	10607	13476
Vehicle Maintenance	133875	615500
Conveyance	20012	248051
Carriage Outward	661781	387456
Sales Tax	204254	775165
Auditors Remuneration	75000	75000
Business Promotion	45608	182434
Miscellaneous Expenses	137027	19403
Liquidated Damages	18772	228421
Price Reduction account	144885	0
Total	<u>2125695</u>	<u>4652452</u>
21: FINANCIAL EXPENSES		
Interest on Working Capital Loan	88544	543115
Bank Charges & Commission	268229	351738
Other Finance Charges	89600	0
Total	<u>446373</u>	<u>894853</u>



Newtech Stewing Telecom Limited

Schedules Forming Part of the Accounts

Schedule 22 : SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation of Financial Statements

The Financial statements have been 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.

Revenue recognition :

1. All incomes and expenditure are accounted on accrual basis
2. Sales are recognized when goods are supplied in accordance with the terms of sale and include Sales Tax.
3. Excise Duty is accounted for on clearance of goods from factory, customs duty on goods kept in bonded warehouses or lying at port is accounted for on clearance

Fixed Assets:

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

Investments:

Investments are classified into current investments and long term investments. Current investments are carried at lower of cost or fair market value. Any deduction in carrying amount and any reversals of such reductions are charged or credited to Profit & Loss account. Long term investments are carried at cost less provisions made to recognize any decline, other than temporary, in the value of such investments.

Inventories:

All inventories are valued at cost or net realizable value whichever is less.

BIFR Creditors

The company has not received any claim during the year from BIFR Creditors. Claims for Rs 12.07 lakhs are to be received from parties. (Previous year Rs 12.07 lakhs)

Sundry Debtors and Loans & Advances:

Debts and advances considered doubtful are written off in the year in which those are considered irrecoverable.

Miscellaneous Expenditure:

One-tenth of the Miscellaneous Expenditure is charged to revenue every year.

Foreign Currency Transactions:

Foreign currency transactions are accounted at the exchange rates prevailing at the date of transaction. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognized in the profit and loss account. Exchange differences relating to fixed assets are adjusted in the cost of the asset.

Government Grants/incentives:

Government grants and subsidies are accounted for on receipt basis. Grants like State investment subsidy as and when received are set off and reduced from the cost of capital asset acquired under the scheme evolved by the government. Incentives like sales tax deferment are accounted for as unsecured loans.

Retirement Benefits

Contributions to defined Schemes such as Provident Fund, Employees State Insurance Scheme and Gratuity are charged on accrual basis. Provision for gratuity and Leave Encashment benefits are made on the assumption that such benefits are payable to all employees at the end of the accounting period.



Newtech Stewing Telecom Limited

Income Tax

Income tax for the year comprises current and deferred tax.

Provision for income tax is made on the basis of estimated taxable income. The Company provides for deferred tax using the liability method, based on the tax effect of timing differences resulting from the recognition of items in the financial statements and in estimating its current income tax provision.

Schedule 23 : Notes to Accounts

1. **Sundry Debtors, Loans and advances and sundry creditors** are subject to confirmation by parties.

2. **Secured Loans**

Cash Credit Account with State Bank of India is secured by hypothecation of stocks of raw materials, stock in process, finished goods, stores and Book debts and further secured by first charge on the fixed assets of the company and by personal guarantee of Mr L.P.Sashikumar and Corporate guarantees of Goldstone Technologies Ltd and Goldstone Teleservices Ltd and Goldstone Exports Ltd

3. **Prior Period Adjustments**

Prior period adjustments of Rs 3,53,747/- shown in the Profit & Loss account is the net amount of the debits and credits pertaining to previous years, which were not provided during those period.

4. **Deferred Tax Liability**

Deferred Tax asset or liability is recognized for timing differences between the profit as per the financial statements and the profit offered for income taxes as per Accounting Standard 22 issued by the Institute of Chartered Accountants of India.

5. **Retirement Benefits**

Provisions for Gratuity and Leave encashment are made in the accounts in respect of employees on the basis of actuarial valuation.

6. Previous Year figures have been regrouped /recast/rearranged wherever necessary .

7. **Contingent Liabilities**

	As at 31.03.05	Rs in lakhs As at 31.03.04
1. Contingent Liabilities:		
Bank Guarantees issued by State Bank of India towards Performance Guarantees on behalf of the Company	51.78	78.34
2. Estimated amount of contracts to be executed on Capital Account and not provided for	0.00	4.75

As per our report of even date

For and on behalf of the Board

For Srinivas P & Associates

Chartered Accountants

Sd/-
P.Srinivas
Proprietor

Sd/-
L.P.Sashikumar
Director

Sd/-
P.Indrani Prasad
Director

Place: Hyderabad

Date:08.08.2005



Newtech Stewing Telecom Limited

SCHEDULE FORMING PART OF THE ACCOUNT

SCH.NO.23 : Additional information required as per para 3 & 4 of Part II

		For the year ended 31.03.2005	For the year ended 31.03.2004
Licensed & Installed Capacities			
Licensed capacity (Nos)			
- Heat Shrinkable Wrap around Sleeves For Telecom Cable Jointing Kits	(Nos)	500000	500000
Installed Capacity (Nos)			
- Heat Shrinkable Wrap around Sleeves For Telecom Cable Jointing Kits	(Nos)	400000	400000
Production			
- Heat Shrinkable Wrap around Sleeves For Telecom Cable Jointing Kits	(Nos)	15731	119020
Purchase of Components & Rawmaterials	Value (Rs.)	5042395	9587427
Production of Cable Jointing Kits	(Nos)	21223	131845
Turnover			
- Sales of kits	(Nos)	21213	131845
Value (Rs.)		5310617	20071394
- Sales of others	Value (Rs.)	8700365	0
		<u>14010982</u>	<u>20071394</u>
Opening & Closing Stocks			
Opening Stock			
- Manufactured Sleeves	(Nos)	6681	19506
Value (Rs.)		370281	1268248
- Work in process	Value (Rs.)	2611214	5035776
- Components & Rawmaterials	Value (Rs.)	5477198	5580256
		<u>8458693</u>	<u>11884280</u>
Closing Stock			
- Manufactured Sleeves	(Nos)	1199	6681
Value (Rs.)		42629	370281
- Work in process	Value (Rs.)	339945	2611214
- Components & Rawmaterials	Value (Rs.)	1219154	5477198
		<u>1601728</u>	<u>8458693</u>
Raw Materials Consumption			
- Hotmelt Adhesive	Kgs	2500	6880
Value (Rs.)		476621	1235574
- Granules	kgs.	2500	5000
Value (Rs.)		191253	370582
-Others	Value (Rs.)	8632565	8084329
		<u>9300439</u>	<u>9690485</u>
Consumption of Imported & Indigenous Materials			
- Imported Materials	Value (Rs)	693295	1427222
	%	7.45	14.73
- Indigenous Materials	Value (Rs)	8607144	8263263
	%	92.55	85.27
- Total	Value (Rs)	<u>9300439</u>	<u>9690485</u>
	%	100	100
Foreign Exchange Transactions			
Value of Imports on CIF Basis			
-Raw materials	Value (Rs)	0	0
Auditors's Remuneration (Rs.)			
Audit Fee		75000	75000



Shree Shree Telecom Private Limited

Directors' Report

To
The Members
Shree Shree Telecom Private Limited

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

Financial Results

Particulars	Rs in Lakhs	
	2004-2005	2003-2004
Net Sales/Income from Operations	-	41.33
Other Income	8.57	0.59
Total Income	8.57	41.92
Operating Profit/Loss (PBIDT)	(19.35)	(24.82)
Interest	0.42	1.26
Depreciation and Write Offs	0.72	1.19
Profit Before Tax	(20.49)	(27.27)
Provision for Tax		
- Current	-	-
- Deferred	0.19	0.52
Profit after Tax	(20.30)	(28.06)
Equity Share Capital	190.00	190.00
Tangible Net Worth	152.78	173.06

Fixed deposits

Your Company has not accepted any Fixed Deposits,

Auditors

The Statutory Auditors M/s. Boppudi & Associates Chartered Accountants, Hyderabad, retire at the conclusion of the ensuing Annual General Meeting and being eligible are recommended for re-appointment. They have furnished a certificate stating that their appointment, if made, will be within the limits laid down under Section 224(1B) of the Companies Act, 1956.

Directors

Mr. P. V. S Sarma, and Ms. Indrani Prasad Directors of the Company retire by rotation at the ensuing annual general meeting and being eligible, offer themselves for reappointment.

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 year ended 31st March 2005, the applicable accounting standards have been followed and there are no material departures there from.
- That the accounting policies have been selected and applied consistently and judgements and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2005 and the profit or loss of the Company for the period ended on that date.
- 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.
- That the accounts for the year ended 31st March 2005 have been prepared on a going concern basis.

Secretarial Compliance Report as per Section 383(A) has been obtained from Puttaparthi Jagannatham & Co., Company Secretaries.

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 1988.

Though the manufacturing process is not power intensive, continuous efforts are made to ensure conservation of energy
Foreign Exchange Earnings and Outgo: NIL
Particulars of Employees as per Section 217(2A)
There are no employees covered under this Section

Acknowledgements

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

For and on behalf of the Board
Place: Secunderabad Sd/-
Date: 8th August 2005 P V S Sarma
Director



Shree Shree Telecom Private Limited

AUDITORS' REPORT

TO
THE MEMBERS OF
SHREE SHREE TELECOM PRIVATE LIMITED:

1. We have audited the attached Balance Sheet of Shree Shree Telecom Private Limited as at 31st March, 2005 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies Auditors' Report Order, 2003, issued by Central Government in terms of section 227 (4A) of the Companies Act, 1956 (the Act) and on the basis of such checks as we considered appropriate and according to the information and explanations given to us during the course of our audit, we set out in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - a) We have obtained all the information and explanations which to the best of our knowledge and

- belief were necessary for the purposes of our audit;
- b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of the books;
 - c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report have been prepared in compliance with the applicable Accounting Standards referred to in Sub-Section (3C) of Section 211 the Act.
 - e) On the basis of written representations received from the Directors as on March 31, 2005 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2005 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts, together with the notes thereon, give the information required by the Act, in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - g) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2005;
In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2005; and
In the case of the Profit and Loss Account, of the Loss for the year ended on that date.

For Boppudi & Associates
Chartered Accountants

Secunderabad.
08.08. 2005.

Sd/-
B. Appa Rao
Partner.



Shree Shree Telecom Private Limited

Annexure to the Auditors' Report

Annexure referred to in paragraph 3 of our report of even date to the members of Shree Shree Telecom Private Limited for the year ended 31st March, 2005.

- (i) a) The Company is maintaining proper records showing full particulars, including quantitative details and situation on fixed assets.
- b) Fixed assets have been physically verified by the management during the year based on a phased programme of verifying all the assets over a period of two years, which in our opinion is reasonable having regard to the size of the Company and the nature of its fixed assets. No material discrepancies were noticed on physical verification.
- c) There was no substantial disposal of fixed assets during the year.
- (ii) a) The management has conducted physical verification of inventory at reasonable intervals.
- b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c) The Company is maintaining proper records of inventory. No material discrepancies were noticed on physical verification.
- (iii) In our opinion, the Company has neither granted nor taken any loans, secured or unsecured from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956. As the Company has not granted/taken any loans, secured or unsecured, to/from parties listed in the registers maintained under Section 301 of the Companies Act, 1956 clauses iii(b), iii(c) and iii(d) of paragraph 4 of the Order, are not applicable.

In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase

of inventory and fixed assets and for the sale of goods. During the course of our audit, no major weakness has been observed in the internal controls.

- a) According to the information and explanations given to us, we are of the opinion, that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- b) The transactions made with each of such parties during the year are below rupees five lakhs.
- (vi) The Company has not accepted any deposits from the public to which the directives issued by the Reserve Bank of India and the provisions of section 58A of the Act and the rules framed there under apply.
- (vii) The Company has engaged the services of a firm of Chartered Accountants for carrying out its internal audit function which in our opinion, is commensurate with the size and nature of its business.
- (viii) We are informed that the Central Government has not prescribed maintenance of cost records under clause (d) of sub section (1) of section 209 of the Act for the products of the company.
 - (a) Undisputed statutory dues including provident fund, investor education and protection fund, or employees' state insurance, income-tax, sales-tax, wealth tax, customs duty, excise duty, cess have generally been regularly deposited by the Company with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty and excise duty were outstanding, at the year end for a period of more than six months from the date they became payable.
 - (b) According to the records of the Company, information and explanations given by the management, there are no dues outstanding on account of sales tax, income tax, customs duty, wealth tax, excise duty and cess on account of any dispute.



Shree Shree Telecom Private Limited

The Company has accumulated losses at the end of the financial year and it has incurred cash losses in the current and immediately preceding financial year.

The Company has not defaulted in repayment of dues to banks. The Company had no transactions with financial institutions and had no debentures outstanding during the year.

The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

- (xiii) The nature of activities of the Company does not attract any special statute applicable to chit fund and nidhi/mutual benefit fund/ societies.
- (xiv) The Company does not deal or trade in shares, securities, debentures and except sale of investments.
- (xv) According to the information and explanations given to us, the Company has not given corporate guarantee to any one.
- (xvi) Based on information and explanations given to us by the management, the company has not obtained any loan from banks or Institutions.

(xvii) According to the information and explanations given to us and on overall examination of the Balance Sheet of the Company as at March 31, 2005 we report that no funds raised on short term basis have been used for long term investment.

(xviii) The Company has not made any preferential allotment of shares during the year.

(xix) The Company did not have any debentures outstanding during the year.

(xx) The Company has not raised any money through a public issue during the year.

(xxi) Based upon the audit procedures performed and information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

Secunderabad.
08.08. 2005.

For Boppudi & Associates
Chartered Accountants

Sd/-
B. Appa Rao
Proprietor.



Goldstone Teleservices Limited

Shree Shree Telecom Private Limited BALANCE SHEET AS AT 31ST MARCH 2005

	Sch. No.	As at 31.03.2005	As at 31.03.2004
		Rs.	Rs.
SOURCES OF FUNDS			
SHAREHOLDERS FUNDS:			
Share Capital	1	19000000	19000000
Reserves and Surplus	2	0	0
Total		19000000	19000000
APPLICATION OF FUNDS			
FIXED ASSETS:			
Gross Block	3	753474	2454697
Less: Depreciation		158639	405788
Net Block		594835	2048909
INVESTMENTS	4	15809257	20260000
CURRENT ASSETS, LOANS & ADVANCES			
Inventories	5	0	534462
Sundry Debtors	6	258981	4130910
Cash and Bank Balance	7	1321333	4887191
Loans and Advances	8	2465166	1127585
Total		4045480	10680148
CURRENT LIABILITIES & PROVISIONS			
Current liabilities	9	4726287	15218774
Provisions	10	0	0
Total		4726287	15218774
Net Current Assets		(680807)	(4538626)
Miscellaneous Expenditure	11	12229	14673
Profit and Loss A/c		(3709934)	(1679274)
Deferred Tax Assets / (Liabilities)		(445448)	(464230)
Total		19000000	19000000
Accounting policies	19		
Notes on Accounts	20		

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2005

	Sch. No.	For the Year ended 31.03.2005	For the Year ended 31.03.2004
		Rs.	Rs.
INCOME			
Sales	12	0	4133059
Other Income	13	857556	58839
Total		857556	4191898
EXPENDITURE			
Material Cost	14	620434	3443803
Excise Duty		0	235737
Personnel Expenditure	15	4889	848339
Other Manufacturing Costs	16	52139	308581
Administrative and Selling Expenses	17	2114711	1837333
Financial Expenses	18	42718	126490
Depreciation		69663	116598
Miscellaneous Expenses Written off		2444	2444
Total		2906998	6919325
Profit / (Loss) before Taxation		(2049442)	(2727427)
Provision for taxation			
- Current		0	0
- Deferred + / (-)		18782	(52275)
Profit / (Loss) after tax for the year		(2030660)	(2779702)
Prior period adjustments (-)		0	26242
Net profit / (Loss)		(2030660)	(2805944)
Profit brought forward from the previous year		(1679274)	1126670
Profit Transferred to Balance Sheet		(3709934)	(1679274)
Accounting policies	19		
Notes on Accounts	20		

per our report attached
for Boppudi & Associates
Chartered Accountants

on behalf of the board

Sd/-
B. Apparao
Partner
Place: Secunderabad
Date: 08.08.2005

Sd/-
Indrani Prasad
Director

Sd/-
P.V.S. Sarma
Director



Shree Shree Telecom Private Limited

SCHEDULES FORMING PART OF THE ACCOUNTS

	As at 31.03.2005 Rs.	As at 31.03.2004 Rs.
1: SHARE CAPITAL		
Authorised:		
1,50,000 Equity Shares of Rs. 10 each	<u>1500000</u>	<u>1500000</u>
Issued, Subscribed and Paid up:		
1,50,000 Equity Shares of Rs. 10/- each fully paid up	<u>1500000</u>	<u>1500000</u>
Share application money received	<u>17500000</u>	<u>17500000</u>
Total	<u><u>19000000</u></u>	<u><u>19000000</u></u>
2: RESERVES AND SURPLUS		
Surplus:		
Opening Balance	(1679274)	1126670
Less: Accumulated Deferred Tax Liability	0	52275
Add : Balance transfer from the Profit and Loss A/c	(2030660)	(2753669)
Balance	<u>(3709934)</u>	<u>(1679274)</u>
Total	<u><u>(3709934)</u></u>	<u><u>(1679274)</u></u>

3 : FIXED ASSETS

Description	GROSS BLOCK			DEPRECIATION				NET BLOCK	
	As on 1.4.2004	Deductions during the year	As on 31.03.2005	Upto 01.04.2004	For the year	Deductions during the year	As on 31.03.2005	As on 31.03.2005	As on 31.03.2004
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Electrical Equipment	89988		89988	14951	4274		19225	70763	75037
Electrical Installation	22853		22853	3798	1086		4884	17969	19055
Plant & Machinery	2223475	1701223	522252	367395	58680	316812	109263	412989	1856080
Lab tools and Equipment	118381		118381	19643	5623		25266	93115	98738
Total	2454697	1701223	753474	405787	69663	316812	158638	594836	2048910
Previous year	2454697	0	2454697	289189	116598	0	405787	2048910	2165508

4: INVESTMENTS

Trade (Quoted,Long-term)

G R Cables Ltd Shares 18,43,333 Nos. @ 10/- each	20260000	
Less: 404613 nos of Shares sold during the year	4450743	
	15809257	20260000
(14,38,720 nos. Market Value as at 31.03.05 @ 7.88ps - Rs.11337114/-)	<u>15809257</u>	<u>20260000</u>

5: INVENTORIES

(As Certified by the Management)

Components and Packing Materials (at cost)	0	534462
Raw materials (at cost)	0	0
Work-in-process- Sleeves (at cost)	0	0
Total	<u><u>0</u></u>	<u><u>534462</u></u>

**Shree Shree Telecom Private Limited****SCHEDULES FORMING PART OF THE ACCOUNTS**

	As at 31.03.2005	As at 31.03.2004
	Rs.	Rs.
6: SUNDRY DEBTORS		
(Unsecured, considered good)		
Debts outstanding for a period exceeding six months	0	0
Other Debts	258981	4130910
Total	<u>258981</u>	<u>4130910</u>
7: CASH & BANK BALANCES		
Balances with Scheduled Banks:		
- In Current Accounts	59225	46574
- In Fixed Deposits against Bank Guarantees	1262108	4840617
Total	<u>1321333</u>	<u>4887191</u>
8: LOANS & ADVANCES		
(Unsecured, considered good)		
Advances recoverable in cash or kind or for value to be received	2067646	943109
Advance to suppliers	0	0
Balance with Govt.bodies	5088	328
Deposits	115000	115000
Advance Tax	277432	69148
Total	<u>2465166</u>	<u>1127585</u>
9: CURRENT LIABILITIES		
Sundry Creditors		
Dues to Small Scale Industrial undertakings	0	254997
Others	0	2982611
Statutory Liabilities	53949	349394
Other liabilities	4672338	11631772
Total	<u>4726287</u>	<u>15218774</u>
10: PROVISIONS		
Provision for Taxation	0	0
Total	<u>0</u>	<u>0</u>
11: MISCELLANEOUS EXPENDITURE		
Preliminary Expenditure	14673	
Less: Written Off During the year	2444	14673
Total	<u>12229</u>	<u>14673</u>



Shree Shree Telecom Private Limited

SCHEDULES FORMING PART OF THE ACCOUNTS

		For the year ended 31.03.2005	For the year ended 31.03.2004
12: SALES		Rs.	Rs.
	- Domestic	0	4133059
	Total	<u>0</u>	<u>4133059</u>
13: OTHER INCOME			
	Interest on Fixed Deposits	857556	58839
	Total	<u>857556</u>	<u>58839</u>
14: MATERIAL COST			
	Opening Stock	534462	553559
	Purchases:		
	- Raw materials	0	477878
	- Kit Components	0	2595164
	- Packing Materials	0	351624
	Other Purchase costs	85972	40
		<u>620434</u>	<u>3978265</u>
	Less: Closing Stock	0	534462
	Total	<u>620434</u>	<u>3443803</u>
15: PERSONNEL EXPENDITURE			
	Salaries, Wages and other Benefits	2035	805202
	Staff Welfare	2854	43137
	Total	<u>4889</u>	<u>848339</u>
16: OTHER MANUFACTURING EXPENSES			
	Power and fuel	43889	202336
	Repairs and Maintenance		
	-Plant and Machinery	0	31406
	-Buildings	0	5079
	-Others	50	50152
	Testing and Inspection Charges	8200	19608
	Total	<u>52139</u>	<u>308581</u>
17: ADMINISTRATIVE AND SELLING EXPENSES			
	Advertisement	0	6088
	Electricity Charges- office	0	44719
	Rent	317400	306833
	Legal Fees	13000	9851
	Printing and Stationery	0	17357
	Tender Expenses	0	33143
	Postage, Telephones and Internet	0	102904
	Insurance	0	14364
	Professional and Consultancy	5112	226378
	Fees, Rates and Taxes	17645	123980
	Gifts and Donations	0	3275
	Vehicle Maintenance	0	126285
	Travelling Expenses	0	119674
	Conveyance	0	86186
	Carriage Outward	279500	54925
	Sales Tax	0	158964
	Auditors Remuneration	20000	20000
	Business Promotion	50	37445
	Office Maintenance	0	22101
	Miscellaneous Expenses	39911	159060
	Security Charges	105704	136874
	Liquidated Damage Charges	0	26927
	Loss on Sale of Asset	784411	0
	Loss on sale of investments	531978	0
	Total	<u>2114711</u>	<u>1837333</u>
18: FINANCIAL EXPENSES			
	Bank Charges	42718	36286
	Bank Commission	0	90204
	Total	<u>42718</u>	<u>126490</u>



Shree Shree Telecom Private Limited

19. SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation of Financial Statements

The Financial statements have been prepared under the historical cost convention in accordance with the generally accepted accounting principles and the provisions of the Companies Act 1956, as adopted consistently by the company.

Revenue recognition :

- i) All incomes and expenditure are accounted on accrual basis
- ii) Sales are recognized when goods are supplied in accordance with the terms of sale and include Sales Tax.
- iii) Excise Duty is accounted for on clearance of goods from factory, customs duty on goods kept in bonded warehouses or lying at port is accounted for on clearance

Fixed Assets:

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

Inventories:

All inventories are valued at cost or net realizable value whichever is less.

Foreign Currency Transactions During the year: Nil

CENVAT CREDIT

Excise duty paid on inputs and capital goods is debited to a separate account. This account is credited as and when CENVAT credit is actually utilised against payment of excise duty on final products. Balance in CENVAT is shown on the assets side of Balance Sheet under current assets.

Miscellaneous Expenditure:

One- tenth of the Miscellaneous Expenditure is charged to revenue every year.

Income Tax

Provision for income tax is not made during the year since there is no taxable income.

20. NOTES FORMING PART OF ACCOUNTS

- 1. Sundry Debtors, Loans and advances and sundry creditors are subject to confirmation by parties.
- 2. All the employees are on deputation from the holding company viz., Goldstone Teleservices Ltd. The employee cost incurred by the holding company was reimbursed and Shown under Salaries and Wages
- 3. Interest earned on the company's fixed deposits against Bank guarantees with scheduled banks is accounted on accrual basis. During the year , the company earned interest of Rs.8,57,556/- (Previous year Rs. 58,839/-) which has been included in the Profit & Loss account
- 4. The accumulated net deferred tax liability as per Accounting Standard 22 arising on account of timing difference as on 31.03.2005 amounting to Rs.18,782/- (Previous year Rs 52,275/-) has been debited to Profit & Loss Account.
- 5. There are no outstanding overdues to SSI undertakings and /or ancillary industrial suppliers on account of principal and/or interest at the close of the year. This disclosure is based on the documents / information available with the company.
- 6. During the year company has not taken the cost of products in closing stock as the products are defective and has no marketable value.
- 7. Previous year figures have been regrouped/ rearranged wherever necessary.
- 8. **Contingent Liabilities**
Bank guarantees issued by bank towards Bid/Performance guarantees Rs.90,935/- (Previous Year Rs 31,24,522-

**As per our report of even date
For Boppudi & Associates
Chartered Accountants**

For and on behalf of the Board

Sd/-
B.Apparao
Partner

Sd/-
P. Indrani Prasad
Director

Sd/-
P.V.S.Sarma
Director

Place: Secunderabad
Date: 08.08.2005

**Shree Shree Telecom Private Limited**

Schedule 20 : Continued

ADDITIONAL INFORMATION REQUIRED AS PER PARA

3 & 4 OF PART II OF SCHEDULE VI TO THE COMPANIES ACT, 1956

	for the year ended 31.03.2005	For the year ended 31.03.2004	
Licensed & Installed Capacities: HS Sleeves	400000	400000	
Production (Nos)			
- Heat Shrinkable Sleeves			
for Telecom Cable Jointing Kits (Nos.)	0	32178	
Purchase of Components & Raw materials Value (Rs.)	85972	3424706	
Production of Cable Jointing Kits (Nos)	0	32192	
Turnover			
- Jointing kits (Nos)	0	32192	
Value (Rs.)	0	4133059	
Opening Stocks			
- Manufactured Sleeves (Nos)	10	24	
Value (Rs.)	424	2382	
- Work in Progress	Value (Rs.)	54436	481656
- Components & Raw materials	Value (Rs.)	479603	69521
Closing Stock			
- Manufactured Sleeves (Nos)	0	10	
Value (Rs.)	0	424	
- Work in Progress	Value (Rs.)	0	54436
- Components & Raw materials	Value (Rs.)	0	479603
	<u>0</u>	<u>534463</u>	
Raw Materials Consumed			
- Hotmelt Adhesive	Kgs	0	3000
Value (Rs.)		0	298224
- Profile	kgs.	1000	2400
Value (Rs.)		84972	179654
- Others	Value (Rs.)	535462	2865925
	<u>620434</u>	<u>3343803</u>	
Consumption of Imported & Indigenous Materials			
- Imported Materials	Value (Rs)	0	0
	%	0.00%	0.00%
- Indigenous Materials	Value (Rs)	84972	3343803
	%	100.00%	100.00%
- Total	Value (Rs)	<u>84972</u>	<u>3343803</u>
	%	100%	100%
Auditors' Remuneration			
Audit Fee	12500	12500	
Taxation Matters	7500	7500	
	<u>20000</u>	<u>20000</u>	



GOLDSTONE TELESERVICES LIMITED

Regd. Off:- 9-1-83 & 84 Amarchand Sharma Complex, S D Road
Secunderabad – 500 003

POST BALLOT FORM

1. Name(s) of Shareholder(s)
including joint holders, if any :
2. Registered Address of the Sole/First
named shareholder:
3. Registered Folio No./DP Id No./Client Id No.
(*applicable to investors holding shares in
demat form)
4. No. of Shares held
5. I/We hereby exercise my/our vote in respect of the resolutions to be passed through postal ballot for the
business by sending my/our assent/dissent to the said resolution passed by placing tick (Ö) mark at the
appropriate box below:

Descirption	I/We ASSENT to the resolution (i.e. Yes)	I/We DISSENT to the resolution (i.e. No)
Alteration of the Objects Clause under Section 17 of the Companies Act, 1956. (Item No. 8 of Notice of 5th AGM)		

Place :

Date :

Signature of the Shareholder

INSTRUCTIONS

1. A Member desiring to exercise his vote by postal ballot should complete this postal ballot form and send it to the Scrutinizer in the attached self-addressed envelope. Postage will be borne and paid by the Company. Envelopes containing postal ballots, if deposited in person or sent by courier at the expense of the shareholder will also be accepted.
2. This form should be completed and signed by the shareholder. In case of joint holding, this form should be completed and signed (as per the specimen signature registered with the Company) by the first named shareholder. Incomplete and unsigned ballot forms will be rejected.
3. Duly Completed postal ballot forms should reach the Scrutinizer not later than the close of working hours on Saturday, the 10th day September 2005. All post ballot forms received after this date will be treated strictly as if reply from such shareholder has not been received.
4. In case of shares held by the Companies, trusts, societies etc; the duly completed postal ballot form should be accompanied with a certified true copy of the Board Resolution
5. Voting rights shall be reckoned on the number of fully paid up equity shares registered in the name of the shareholder on the date of dispatch of notice.
6. Shareholders are requested not to send any other paper along with the postal ballot form as all the envelopes will be sent to the Scrutinizer and any extraneous paper found in such envelope would be destroyed.
7. The results of the Postal Ballot will be declared on Monday 12th day of September 2005 at 4.00 P.M at the meeting of the members of the Company to be held at the Registered Office. The results of the Postal Ballot will also be published in the news papers

