



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Seventh Annual General Meeting of the Company will be held on Friday, the 28th day of September, 2007 at 10.30 A.M. at Plot No. 1 & 9, IDA, Phase II, Cherlapally, Hyderabad - 500 051 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance sheet as at 31st March, 2007 and Profit and Loss Account for the year ended as on that date along with Directors' Report and Auditors' Report thereon.
2. To declare the Dividend on Equity Shares for the year 2006-07.
3. To appoint a Director in place of Mr. S Murali Krishna, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. L.P.Sashikumar, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint Statutory Auditors and to fix their remuneration and for this purpose to consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

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

SPECIAL BUSINESS

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

"RESOLVED THAT subject to the provisions of Section 198, 269, 309, 310, 314 and other applicable provisions, if any, read along with Schedule XIII (as amended) of the Companies Act, 1956 consent of the company be and is hereby accorded for re-appointment of Mr. L.P.Sashikumar as the Managing Director of the company for a period of one year with effect from 1st April, 2007 and the following remuneration paid/ payable to him with effect from 1st April 2007 be and is hereby approved, ratified and he be paid the following remuneration till the same is revised:

1. Salary

Salary in the scale of Rs. 80,000/- (Rupees Eighty Thousand only) per month.

2. Perquisites

Category A

1. Housing : Rent Free Accommodation or House Rent Allowance – Rs.12,000/-per month (Rupees Twelve Thousand only)
2. Other Allowances like Maintenance, Subscription to internet, Professional Development Allowance, Gardener, Servant etc: not exceeding Rs.24,000/- per month. (Rupees Twenty Four Thousand only)
3. Reimbursement upto Rs. 18,000/- (Rupees Eighteen Thousand only) Per month, towards Entertainment, LTA, and Subscription to Professional journals.
4. Medial Expenditure incurred for self and family subject to a ceiling of Rs 16,000/- (Rupees Sixteen Thousand only) per annum

Category B

The Company's contribution towards pension scheme or superannuation fund together with provident fund not exceeding 25% of the salary wherein contribution towards provident fund shall not exceed 12% of the salary. However, for the purpose of calculation of overall ceiling on perquisites, the company's contribution towards provident fund, superannuation fund or annuity fund will not be included to the extent these either singly or put together are not taxable under the Income Tax Act.

Gratuity payable should not exceed half a month's salary for each completed year of service. One month's leave for every eleven months of service on full pay and allowances as per the rules of the company.

Category C

Provision of car for use on Company's business and telephone at residence will not be considered as perquisites. Personal long distance calls on telephone and use of car for private purposes shall be billed by the Company

"RESOLVED FURTHER THAT Ms.Mahita Caddell, Director of the company and/or Ms Anupama, Company Secretary of the Company be and is hereby authorized to file necessary forms with ROC and to certify the resolution."



7. To consider and if thought fit, to pass with or without modification, the following resolution as Special Resolution which is to be considered by the members by way of postal ballot

“RESOLVED THAT pursuant to the provisions of Section 17 and other applicable provisions of the Companies Act, 1956 and subject to such modifications/ alterations, if any suggested by the appropriate authority consent of the company be and is hereby accorded to modify the existing Objects clause III (A) 1 to 4 of the Memorandum of Association of the Company and the same be replaced and substituted by the following new clauses III(A) 1 to 5.”

CLAUSE III(A)

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 and 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 organizations. 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, rectifies reproduced, transmitted or received and ancillary/auxiliary equipment thereof is handled, processed or broadcasted/telecasted.
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, dis-connectors, 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 controls and protection system thereof. To carry on the manufacturing, produce, assemble, fabricate, design, import, export, buy, sell, distribute, repair, service, lease out or otherwise 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.

3. To carry on the business of builders, contractors, erectors, constructions of building, erection, conversion, improvement, design, dismantle, generally develop, survey, examine, operate, reconstruct, modify and to act as civil / architectural / mechanical / electronic engineer, consultant, advisor, administrator, contractor /sub-contractor / turnkey contractor, manager for all types of construction and infrastructure developmental / maintenance / upgradation / renovation / strengthening works such as roadways, railways, bridges, pre-stressed / other RCC works, flyovers, all kinds /types of dams, canals, wharves, harbors, docks, ports, jetties, airports, runways, irrigation works, warehouses, factories, buildings / structures, drainage / sewage works, tunnels, water distribution / filtration systems, houses, apartments, structures or residential offices, industrial, institutional or commercial or developers of co-operative Housing Societies, developers of housing schemes, townships, holiday resorts hotels entertainment parks, power houses / stations, stadiums, drilling and preparing of building sites, constructing, reconstructing, erecting, altering, improving, enlarging, developing, decorating, furnishing and maintaining of structures, flats, houses, factories, shops, offices, garages, warehouses, buildings, works, workshops, hospitals, nursing homes, clinics, godown and the commercial educational purposes for and convenience to purchase for development, investment or for resale of lands, houses, buildings, structures and other properties of any tenure and to acquire, purchase, sell, own, develop or otherwise deal in buildings, materials, plants, equipment, machinery, tools, fittings, accessories or otherwise deal in buildings, material, plants, equipment, machinery, tools, fittings, accessories of whatsoever nature and to do all acts or things as may be necessary for attainment of the forgoing objects.
4. To generate, harness, develop, accumulate, distribute and supply electricity, power supply either by hydro,



thermal, gas, air, diesel oil or through renewable Energy sources such as solar, photo voltaic, windmill and or any other means by setting up thermal power plants by use of liquid, gaseous or solid fuels for the purpose of light, heat, motive power, and for all other purposes for which electric energy can be employed. To transmit, distribute supply and sell such power either directly or through transmission lines and facilities of Central/State Governments or private companies or Electricity Boards to industries and to Central/State Governments, other consumers of electricity including for captive consumption for any industrial projects promoted by this Company or promoter companies. To construct, establish, operate, manage power stations, boiler houses, steam turbines, switch yards, transformer yards, sub-stations, transmission lines, accumulators, workshops and all such works necessary for generating, accumulating, distributing and supply of electricity. To construct, lay down, establish, fix, erect, equip and maintain power generating machinery, and all other types of Plant and Machinery, electrical equipment and cables, Computer and Control equipment, transmission lines, accumulators, fittings and apparatus in the capacity of principals, contractors and to do all acts or things as may be necessary for attainment of the forgoing objects.

5. To carry on the business of mining, purchase, take on lease, or otherwise acquire any mines, mining rights, mining grounds and minerals and any grants, concessions and easements, hereditaments or other property necessary or convenient for the advantageous possession and lands or any interest therein and to quarry mine dress, reduce extract, calcine, smelt, refine, manufacture, process and otherwise acquire, buy, sell, export or otherwise dispose of and deal in all types, qualities and descriptions of ores, metals and minerals, substances and use of the mines or work for the time being owned or worked by the company any interest therein respectively and to search for, get make merchantable and sell and dispose of mining, metal and other ores minerals and substances of the earth whatsoever and to carry on any other metallurgical operations which may seem conducive to any of the company's objects. To carry on in India and elsewhere in the world the business or businesses of surveying, prospecting, drilling and exploring for, acquiring, developing, producing, maintaining, refining, storing, trading, supplying, transporting, marketing, distributing, importing, exporting and generally dealing in minerals and other natural oils, petroleum and all other forms of solid, liquid and gaseous hydrocarbons and other minerals and their products and by-products and all their branches. To sub-contract any work or portion of work or the whole/

part of any contract and to do all acts or things as may be necessary for attainment of the forgoing objects;

"RESOLVED FURTHER that for the purpose of giving effect to the above resolution, the Board of Directors and/or the company secretary of the company be and are hereby severally authorised to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary or expedient and to make necessary applications or file the necessary forms and to make such modifications/ alterations, if any suggested by the appropriate authority in this regard."

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

"RESOLVED THAT pursuant to the provisions of section 21 and other applicable provisions if any, of the Companies Act, 1956 and subject to the approval of concerned statutory authorities, consent of the company be and is hereby accorded for changing the name of the Company from "GOLDSTONE TELESERVICES LIMITED" to "GOLDSTONE INFRATECH LIMITED" or such other name as may be made available and acceptable to the company by the Statutory Authorities and that the name of the company shall be changed with effect from the date of issue of certificate of incorporation by the Registrar of Companies, Andhra Pradesh in that behalf.

"FURTHER RESOLVED THAT the name "GOLDSTONE TELESERVICES LIMITED" wherever appears in the Memorandum of Association and Articles of Association of the Company be substituted by "GOLDSTONE INFRATECH LIMITED" or such other name as may be made available to the company".

"FURTHER RESOLVED that the Mr.L.P.Sashikumar, Managing Director or any Director and/or the Company Secretary of the company be and is hereby authorised to do all the necessary things and deeds as may be required for giving effect to the above resolution and for filing necessary forms / applications to statutory authorities, and for effecting the change of name wherever required.

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

"RESOLVED THAT pursuant to the provisions of Section 81(1A), and all other applicable provisions, if any, of the Companies Act 1956, the Memorandum and Articles of Association of the Company, Securities Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 (including any



statutory modification or reenactment thereof) and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, the consent of the company be and is hereby accorded to create, offer, issue and allot at any time to or to the benefit of such person(s) of the Company, whether present or future employees, who are in permanent employment, including any Directors whether in whole time or otherwise, options exercisable into shares or securities convertible into equity shares of Rs.4/- each not exceeding 5% of the enhanced paid up equity share capital (including and after considering the convertible equity shares warrants issued / allotted and not yet been converted into equity shares) equity shares of the Company under Employee Stock Option Plan - 2007 ("ESOP 2007"), in one or more tranches, and on such terms and conditions as may be fixed or determined by the Board in accordance with the provisions of the law or guidelines issued by the relevant Authority, to the employees and Directors of the company and/or to such other persons, as may from time to time be allowed under prevailing laws, rules and regulations, and/or amendments thereto from time to time on such terms and conditions as may be decided by the Board.

"RESOLVED FURTHER THAT the Board be and is hereby authorised to issue and allot Equity shares upon exercise of options from time to time in accordance with the employee stock option scheme and such Equity shares shall rank pari passu in all respects with the then existing Equity Shares of the Company."

"RESOLVED FURTHER THAT in case of any corporate action(s) such as rights issues, bonus issues, merger and sale of division and others, if any additional equity shares are issued by the Company to the Option Grantees for the purpose of making a fair and reasonable adjustment to the options granted earlier, the above ceiling of equity shares shall be deemed to be increased to the extent of such additional equity shares issued."

"RESOLVED FURTHER THAT in case the equity shares of the Company are either sub-divided or consolidated, then the number of shares to be allotted and the price of acquisition of the shares by the aforesaid option grantees under the schemes shall automatically stand augmented or reduced, as the case may be, in the same proportion as the present face value of Rs.4/- per equity share bears to the revised face value of the equity shares of the Company after such sub-division or consolidation, without affecting any other rights or obligations of the said allottees."

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

"RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of the powers herein conferred to any committee of the Directors of the Company to give effect to the resolution."

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

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

"RESOLVED THAT pursuant to the provisions of Section 81(1A), and all other applicable provisions, of the Companies Act 1956, the provisions contained in the Securities Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 ("the Guidelines") (including any statutory amendment, modification or re-enactment to the Act for the time being in force) and the Articles of Association of the Company and subject to such approvals, permissions, sanctions and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, approval and consent of the company be and is hereby accorded to extend the benefit of said Employee Stock Option Plan - 2007 ("ESOP 2007") to the employees and Directors of the Holding or Subsidiary Companies and/or to such other persons, as may from time to time be allowed under prevailing laws, rules and regulations, and/or amendments thereto from time to time on such terms and conditions as may be decided of the Board.

"RESOLVED FURTHER THAT the Board be and is hereby authorised to issue and allot Equity shares upon exercise of options from time to time in accordance with the employee stock option scheme and such Equity shares shall rank pari passu in all respects with the then existing Equity Shares of the Company."



“RESOLVED FURTHER THAT in case of any corporate action (s) such as rights issues, bonus issues, merger and sale of division and others, if any additional equity shares are issued by the Company to the Option Grantees for the purpose of making a fair and reasonable adjustment to the options granted earlier, the above ceiling of equity shares shall be deemed to be increased to the extent of such additional equity shares issued.”

“RESOLVED FURTHER THAT in case the equity shares of the Company are either sub-divided or consolidated, then the number of shares to be allotted and the price of acquisition of the shares by the aforesaid option grantees under the schemes shall automatically stand augmented or reduced, as the case may be, in the same proportion as the present face value of Rs.4/- per equity share bears to the revised face value of the equity shares of the Company after such sub-division or consolidation, without affecting any other rights or obligations of the said allottees.”

“RESOLVED FURTHER THAT the Board be and is hereby authorised to take necessary steps for listing of the securities/shares allotted under the Employees Stock Option Scheme on the Stock Exchanges where the

Company’s shares are listed as per the terms and conditions of Listing Agreement with the concerned stock exchanges and other applicable guidelines, rules and regulations;’

“RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of the powers herein conferred to any committee of the Directors of the Company to give effect to the resolution”

“RESOLVED FURTHER THAT for the purpose of giving effect to the above, the Board be and is hereby authorised to do all such acts and deeds necessary or expedient to formulate or amend or adopt any modification or redefine the proposal or scheme or plan of Employee Stock Option Scheme based on the guidelines issued by the Securities Exchange Board of India or any statutory authority from time to time.”

For and on behalf of the Company

Sd/-
L P Sashikumar
Managing Director

Place: Secunderabad
Date: 28th July 2007

NOTES

- a. The Explanatory Statement relating to Special Business of the Meeting is annexed to this Notice as required by Section 173 of the Companies Act, 1956.
- b. A Member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and proxy need not be a member of the Company. The Proxy in order to be effective, must be deposited at the Registered Office not less than 48 hours before the meeting.
- c. The Register of Members and Share Transfer Books of the Company shall remain closed from 22nd September 2007 to 28th September 2007 (both days inclusive) for the purpose of Annual General Meeting.
- d.
 - i) Members holding shares in physical form are advised to submit the Bank mandate particulars of their bank account viz., name and address of the branch of the bank, 9 digit MICR code of the branch, type of account and account number latest by 22nd September, 2007 to the Company’s Registrar and Transfer Agent at Aarathi Consultants Limited, 1-2-285, Domalguda, Hyderabad - 500 029.
 - ii) Members holding shares in demat form are advised to inform the particulars of their bank account to their respective depository participants.
- e. 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.
- f. Members/Proxies are requested to deposit the enclosed Attendance Slip duly filled in and signed for attending the meeting.
- g. Alteration of Objects Clause under item No.7 is being sought through postal ballot. It may be noted that the ASSENT / DISSENT of Shareholders is to be given by Postal Ballot, which is enclosed together with self-addressed prepaid envelope. Postal Ballot papers duly filled in must be sent to Mr.N.V.S.Suryanarayana, Practicing Secretary who has been appointed as Scrutinizer, in the self-addressed prepaid envelope so as to reach us on or before 24th September 2007 before closure of the working hours. Ballot forms received after this date will be treated as if reply from such shareholders has not been received. The results of the Postal Ballot would be announced by the Chairman in the Annual General Meeting.
- h. Members holding shares in physical form are requested to notify, immediately, any change in their address to the Company at 9-1-83&84, Amarchand Sharma Complex, S.D. Road, Secunderabad – 500 003.



Members holding shares in electronic form should update such details with their respective Depository Participants.

- i. All the documents to in the above notice and accompanying Explanatory Statement are open for inspection at the Registered Office of the Company on all working days (except Sundays and Public Holidays) between 10.00 A.M. and 1.00 P.M. up to the date of the Annual General Meeting.
- j. Members are requested to bring their copy of the Annual Report to the meeting.

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

Mr. S Murali Krishna

Mr. S Murali Krishna aged 38 years is a MBA from Bangalore University. He has over 12 years of experience in Business. He is also a Director of Shree Shree Telecom Private Limited, Newtech Stewing Telecom Limited and GEL Infrastructure Limited.

Mr. L P Sashikumar

Mr. L P Sashikumar aged 57 is BS Graduate from the Union University, USA and has 27 years of experience in industry and business. He is a Director of Newtech Stewing Telecom Limited and Goldstone Granites Private Limited.

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

Item No. 6

Mr. L P Sashikumar was re-appointed as Managing Director of the Company by the shareholder in the previous Annual General Meeting held on 28th September 2006 for a period of one year with effect from 1st April 2006. He has been re-appointed by the Remuneration Committee and Board of Directors in their respective Meetings held on 28th March 2007 and 30th April 2007. The remuneration is within the limits prescribed under Section 309 and Schedule XIII of the Companies Act, 1956. Approval of the Shareholders is required in the Annual General Meeting for his re-appointment as Managing Director and for fixing the remuneration.

This together with terms and conditions of appointment as mentioned in the notice of Annual General Meeting may be treated as an abstract in terms of Section 302 of the Companies Act, 1956.

Your directors recommend the resolution for your approval.

Except Mr.L.P.Sashikumar, none of the Directors of the Company is in any way concerned or interested in this resolution.

Item No. 7

The Company is at Present engaged in providing Technology driven Power Cable Accessories to Power Projects, Pipeline protection solutions to Oil and Gas Companies, Telecom jointing kits to Telecommunication Companies, which are primarily considered as infrastructure companies and the company is dealing in the products of the above said industries utilizing the technology available with the company. Further the company intends to take up new business activities like Real estate townships and infrastructure facilities in power sector.

The Company is confident that the proposed diversification plans would be in the best interests of the Company for achieving multi-fold growth in turnover and profitability. As the present objects of the company do not support the company's activities in the above areas, it is proposed to amend the objects clause of the company and to insert the said objects.

This item requires the members approval by following Postal Ballot Procedure, for which relevant postal ballot papers are enclosed.

Your directors recommend the resolution for your approval.

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

Item No. 8

Keeping in view of the proposed new business activities as mentioned item no.7 above, it is proposed to change the name to reflect the current business activities and the new business activities the company intends to venture.

The company has made an application with the Registrar of Companies for checking the availability of the name "GOLDSTONE INFRATECH LIMITED" which is awaited for approval.

Your directors recommend the resolution for your approval.

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

Item No. 9 & 10

The human resource plays a vital role in the growth and success of an organisation the Board has identified the need to reward the employees and to enable them to participate in the future growth and financial success of the Company, has proposed to offer the employees an option to acquire



the equity shares of the Company under Employee Stock Option Scheme (ESOS)

The salient features of the ESOS are set out below:

1. Total number of options to be granted

A total of 5% of the options on enhanced paid up capital (including and after considering the convertible equity share warrants issued/ allotted and not yet been converted) would be available for being granted to eligible employees of the Company under ESOP 2007. Each option (after it is vested) will be exercisable for one Equity share of Rs.4/- each fully paid-up.

Vested options that lapse due to non-exercise or unvested options that get cancelled due to resignation of the employees or otherwise would be available for being re-granted at a future date

SEBI guidelines require that in case of any corporate action (s) such as rights issues, bonus issues, merger and sale of division and others, a fair and reasonable adjustment needs to be made to the options granted. Accordingly, if any additional equity shares are issued by the Company to the Option Grantees, for making such fair and reasonable adjustment, the ceiling of 5% equity shares shall be deemed to be increased to the extent of such additional equity shares issued.

2. Identification of classes of employees entitled to participate in the employee stock option schemes

All permanent employees of the company and subsidiary companies including such eligible Directors as may be decided by the Compensation Committee, from time to time, would be entitled to participate in the employee stock option schemes.

Employees may be granted Stock Options based on performance and such other criteria as the Compensation Committee may, in its absolute discretion decide. The options granted to an employee will not be transferable to any person and shall not be pledged, hypothecated, mortgaged or otherwise alienated in any manner.

3. Requirements of vesting and period of vesting

The Options granted shall vest so long as the employee continues to be in the employment of the Company. Vesting of the options shall take place over a maximum period of 3 years with a minimum vesting period of 1 year from the date of grant as per the schedule given below:

Sl No.	Vesting Period	% of Option Vested
1.	12 months from the date of Grant	15%
2.	18 months from the date of Grant	15%
3.	24 months from the date of Grant	20%
4.	30 months from the date of Grant	20%
5.	36 months from the date of Grant	30%

4. Exercise Price

The exercise price for the grant of options shall be computed (a) either at a discount of up to 75% on the average closing prices for the company equity shares quoted on the Stock Exchanges having the maximum volume of transactions during the two weeks preceding the date of the grant or (b) at a discount of up to 75% of closing prices on the date of grant for the company equity shares quoted on the stock exchanges or such other price as may required to be calculated in accordance of Securities Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 (including any statutory modification or re-enactment thereof).

5. Exercise Period and the process of Exercise

The Exercise period would commence from the date of vesting and will expire on completion of five years from the date of vesting of options.

The options will be exercisable by the Employees by a written application to the Company to exercise the options in such manner, and on execution of such documents, as may be prescribed by the Compensation Committee from time to time. The options will lapse if not exercised within the specified exercise period.

6. Appraisal Process for determining the eligibility of the employees to ESOP

The appraisal process for determining the eligibility of the employee will be specified by the Compensation Committee, and will be based on criteria such as seniority of employee, length of service, past performance record, merit of the employee, future potential contribution by the employee and/ or such other criteria that may be determined by the Compensation Committee at its sole discretion.

7. Maximum number of options to be issued per employee and in aggregate

The number of options that may be granted to any specific employee under the Scheme shall not exceed 1% of the issued capital or one lakh, whichever is less (excluding outstanding warrants and conversions) of the Company at the time of grant of options.



8. Disclosure and Accounting Policies

The company shall comply the disclosure and accounting policies specified in the SEBI (Employees stock Option Scheme and Employees Stock Purchase Scheme) Guidelines 1999 (including any statutory modification or reenactment thereof).

9. Method of option valuation

To calculate the employee compensation cost, the Company shall use the Fair Value method for valuation of the options granted.

In case the Company calculates the employee compensation cost using the Intrinsic Value of the stock options, the difference between the employee compensation cost so computed and the cost that shall have been recognized if it had used the fair value of the options, shall be disclosed in the Directors' Report and also the impact of this difference on profits and on EPS of the Company shall also be disclosed in the Directors' Report.

As the employee stock option schemes provide for issue of shares to be offered to persons other than existing shareholders of the company, consent of the members is sought pursuant to Section 81(1A) and all other applicable provisions, if any, of the Act and as per clause 6 of the SEBI Guidelines.

Your Directors recommend the resolution as Special Resolution for your approval.

None of the Directors of the company is in any way concerned or interested in the passing of the resolution except to the extent of any options, which may be granted to them pursuant to the plan.

For and on behalf of the Board

Sd/-
L P Sashikumar
Managing Director

Place: Secunderabad
Date: 28th July, 2007



DIRECTORS' REPORT

To
The Members
Goldstone Teleservices Limited

Your Directors have pleasure in presenting the Seventh Annual Report of your company with the Audited Accounts for the financial year ended on 31st March, 2007.

Financial Results

	(Rs in Lakhs)	
	2006-07	2005-06
Net Sales/Income from operations	2,676.91	2,958.60
Other Income	77.62	724.24
Total Income	2,754.53	3,682.84
Total Expenditure	1,990.77	2,424.26
Operating Profit	763.76	1,258.58
Interest	146.33	155.59
Depreciation and Write Offs	252.35	252.62
Profit Before Tax	365.08	850.37
Provision for Tax		
- Current	90.00	125.00
- Deferred	6.23	58.46
- Fringe Benefit	5.66	7.12
Profit After Tax	263.19	659.79
Extra-Ordinary Items		
- Prior Period Adjustments	28.36	0.20
Net Profit	291.54	659.99
Equity Share Capital (2,10,23,305 Shares of Rs. 4/- each)	840.93	840.93
EPS (After Prior Period Items)	1.39	3.14
Networth	4,421.43	4,222.37
Book Value (face value Rs. 4/-)	21.50	20.08

Review

The Directors are pleased to state that during the year under review the Company achieved a turnover of Rs. 2,754.53

lakhs compared to Rs. 3,682.84 lakhs in the previous financial year. Net Profit after tax stood at Rs. 263.19 lakhs as against of Rs. 659.79 lakhs in the previous financial year.

Transfer to Reserves

The Board has transferred a sum of Rs.29.15 Lakhs to the General Reserve from the undistributed profits in accordance with the Companies (Transfer of Profits to Reserves) Rules, 1975.

Dividend

Your Directors are happy to recommend a dividend of 10% i.e., Re.0.40 per equity share of Rs.4/- each for fully paid-up for the year ended 31st March, 2007. The payment of dividend if approved by the shareholders at the ensuing Annual General Meeting will entail an outflow of Rs. 84.09 lakhs.

Fixed deposits

The Company has not accepted any Fixed Deposits, falling with in 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 (SSTPL) with 100% Shareholding. The brief financial results of the subsidiaries are given hereunder.

Newtech Stewing Telecom Limited

NSTL posted a total income of Rs.253.76 Lakhs as against Rs. 329.03 Lakhs for the previous year i.e., 2005-06. NSTL posted a Net Loss of Rs. 8.57 Lakhs as against Net Profit of Rs. 8.24 Lakhs for the previous year i.e., 2005-06.

Combined Results (Rs. In Lakhs)

Particulars	GTSL		NSTL		SSTPL		Consolidated	
	12 Months 06-07	12 Months 05-06	12 Months 06-07	12 Months 05-06	12 Months 06-07	12 Months 05-06	12 Months 06-07	12 Months 05-06
Sales	2676.91	2958.60	250.25	308.95	0	0.00	2927.16	3267.55
Other Income	77.62	724.24	3.51	20.08	0	0.36	81.13	744.68
Total	2754.52	3682.84	253.76	329.03	0	0.36	3008.28	4012.23
PBIDT	763.75	1258.58	23.23	40.87	(3.14)	(19.56)	783.84	1279.89
PBT	365.07	850.37	1.39	19.58	(3.52)	(20.37)	362.94	849.58



Shree Shree Telecom Private Limited

As there were no operations during the year in SSTPL, no revenue is generated as against Rs. 0.36 Lakhs for the previous year 2005-06. The Net Loss of Rs. 3.91 Lakhs as against Net Loss of Rs. 20.20 Lakhs for the previous year 2005-06.

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

Management Discussion and Analysis

Management Discussion and Analysis for the year under review as required under clause 49 of the listing agreement entered with Stock Exchanges is given as a separate statement in the Annual Report.

Auditors

M/s P Murali & Co; Chartered Accountants, Hyderabad the Statutory Auditors retires at the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. They have furnished a certificate stating that their re-appointment, if made, will be within the limits laid down under Section 224 (1B) of the Companies Act, 1956. Its accordingly proposed to appoint M/s. P Murali & Co., as statutory auditors of the Company for the year 2007-08.

Directors

Mr. L P Sashikumar and Mr. S Murali Krishna Director(s) retire by rotation and being eligible offer themselves for re-appointment.

Stock Exchange Listing

The Equity Shares of the Company are listed on National Stock Exchange of India Limited (NSE), Bombay Stock Exchange Limited (BSE), Hyderabad Stock Exchange Limited (HSE), Madras Stock Exchange Limited (MSE), Delhi Stock Exchange Association Limited (DSE) and Ahmedabad Stock Exchange Limited (ASE). The Company confirms that it has paid Annual Listing Fees due to all the above Stock Exchanges for the year 2007-08.

Director's Responsibility Statement

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

- (a) That in the preparation of the Accounts for the financial year ended as on 31st March, 2007, the applicable accounting standards have been followed and there are no material departures there from.
- (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, 2007 and of the profit or loss of the Company for the period ended on that date.

- (c) That proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (d) That the accounts for the financial year ended 31st March, 2007 have been prepared on a going concern basis.

Corporate Governance

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

Balance Sheet Abstract and Company's General Business Profile

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

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

Information required to be furnished as per the Companies (Disclosure of particulars in the Directors' Report) Rules 1998 is furnished below :

1. 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 study of the measures already implemented..

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.



d) Consumption of energy Particulars
Power and Fuel Consumption

Electricity	2006-07	2005-06
a. Purchased		
Units – KWH	8,47,666	7,88,547
Total Amount – in Rs.	36,86,362	33,75,012
Rate/Unit – in Rs.	4.35	4.28
b. Own Generation		
Through diesel generator		
Units-KWH	79,350	36,388
Total Amount – in Rs.	8,04,670	3,45,760
Rate/Unit – in Rs.	10.14	9.50

2. Technology Absorption Research & Development

(a) Specific Areas in which R&D carried out by the Company

The company has taken up Research and Development in Polymer Insulator division. Research activity has been focused on backward integration to reduce dependence on imports, to reduce process and material costs and to develop insulators for specific customer requirements.

(b) Benefits derived as results of the above R&D

- Commercial production of high voltage insulators
- Modification of existing manufacturing process and significant savings in cost of production.
- Research focused on the development of new product as mentioned above will reduce the dependents on imports and save foreign exchange.

(c) Future Plan of Action

- Commercialisation of new products for which the products are under trials at development stage. Few new products have been identified after a thorough study of the market and the processes to manufacture these products will be developed in R & D Lab.
- Development of analytical methods for the new products and method validations.

(d) Expenditure on Scientific Research & Developments is Rs. 85.14 lakhs in 2006-07 as against Rs. 432.71 lakhs in 2005-06.

3. Foreign Exchange Earnings & Outgo

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

(Rs.in Lakhs)

Particulars	2006-07	2005-06
(a) Value of Imports on CIF basis		
➤ Raw Materials	197.93	244.36
➤ Capital goods	21.15	71.29
➤ Tools & Spares	0.00	0.00
(b) Expenditure in Foreign currency		
➤ Traveling Expenses	20.53	9.47
(c) Earnings in Foreign Currency (on receipt basis)		
➤ Export of Goods (FOB Basis)	3.02	4.25

Particulars of Employees

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

Acknowledgements

Your directors convey their sincere thanks to Syndicte Bank, Banjara Hills, UCO Bank Abids Circle and Syndicate Bank S D Road, for their support and assistance.

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

For and on behalf of the Board

Sd/-
Mr. L P Sashikumar
Managing Director

Place: Secunderabad
Date: 28th July, 2007



MANAGEMENT DISCUSSION ANALYSIS AND BUSINESS OUTLOOK

Our Company's products are used widely in Power Sector, Indian Railways, Telecommunications, Oil and Gas Pipeline Sectors and the management is now focusing more on manufacturing of polymer insulators and proposing to venture into Real Estate activities. The power sector is recognised as one of the most important infrastructure sectors in the economic survey published by the Government of India. The electricity transmission and distribution, along with water supply and sanitation have been acknowledged as one of the most important necessities for unshackling high and sustained growth. The annual capacity addition by the end of the 11th plan would be 12,000 MW. The Ministry of Power will facilitate private participation in transmission projects.

Telecom Division

As expected, the demand for cable jointing kits has come down and this division has achieved a turnover of Rs. 499.89 lakhs during the year 2006-07 against a turnover of Rs. 1363.42 lakhs during the previous year.

Insulators Division

The company has been a pioneer in introducing polymer insulators in the country. Insulator division operations accounted for 82.01 per cent of total revenues in 2006-07, compared to 39.60 per cent a year earlier. During 2006-07, the company has started commercial production of High Voltage Composite Insulators ranging from 66 kV to 400 kV and the products have been widely accepted in niche market. Revenues from this division has increased by 102% - from Rs.1223.32 lakhs in 2005-06 to Rs. 2468.64 lakhs in 2006-07. The division is expected to record similar growth in the current financial year also.

BPO Division

The IT/ITES business has become highly competitive. The company has reduced its dependence and exposure in this business significantly.

Internal Control System

The internal audit and other internal controls and internal checks implemented in the Company are adequate and 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

During the year the Company has achieved a turnover of Rs. 3008.66 lakhs in 2006-07 as against Rs. 3089.44 lakhs in 2005-06. However the revenues from core activities related to manufacturing have increased from Rs.2586.73 lakhs in 2005-06 to Rs. 2968.53 lakhs in 2006-07. The decrease is mainly on account of decreased performance in BPO and Telecom division.

Material and Manufacturing costs decreased from Rs.1624.01 lakhs in 2005-06 to Rs.1423.08 lacs in 2006-07. As a percentage of total income, material and manufacturing costs decreased from 55% to 53% and had a lower material cost ratio than Company's average.

Personnel costs decreased from Rs.269.13 lacs in 2005-06 to Rs.215.26 lacs in 2006-07. This was due to decrease in operations in BPO Division and Joint Kits Division.

Similarly Operating and Other expenses decreased from Rs.531.12 lacs in 2005-06 to Rs. 331.06 lakhss in 2006-07. This was due to decrease in operations in BPO Division and Joint Kits Division.

Financial Expenses for 2006-07 have decreased marginally to Rs.146.33 lacs compared to Rs.155.60 lakhs despite increase in market interest rates.

The increase in depreciation charge during the year was on account of additions of fixed assets to the gross block during the year.

Provision for Income Tax (inclusive of Fringe Benefit Tax) for 2006-07, amounts to Rs.101.89 lacs versus an expense of Rs.190.58 lacs.

During the year Fixed Assets worth Rs.212.67 Lakhs have been added mainly in insulator division. Increase in the value of inventories as at 31st March, 2007 has been on account of increased product range in Insulator Division.

Human Resource Development and Industrial Relations

The Industrial Relations during the year has been good and satisfactory. The Company enabling the employees to upgrade their skills and cope up with prevailing technological advancements including multi skilling conducted training programs regularly.

As on 31st March 2007 the Company has a total strength of 138 employees.

Outlook for the year 2007-08

The Composite Insulators manufactured by our Company are well established in the market and on realizing the inherent advantages/benefits of Composite Insulators over the



traditional Ceramic Insulators; the company expect to achieve more than 100 per cent growth in this year also.

The company is planning to start production of heat shrinkable sleeves for oil and gas pipeline joints.

Telephone Cable Jointing Kits is expected to be at the same level. However, share of this division in total revenues is expected to come down to less than 10% because of substantial growth in other segments.

Over the last decade the seeds of economic liberalisation sowed in the year 1990's have begun to yield fruits. The Indian economy has been on the ascent with the various segments recording unprecedented growth rates. This has resulted in significantly higher disposable incomes among the Indian populace which creates greater demand for housing as well as commercial properties across India. The Company is embarking into real estate activities.

Higher turnovers coupled with implementation of various cost control measures would result in better profitability for the company during the current financial year.

Cautionary Statements

Statements in the Managing Discussion 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 statues and other incidental factors.

**CORPORATE GOVERNANCE REPORT****1. Company's Philosophy on Code of Governance**

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

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

Board of Directors

The Board of Directors of the Company consists of 4 directors out of which one Director is a Executive Director and three Directors are Non-Executive. Two of them are Independent Directors and two Non-independent Directors. The Managing Director of the Company Mr. L P Sashikumar is a Non-Executive and Independent Director.

Nine Board Meetings were held during the financial year 2006-2007 on the following dates:

29th April 2006, 29th July 2006, 21st August 2006, 30th August 2006, 19th September 2006, 30th October 2006, 11th January 2007, 25th January 2007, 15th February 2007.

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

Name of the Director	Designation	Number of Board Meetings held	Number of Board Meetings Attended	Number of committee positions held in other Companies	Directorships in other Companies	At Last AGM (Yes/No)
Mr. L P Sashikumar	Managing Director	9	9	-	2	Yes
Dr. M V S R Kamesam	Director	9	9	-	3	Yes
Mr. S Murali Krishna	Director	9	1	-	3	No
Mrs. Mahita Caddell	Director	9	2	-	3	No

Audit Committee

As on 31st March 2007, the Audit Committee Comprised of Dr M V S R Kamesam, Chairman, Mr. L P Sashikumar, and Mr. S Murali Krishna as its Members. The role, terms of reference and authority and powers of the Audit Committee are in conformity with the requirements of the Companies Act, 1956 and provisions made in paragraph C and D in sub-clause II of Clause 49 of the listing agreement. The Committee had met 5 times.

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

Sl. No	Name of the Director	Position held in the Committee	No of Meetings attended	Meeting held on
1	Dr. M V S R Kamesam	Chairman	5	29th April, 2006 29th July, 2006
2	Mr. L P Sashikumar	Member	5	21st August, 2006
3	Mr. S Murali Krishna	Member	1	30th October, 2006 25th January, 2007

Remuneration/Compensation Committee

As on 31st March 2007, the Remuneration Committee Comprised of Dr. M.V.S.R. Kamesam, Chairman, Mr. L P Sashikumar and Mrs. Mahita Caddell as its Members. 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 2006-07 the remuneration committee meeting was held on 28th March 2007.



The aggregate Salary, perquisites paid to Mr. L P Sashikumar, Managing Director for the period from 1st April 2006 to 31st March 2007 is Rs.13.20 lakhs.

Shareholders / Investors Grievance Committee

As on 31st March, 2007, the Shareholders/Investors Grievance Committee Comprised of Mr. L P Sashikumar, Chairman, Mr. S Murali Krishna, and Mrs. Mahita Caddell as its Members. Number of Investor Queries/Complaints received during the year 2006-07 were as follows :

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

As on 31st March 2007, 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	Rematerialisation of Shares	Total
9	21950	15000	3400	40350

General Body Meetings

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

Year	No. of Meeting	Date of Annual General Meeting held	Time
2005-06	6 th	28 th September, 2006	4.00 PM
2004-05	5 th	12 th September, 2005	10.30 AM
2003-04	4 th	30 th September, 2004	11.30 AM

No postal ballots have been conducted during the years 2003-04 and 2005-06.

At the forthcoming AGM agenda, the proposal for amendment of objects clause of the Memorandum of Association of the company needs approval of members by following postal ballot process.

Disclosures

A) Disclosures On Materially Significant Related Party Transactions

The Company does not have any related party transactions, which may have potential conflict with the interest of the Company. Other related party transactions have been reported at item No. 7 of Notes to Accounts. The Register of Contracts containing transactions, in which Directors are interested, is being placed before the Board regularly.

B) Cases of Non-Compliances / Penalties:

There has been no instance of non-compliance by the Company on any matter related to capital markets. Hence, the question of penalties or strictures being imposed by SEBI or the Stock Exchanges does not arise.

Means of Communication

The company publishes its Quarterly results in Economic Times/Business Standard (English), Eenadu/Andhra Bhoomi (Telugu). These results are submitted to the stock exchanges in accordance with the Listing Agreements and they are also being filed with the Stock Exchanges under EDIFAR facility.

**GENERAL SHAREHOLDERS' INFORMATION****1. General Shareholders Information**

The Seventh Annual General Meeting of the Company will be held on Friday the 28th day of September 2007 at 10.30 AM at Plot No 1 & 9 Phase II, IDA Cherlapally, Hyderabad- 500051.

2. Dates of Book Closure: 22nd September to 28th September 2007**3. Financial Calender 2007-08 (Tentative)**

Financial Reporting for the first quarter ending 30th June, 2007: last week of July, 2007.

Financial Reporting for the second quarter/half year ending 30th September, 2007: last week of October, 2007.

Financial Reporting for the third quarter/nine months ending 31st December, 2007: last week of January, 2008.

Financial Reporting for the fourth quarter/year ending 31st March, 2008: last week of April/July, 2008.

3. Stock Exchanges where the shares of the Company are Listed

National Stock Exchange of India Limited,
Exchange Plaza, 5th Floor, Plot No. C/1 G
Block Bandra Kurla Complex Bandra East,
Mumbai – 400 051.

Bombay Stock Exchange Ltd.,
P J Towers
Dalal Street, Mumbai – 400 001.

Hyderabad Stock Exchange Limited
Adm Office 6-3-654, Adj to Erramanzil Bus Stop,
Somajiguda, Hyderabad - 82

Ahmedabad Stock Exchange Ltd.,
Kamadhenu Complex,
Opp Sahajanand College
Panjarapole, Ahmedabad – 380015

Madras Stock Exchange Limited Exchange Building
Post Box No. 183, Second Line Beach, Chennai - 600001.

Delhi Stock Exchange Assoc Ltd,
DSE House, 3/1 Asaf Ali Road, New Delhi – 110 002

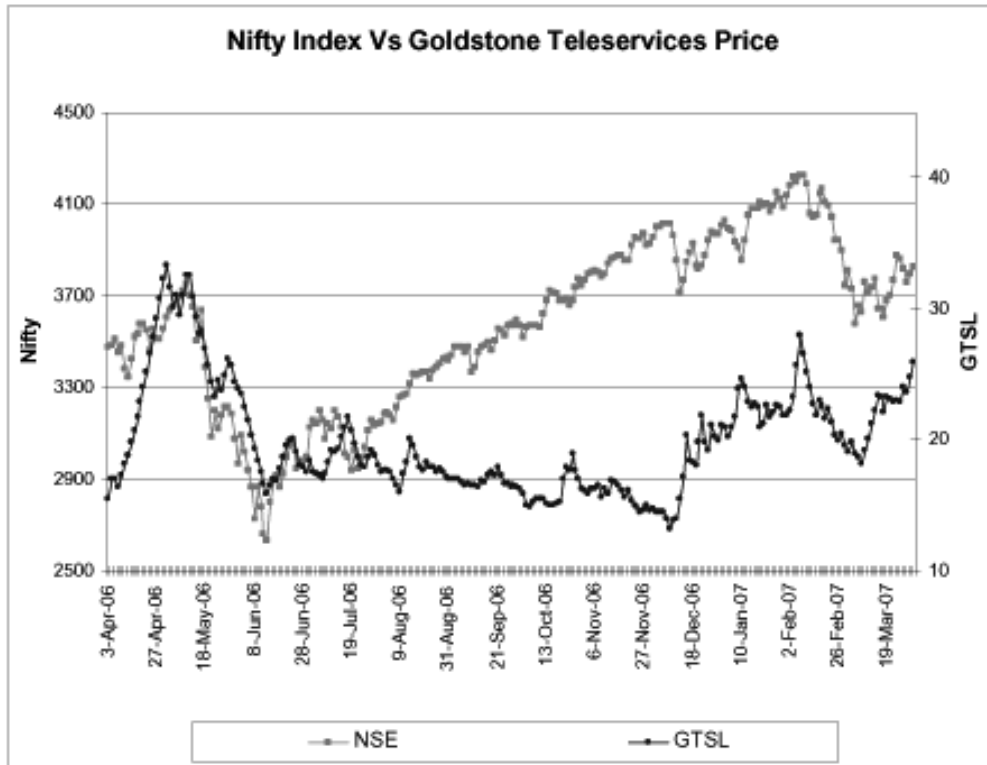
Stock Code

NSE - GOLDTELE
BSE – 532439
HSE – 6496

Market Price Data

(in Rs.)

Month	NSE		BSE	
	High	Low	High	Low
April, 2006	32.30	14.75	32.30	14.75
May, 2006	34.20	23.15	34.20	23.15
June, 2006	24.70	15.10	24.70	15.10
July, 2006	22.30	16.60	22.30	16.60
August, 2006	21.90	15.90	21.90	15.90
September, 2006	18.75	15.85	18.75	15.85
October, 2006	19.45	14.10	19.45	14.10
November, 2006	18.40	14.20	18.40	14.20
December, 2006	24.00	13.00	24.00	13.00
January, 2007	26.50	20.00	26.50	20.00
February, 2007	29.30	19.10	29.30	19.10
March, 2007	26.05	18.00	26.05	18.00



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

The Company has not issued any GDRs/ADRs. As on 31st March 2007 there are no outstanding instruments convertibles into Equity Shares and as such there will be no change in the Share Capital of the Company.

Registrar and Transfer Agents

AARTHI CONSULTANTS PVT. LTD
 1-2-285, DOMALGUDA
 HYDERABAD - 500 029
 Tel: 040 - 27638111, 27634445 Fax: 040-27632184
 Email: info@aarthiconsultants.com

Distribution of Shareholding as on 31st March, 2007

Nominal value of Shares (in Rs.)	Shareholders		Amount	
	Number	% of Total	In Rs	% of Total
(1)	(2)	(3)	(4)	(5)
Upto – 5000	8,920	93.99	14,206,204	16.89
5001 – 10000	282	2.97	4,193,260	4.99
10001 – 20000	131	1.38	4,084,576	4.86
20001 – 30000	44	0.46	2,249,108	2.67
30001 – 40000	23	0.24	1,681,240	2.00
40001 – 50000	13	0.14	1,203,212	1.43
50001 – 100000	31	0.33	4,675,344	5.56
100001 and above	46	0.49	51,800,276	61.60
Total	9,490	100.00	84,093,220	100.00



Shareholding Pattern as on 31st March, 2007

S. No.	Category of Shareholders	No. of Equity shares held	% of Shareholding
1	Promoters	3,310,515	15.75
2	Mutual Funds & IFI's	102,459	0.49
3	FII's	0	0.00
4	Private Bodies Corporate	4,449,044	21.16
5	Public	12,737,186	60.58
6	NRI's	424,101	2.02
	GRAND TOTAL	21,023,305	100.00

Dematerialization of Shares and Liquidity

The International Security Identification Number (ISIN) allotted to the Company Scrip is INE260D01016. Investors have better liquidity in Dematerialized Form and are therefore advised to open a Demat Account with a Depository Participant of their choice to trade in Dematerialized form. Over 86.12% of the company Shares are now held in Electronic Form

Location of Division

The Manufacturing Unit of Cable Jointing Kits and Power Insulators is located at Plot No. 1&9 IDA Phase II Cherlapally, Hyderabad – 500 051

BPO of the Company is located at

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

Address for Correspondence

Goldstone Teleservices Limited,
Shares Department,
9-1-83 & 84 Amarchand Sharma Complex,
S D Road Secunderabad – 500 003
Tel: +91 – 40 - 27807640, Fax +91 – 040 - 39120023,
Email: cs@goldstone.net

Code of Conduct & ethic policy of the Company

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

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

I Mr. L P Sashikumar, Managing Director of the Company declare that the Board of Directors and Senior Management personnel have affirmed compliance with code of conduct and ethics policy of the Company.

For and on behalf of the Board

Sd/-
L P Sashikumar
Managing Director

Place: Secunderabad
Date: 28th July, 2007



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.**

We have examined the Compliance of conditions of Corporate Governance by M/s Goldstone Teleservices Limited, for the year ended 31st March 2007, as stipulated in Clause 49 of the Listing Agreement entered by the 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.

Place: Hyderabad
Date: 28th July, 2007

**For P. Murali & Co.,
Chartered Accountants
Sd/-
P Murali Mohan
Partner**



AUDITORS' REPORT

To
The Members,
GOLDSTONE TELESERVICES LIMITED

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

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

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

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

- (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- (ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- (iii) The Balance Sheet & Profit & Loss account dealt with by this Report are in agreement with the books of account;
- (iv) In our opinion, the Balance Sheet & Profit & Loss account dealt with by this report comply with the Accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- (v) On the basis of written representations received from the directors, as on 31st March 2007 and taken on

record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2007 from being appointed Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

- (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;

(a) In the case of the Balance Sheet of the state of affairs of the Company as at 31st March 2007;

(b) In the case of the Profit & Loss account, of the Profit for the year ended on that date;

And

(c) In the case of Cash Flow, of the Cash flows for the year ended on that date

For P. Murali & Co.,
Chartered Accountants

Sd/-

PLACE: Hyderabad
DATE: 28th July, 2007

P. Murali Mohana Rao
Partner

ANNEXURE TO THE AUDITOR'S REPORT

- I. (a) The company has maintained proper records showing full particulars, including quantitative details and situation of Fixed Assets.
- (b) As explained to us, the fixed assets have been physically verified by the management at reasonable intervals and no material discrepancies between the book records and the physical inventory have been noticed on such verification.
- (c) The Company has not disposed off substantial part of the Fixed Assets during the year.
- II. (a) The Inventory has been physically verified during the year and in our opinion, the frequency of verification is reasonable.
- (b) In our opinion, the procedures of the 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.



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



advances on the basis of security by way of pledge of shares, debentures and other securities and hence the applicability of the clause regarding maintenance of adequate documents in respect of loans does not arise.

- XIII. This clause is not applicable to this Company as the Company is not covered by the provisions of special statute applicable to Chit Fund in respect of Nidhi/ Mutual Benefit Fund/Societies.
- XIV. According to the information and explanations given to us, the company is not dealing or trading in shares, securities, Debentures and other investments and hence the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order 2003, are not applicable to the Company.
- XV. According to the information and explanations given to us, the terms and conditions on which the Company has given guarantees for loans taken by others, from Banks or Financial institutions are not prejudicial to the interest of the company.
- XVI. According to the information and explanations given to us, the Term Loans obtained by the company were applied for the purpose for which such loans were obtained.
- XVII. According to the information and explanations given to us, no funds are raised by the Company on short-

term basis. Hence the clause of short term funds being used for long-term investment does not arise.

- XVIII. According to the information and explanations given to us, the Company has not made any preferential allotment of Shares to parties and Companies covered in the Register maintained under section 301 of the Companies Act, 1956 and hence the applicability of the clause regarding the price at which shares have been issued and whether the same is prejudicial to the interest of the Company does not arise.
- XIX. According to the information and explanations given to us, the company does not have any debentures and hence the applicability of the clause regarding the creation of security or change in respect of debentures issued does not arise.
- XX. According to information and explanations given to us, the company has not raised money by way of public issue during the year, hence the clause regarding the disclosure by the management on the end use of money raised by Public Issue is not applicable.
- XXI. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year under audit.

**For P. Murali & Co.,
Chartered Accountants**

Sd/-

**P. Murali Mohana Rao
Partner**

PLACE: Hyderabad
DATE: 28th July, 2007



BALANCE SHEET AS AT MARCH 31, 2007

	SCHEDULE	As at March 31, 2007 Rs.	As at March 31, 2006 Rs.
SOURCES OF FUNDS			
SHAREHOLDERS FUNDS			
Share Capital	1	84,093,220	84,093,220
Reserves and Surplus	2	366,451,655	348,682,158
		450,544,875	432,775,378
LOAN FUNDS			
Secured Loans	3	106,955,331	78,775,085
Unsecured Loans	4	63,440,665	55,677,435
		170,395,996	134,452,520
DEFERRED TAX LIABILITY			
		46,645,955	46,022,998
	Total	667,586,826	613,250,896
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	5	331,806,634	310,983,778
Less: Depreciation		138,101,110	113,212,045
Net Block		193,705,524	197,771,733
Capital work in progress (including Land Advances)		230,158,664	67,424,720
		423,864,188	265,196,453
INVESTMENTS			
	6	21,647,000	39,147,000
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	7	40,141,089	17,023,984
Sundry Debtors	8	152,020,880	183,861,586
Cash and Bank Balances	9	32,362,378	13,445,502
Loans and Advances	10	72,631,818	169,466,613
		297,156,165	383,797,685
CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	11	47,421,382	68,773,974
Provisions	12	36,061,094	16,654,928
		83,482,476	85,428,902
NET CURRENT ASSETS			
		213,673,689	298,368,783
MISCELLANEOUS EXPENDITURE			
	13	8,401,949	10,538,660
	Total	667,586,826	613,250,896
Accounting policies and Notes to Accounts			
	22		
The Schedules referred to above form an integral part of Balance Sheet			

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

P. Murali Mohana Rao
Partner
Membership No. 23412

Place: Secunderabad
Date : 28th July, 2007

For and on behalf of the Board

Sd/-
L P Sashikumar
Managing Director

Sd/-
Dr M V S R Kamesam
Director

Sd/-
P Anupama
Company Secretary

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

	SCHEDULE	For the year ended March 31, 2007 Rs.	For the year ended March 31, 2006 Rs.
INCOME			
Sales and Services	14	300,865,451	308,944,530
Less: Excise Duty		33,174,788	13,084,150
		267,690,663	295,860,380
Other Income	15	7,761,598	72,424,189
Total		275,452,261	368,284,569
EXPENDITURE			
Material Consumption	16	134,240,697	158,426,330
Accretion / Decretion to stocks	17	(15,158,367)	(3,791,423)
Manufacturing Expenses	18	23,225,296	7,765,917
Personnel Expenses	19	21,526,235	26,912,852
Administrative and Selling Expenses	20	33,106,294	53,111,935
Financial Expenses	21	14,633,265	15,559,843
Depreciation		25,235,358	23,124,798
Miscellaneous Expenses Written off		2,136,711	2,136,711
Total		238,945,489	283,246,963
Profit before taxation		36,506,772	85,037,606
Provision for taxation			
- Current		9,000,000	12,500,000
- Deferred		622,957	5,846,246
- Fringe Benefit Tax		566,291	711,978
Profit after taxation		26,317,524	65,979,382
Prior period adjustments		2,835,717	20,411
Net Profit		29,153,241	65,999,793
Balance in Profit and Loss Account brought forward		78,040,012	52,229,331
Balance available for appropriation		107,193,253	118,229,124
APPROPRIATIONS			
Proposed Dividend		8,409,322	-
Provision for Dividend Tax		1,428,744	-
Transfer to General Reserve		2,915,325	40,189,112
Balance carried to Balance Sheet		94,439,862	78,040,012
Earnings per Share (Basic / diluted) (Nominal Value of Share Rs. 4 each)		1.39	3.14
No. of Shares used in computing Earning per Share		21,023,305	21,023,305
Accounting policies and Notes to Accounts	22		

The Schedules referred to above form an integral part of Profit and Loss Account

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

P. Murali Mohana Rao
Partner
Membership No. 23412

Place: Secunderabad
Date : 28th July, 2007

For and on behalf of the Board

Sd/-
L P Sashikumar
Managing Director

Sd/-
Dr M V S R Kamesam
Director

Sd/-
P Anupama
Company Secretary



SCHEDULES TO THE BALANCE SHEET

	As at March 31, 2007 Rs.	As at March 31, 2006 Rs.
SCHEDULE : 1		
SHARE CAPITAL		
Authorised: 4,25,00,000 Equity Shares of Rs.4 each	170,000,000	170,000,000
Issued, Subscribed and Paid-up 2,10,23,305 (Previous Year 2,10,23,305) Equity Shares of Rs.4/- each fully paid - up	84,093,220	84,093,220
Total	84,093,220	84,093,220
SCHEDULE : 2		
RESERVES AND SURPLUS		
Share Premium	156,513,494	156,513,494
Grant received from DSIR	14,128,652	14,128,652
Less: Transfer to P & L A/c	1,545,678	100,000,000
General Reserve	102,915,325	78,040,012
Balance in Profit and Loss Account	94,439,862	-
Total	366,451,655	348,682,158
SCHEDULE : 3		
SECURED LOANS		
From Banks		
- Term Loans	50,517,561	41,497,945
- Working Capital	28,592,926	34,764,880
From Others		
- Technology Development Board	26,000,000	-
- Vehicle Loans	1,844,844	2,512,260
Total	106,955,331	78,775,085
SCHEDULE : 4		
UNSECURED LOANS		
Sales Tax Deferment Loan (interest free)	63,440,665	55,677,435
Total	63,440,665	55,677,435



SCHEDULES TO THE BALANCE SHEET

SCHEDULE 5:

FIXED ASSETS

Fig. In Rs.

Description	GROSS BLOCK			DEPRECIATION			NET BLOCK		
	Cost as at 01.04.2006	Additions	Deletions	Cost As at 31.03.2007	As at 01.04.2006	For the year	Deletions	As at 31.03.2007	As at 31.03.2006
Land	1,606,095	-	-	1,606,095	-	-	-	-	1,606,095
Buildings	14,305,777	-	-	14,305,777	4,732,182	477,813	-	5,209,995	9,095,782
Plant & Machinery	163,425,741	20,202,218	-	183,627,959	43,054,222	8,319,356	-	51,373,578	132,254,381
Furniture & Fixtures	6,961,116	138,258	-	7,099,374	2,451,479	444,043	-	2,895,522	4,203,852
Lab Tools & Equipment	4,940,562	434,632	-	5,375,194	1,553,443	236,275	-	1,789,718	3,585,476
Electrical Equipment/ Installation	9,660,166	-	-	9,660,166	4,626,191	458,858	-	5,085,049	4,575,117
Vehicles	13,892,794	-	444,391	13,448,403	7,167,339	1,311,372	346,296	8,132,415	5,315,988
Computer system	55,924,042	79,978	-	56,004,020	34,365,996	9,071,304	-	43,437,300	21,558,046
Office equipment	3,887,633	229,928	-	4,117,561	940,733	190,406	-	1,131,139	2,986,422
Generator	4,774,177	-	-	4,774,177	1,892,306	226,773	-	2,119,079	2,655,098
Leasehold Improvements	6,060,777	-	-	6,060,777	817,014	202,430	-	1,019,444	5,041,333
Air Conditioners	2,090,885	126,300	-	2,217,185	390,610	103,484	-	494,094	1,723,091
Network Equipments	20,028,922	-	-	20,028,922	10,738,694	3,246,688	-	13,985,382	6,043,540
Electronic Equipment & UPS	2,569,680	-	-	2,569,680	403,015	122,060	-	525,075	2,044,605
Tools & Spares	16,414	-	-	16,414	7,610	780	-	8,390	8,024
Temporary Sheds	838,997	55,933	-	894,930	71,214	823,717	-	894,930	-
Total	310,983,778	21,267,247	444,391	331,806,634	113,212,048	25,235,359	346,296	138,101,110	193,705,524
Previous year	275,909,912	35,073,866	-	310,983,778	90,087,248	23,124,798	-	113,212,046	191,771,732
									185,822,664



SCHEDULES TO THE BALANCE SHEET

	As at 31.03.2007 Rs.	As at 31.03.2006 Rs.
SCHEDULE : 6		
INVESTMENTS		
Quoted Investments		
9,700 Equity Shares of 10 (Previous year : 9700) each, in GTCL Mobile Technology Limited	97,000	97,000
	97,000	97,000
Market value of Quoted Shares	-	-
Unquoted Investments in Subsidiary Companies		
14,59,067 (Previous year: 14,59,067) Equity Shares of Rs. 10 each in Newtech Rs.10 each in Newtech Stewing Telecom Limited	20,050,000	20,050,000
1,50,000 (Previous year: 1,50,000) Equity Shares of Rs.10 each in Shree Shree Telecom Private Limited	1,500,000	1,500,000
Share application money pending allotment in Shree Shree Telecom Private Limited	-	17,500,000
	<u>21,550,000</u>	<u>39,050,000</u>
Total	<u>21,647,000</u>	<u>39,147,000</u>
SCHEDULE : 7		
INVENTORIES		
(As per inventories taken and certified by the management)		
Raw materials, Components and Packing Materials	18,710,107	10,751,369
Work -in-process	21,430,982	6,272,615
	<u>40,141,089</u>	<u>17,023,984</u>
Total	<u>40,141,089</u>	<u>17,023,984</u>
SCHEDULE : 8		
SUNDRY DEBTORS		
Unsecured, considered good		
Debts outstanding for a period exceeding six months	102,958,929	85,480,726
Other Debts	49,061,951	98,380,860
	<u>152,020,880</u>	<u>183,861,586</u>
Total	<u>152,020,880</u>	<u>183,861,586</u>



SCHEDULES TO THE BALANCE SHEET

	As at 31.03.2007 Rs.	As at 31.03.2006 Rs.
SCHEDULE : 9		
CASH AND BANK BALANCES		
Cash in hand	173,669	55,237
Balances with Scheduled Banks		
- In Current Accounts	3,709,896	4,393,146
- In Margin Money Deposits	28,478,813	8,997,119
Total	<u>32,362,378</u>	<u>13,445,502</u>
SCHEDULE : 10		
LOANS AND ADVANCES		
Unsecured, considered good		
Advances recoverable in cash or in kind or for value to be received	28,020,669	145,702,412
Advances to Staff	323,412	47,119
Advances to suppliers	1,220,863	329,079
Balance with Government Departments	18,508,771	14,476,332
Prepaid Taxes	16,098,199	3,642,409
Prepaid expenses	745,842	548,410
Deposits	7,714,062	4,720,852
Total	<u>72,631,818</u>	<u>169,466,613</u>
SCHEDULE : 11		
CURRENT LIABILITIES		
Sundry Creditors		
- Dues of Small Scale Industrial undertakings	-	-
- Others	21,634,746	17,061,663
Advances from Customers	1,295,225	3,011,526
Statutory Liabilities	4,449,510	2,677,291
Payable to Subsidiary Companies	11,396,339	12,803,759
Other liabilities	8,645,562	33,219,735
Total	<u>47,421,382</u>	<u>68,773,974</u>



SCHEDULES TO THE BALANCE SHEET

	As at 31.03.2007 Rs.	As at 31.03.2006 Rs.
SCHEDULE : 12		
PROVISIONS		
Provision for		
- Income Tax	22,632,579	14,050,000
- Wealth Tax	50,000	-
- Fringe Benefit Tax	566,291	711,978
Provision for		
- Dividend	8,409,322	-
- Dividend Tax	1,428,744	-
Provision for		
- Bonus	150,300	277,950
- Gratuity	1,856,667	1,213,000
- Earned Leave Encashment	967,191	402,000
Total	<u>36,061,094</u>	<u>16,654,928</u>
SCHEDULE : 13		
MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)		
Scientific Research Expenditure	5,690,387	7,112,983
Less: Amount written off during the year	1,422,596	1,422,596
	4,267,791	5,690,387
Miscellaneous Expenditure	4,530,504	5,177,719
Less: Amount written off during the year	647,215	647,215
	3,883,289	4,530,504
Preliminary expenses	317,769	384,669
Less: Amount written off during the year	66,900	66,900
	250,869	317,769
Total	<u>8,401,949</u>	<u>10,538,660</u>



SCHEDULES TO THE PROFIT AND LOSS ACCOUNT

	For the year ended 31.03.2007 Rs.	For the year ended 31.03.2006 Rs.
SCHEDULE : 14		
SALES AND SERVICES		
Insulator Division	246,864,670	122,331,888
Telecom Divison		
- Domestic turnover	49,643,124	136,111,906
- Export turnover	345,657	229,721
BPO Division	4,012,000	50,271,015
Total	<u>300,865,451</u>	<u>308,944,530</u>
SCHEDULE: 15		
OTHER INCOME		
Interest received (including tax deducted at source of Rs. 2,10,364; Previous year Rs.2,59,783)	991,489	974,924
Commission received	-	45,977,370
Interest on Excise Refund	2,422,774	14,022,022
Profit on sale of investments	-	350,198
Transfer from DSIR Grant received	1,545,678	254,084
Miscellaneous Income	2,801,657	10,845,591
Total	<u>7,761,598</u>	<u>72,424,189</u>
SCHEDULE: 16		
MATERIAL CONSUMPTION		
Opening Stock	10,751,369	25,435,948
Add: Purchase of materials	139,541,615	140,911,555
Expenses related to purchases	2,657,820	2,830,196
	152,950,804	169,177,699
Less: Closing Stock	18,710,107	10,751,369
Total	<u>134,240,697</u>	<u>158,426,330</u>
SCHEDULE: 17		
ACCRETION / (DECRETION) TO STOCKS		
Closing Stock as on March 31, 2007		
Work - in - process	21,430,982	6,272,615
Less: Opening Stock as on April 1 , 2006		
Work - in - process	6,272,615	2,481,192
Total	<u>15,158,367</u>	<u>3,791,423</u>



SCHEDULES TO THE PROFIT AND LOSS ACCOUNT

	For the year ended 31.03.2007 Rs.	For the year ended 31.03.2006 Rs.
SCHEDULE: 18		
MANUFACTURING EXPENSES		
Power and fuel	4,497,083	2,908,729
Consumables	2,054,781	548,618
Job Work Charges	12,026,137	2,993,892
Testing and Inspection Charges	2,455,603	651,804
Repairs and Maintenance - Plant and Machinery	2,191,692	662,874
Total	<u>23,225,296</u>	<u>7,765,917</u>
SCHEDULE: 19		
PERSONNEL EXPENDITURE		
Salaries, Wages	20,066,395	24,895,550
Contribution to Provident Fund & ESI	872,905	522,577
Staff Welfare	586,935	1,494,725
Total	<u>21,526,235</u>	<u>26,912,852</u>



SCHEDULES TO THE PROFIT AND LOSS ACCOUNT

	For the year ended 31.03.2007 Rs.	For the year ended 31.03.2006 Rs.
SCHEDULE: 20		
ADMINISTRATIVE AND SELLING EXPENSES		
Rent	602,400	678,600
Rates and Taxes	360,190	1,200,271
Office Electricity	322,406	1,938,756
Insurance charges	1,232,566	1,156,838
Printing and Stationary	380,665	871,333
Communication expenses	1,772,168	7,897,785
Travelling expenses	2,538,835	6,021,250
Conveyance	735,537	755,215
Vehicle Maintenance	712,956	1,175,354
Gifts and Donations	608,500	35,981
Advertisement	260,479	151,249
Business Promotion	667,960	1,216,505
Leads Purchases	-	3,252,500
Carriage Outward	2,520,320	3,229,814
Sales Tax	12,220,303	13,566,097
Liquidated Damages	1,242,202	1,974,234
Directors' Remuneration	1,372,027	1,617,695
Legal Fees	115,000	174,300
Professional and Consultancy	1,388,408	1,472,780
Auditors Remuneration	175,000	175,000
Office Maintenance	262,908	555,673
Miscellaneous Expenses	1,910,893	1,877,385
Repairs and maintenance - Buildings	24,707	61,630
Repairs and maintenance - others	1,209,313	1,520,386
Listing Fees	85,994	128,800
Security Charges	311,462	308,142
Wealth Tax	50,000	65,919
Loss on sale of investments / Assets	23,095	32,443
Total	33,106,294	53,111,935
SCHEDULE: 21		
FINANCIAL EXPENSES		
Interest on Term Loans	5,889,495	7,002,309
Interest on Working Capital	5,384,482	6,133,388
Bank Charges & Commission	1,528,102	1,594,069
Other Finance Charges	1,831,186	830,077
Total	14,633,265	15,559,843



SCHEDULE – 22

Accounting Policies and Notes to Accounts

I. SIGNIFICANT ACCOUNTING POLICIES

a) Preparation of financial statements

The financial statements have been prepared under the historical cost convention, in accordance with Generally Accepted Accounting Principles in India and the provisions of Companies Act, 1956.

b) Method of Accounting

The Company follows mercantile system of accounting and recognizes income and expenditure on accrual basis.

c) Fixed Assets

Fixed Assets are stated at their original cost of acquisition, net of accumulated depreciation and CENVAT credit, and include taxes, freight and other incidental expenses related to their acquisition / construction / installation. Pre-operative expenses relating to a specific project are capitalised till all the activities necessary to prepare the qualifying asset for its intended use are completed. Expenses capitalized also include applicable borrowing costs.

d) Investments

Investments are classified into current and long-term investments. Current Investments are carried at lower of cost or fair market value. Any diminution in their value is recognized in the profit and loss account. Long-term investments, including investment in subsidiaries, are carried at cost. Diminution of temporary nature in the value of such long-term investments is not provided for except when such diminution is determined to be of a permanent nature.

e) Inventories

Inventories are valued at cost or net realizable value, whichever is less. Cost comprises of expenditure incurred in the normal course of business in bringing such inventories to its their location. Finished goods at the factory are valued at cost including excise duty in all applicable cases. Obsolete, non-moving and defective inventories are identified at the time of physical verification of inventories and adequate provision, wherever necessary, is made for such inventories.

f) Intangible Assets

Intangible Assets are recognized in the Balance Sheet at cost, net of any accumulated amortization

/ impairment. Preliminary expenses are amortized over a period of 5 years. De-merger expenses are amortized over a period of ten years.

g) Research and Development

Capital expenditure on Research and Development is included in the Schedule of Fixed Assets. Revenue expenditure relating to the Research phase is charged to the Profit and Loss account. Revenue Expenditure relating to the Development phase is amortized over the period in which the future economic benefits are expected to accrue to the Company, but not exceeding a period of five years, and the amortization commences from the year in which the company realizes these benefits for the first time.

h) Revenue Recognition

Income is recognized when the goods are dispatched in accordance with terms of sale. Sale is inclusive of excise duty, sales tax.

In respect of income from services, income is recognized as and when the rendering of services is complete. Revenue from time period services is recognized on the basis of time incurred in providing such services.

i) Retirement Benefits

Company makes monthly contribution to the Employees Provident Fund and Pension Fund under the provisions of Employees Provident Fund and Miscellaneous Provisions Act, 1952. Company provides for accrued liability in respect of gratuity and leave encashment on actuarial valuation.

j) Borrowing Costs

Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalized as part of cost of such asset. Other borrowing costs are treated as a period cost and are expensed in the year of occurrence.

k) Depreciation

Depreciation is provided on straight-line method at the rates specified in Schedule XIV to the Companies Act, 1956. Depreciation on assets added, sold or discarded is provided for on pro-rata basis.

l) Foreign Currency Translation

Foreign currency transactions, being in the nature of integral operations, are accounted for at the rates of exchange prevailing as on the date of transaction.



Accounting Policies and Notes to Accounts (Contd.)

Gains and losses resulting from settlement of such transactions and from 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 to the cost of the asset.

m) Government Grants / Incentives

Amounts receivable from Government by way of Grants / Incentives are accounted for on receipt basis as Capital Reserve. Incentives by way of Sales tax deferment are recognized as loan to the extent of their utilization.

n) Impairment of assets

An asset is treated as impaired when the carrying cost of the asset exceeds its recoverable value. An impairment loss is charged to the Profit and Loss account in the year in which an asset is identified as impaired.

o) Income and Deferred Tax

The provision made for income tax in the accounts comprises both the current and deferred tax. Current tax is provided for on the taxable income for the year. The deferred tax assets and liabilities for the year arising on account of timing differences (net) are recognized in the Profit and Loss account and the cumulative effect thereof is reflected in the Balance Sheet.

p) Contingent Liabilities and Contingent Assets

Liabilities, which are contingent in nature, are not recognized in the books of account but are disclosed separately in the Notes. Contingent Assets are neither recognized nor disclosed in the books of account.

q) Claims

Claims made by the Company are recognized to the extent the Company deems them recoverable. Claims against the Company, including liquidated damages, are recognized only on acceptance basis.

II. NOTES ON ACCOUNTS

1. Contingent Liabilities not provided for

- a) Letter of credit – Rs. 187.49 lakhs (Previous year: Rs.64.37 lakhs)
- b) Bank Guarantees – Rs.217.17 lakhs (Previous year: Rs.159.82 lakhs)
- c) Corporate Guarantees given to Banks for financial

assistance extended to subsidiary - Rs.90.00 lakhs (Previous year: Rs. 470.00 lakhs)

- d) Commitments on capital contracts remaining to be executed – Rs . 8.02 lakhs (Previous year: Rs. 47.07 lakhs)

2. Secured Loans

- a) Term Loan from Syndicate Bank is secured by
 - i) Hypothecation of plant and machinery acquired out of the said loan.
 - ii) Hypothecation against first charge on all unencumbered fixed assets of the company both present and future.
 - iii) Equitable Mortgage of immovable property of Goldstone Exports Limited
 - iv) Corporate Guarantees of Goldstone Exports Limited and Goldstone Technologies Limited.
 - v) Personal guarantee of a promoter director of the company.
- b) Term Loan from Technology Development Board is secured by
 - i) Hypothecation of fixed assets acquired out of the said loan.
 - ii) Corporate Guarantees of Goldstone Exports Limited.
 - iii) Personal guarantee of a promoter director of the company.
- c) Working Capital Facilities from Syndicate Bank are secured by
 - i) Hypothecation against first charge on Current Assets of the company both present and future.
 - ii) Equitable Mortgage of immovable property of Goldstone Exports Limited
 - iii) Corporate Guarantees of Goldstone Exports Limited and Goldstone Technologies Limited.
 - iv) Personal guarantee of a promoter director of the company.
- d) Vehicles loans availed are secured by hypothecation of vehicles acquired out of the said loans.

3. Unsecured Loan

The Company has availed Sales Tax deferment of Rs. 77,63,230 during the year (Previous Year: Rs.92,87,713) and the repayment of deferment commences from April 2010.



Accounting Policies and Notes to Accounts (Contd.)

4. Investments

The investments in subsidiaries companies viz., Newtech Stewing Telecom Limited and Shre Shree Telecom Private Limited are long-term in nature and hence diminution in the value of investment, if any, is considered temporary in nature.

6. Segment Reporting

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

	Rs in lakhs			
	Insulator	Telecom	BPO	Total
Revenue	2468.65	499.89	40.12	3008.66
Other Income	39.68	37.93	-	77.61
Segment Revenue	2508.33	537.82	40.12	3086.27
Segment Results	614.25	(16.62)	(86.24)	511.39
Less: Financial Exp.	127.02	2.63	16.68	146.33
Profit before Taxation	487.23	(19.25)	(102.92)	365.06
Provision for Taxation	90.00	-	-	90.00
Provision for Deferred Tax	51.14	(15.53)	(29.38)	6.23
Provision for Fringe Benefit Tax	-	5.66	-	5.66
Profit after taxation	346.09	(9.38)	(73.54)	263.17
Prior period adjust.	32.12	(5.94)	2.18	28.36
Net Profit	378.21	(15.33)	(71.36)	291.52
Segment Assets	3278.88	2867.59	1329.80	7476.27
Segment Liabilities	2076.07	885.39	93.37	3054.83
Capital employed	1202.81	1982.20	1236.43	4421.44

7. Related Party Disclosures

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

Newtech Stewing Telecom Limited, a subsidiary company to Goldstone Teleservices Limited (Holds 14,59,067 Equity shares i.e., 97.59% of the Equity Share Capital as at 31.03.2007)

Shree Shree Telecom Pvt Limited, 100% subsidiary company of Goldstone Teleservices Limited.

Transactions with subsidiary companies :

	(Rs.in lakhs)	
	2006-2007	2005-2006
Newtech Stewing Telecom Ltd		
Sale of goods	8.13	8.61
Purchase of goods	95.64	-
Receipt towards share of common (allocated) expenses.	-	39.70
Transactions with Key Management Personnel :	Nil	



Accounting Policies and Notes on Accounts (Contd.)

8. Managerial Remuneration:

	Year ended 31.03.2007	Year ended 31.03.2006
L P Sashikumar, Managing Director		
Salary	13.20	12.00
Reimbursement of Expenses	0.17	0.16

9. Earnings Per Share:

Calculation of EPS

(Rs. In Lakhs)

	2006-07	2005-06
Total No. of Shares outstanding (Nos.)	2,10,23,305	2,10,23,305
Profit after taxes before Exceptional items	263.17	659.79
Profit after taxes after Exceptional items	291.53	659.99
EPS before Non-recurring and Exceptional items (Rs.)	1.25	3.13
EPS after Non-recurring and Exceptional items (Rs.)	1.39	3.14

10. ADDITIONAL INFORMATION PURSUANT TO THE PROVISIONS OF PARAGRAPHS 3 AND 4 OF SCHEDULE VI TO THE COMPANIES ACT, 1956:

	2006-07		2005-06	
a. Licenced Capacity	NA		NA	
b. Installed capacity	690,000		690,000	
- Heat Shrinkable Sleeves	Depends on product mix		Depends on product mix	
- Polymer Insulators	Depends on product mix		Depends on product mix	
	Quantity	Value	Quantity	Value
c. Production				
- Heat Shrinkable Sleeves	90,972	-	244,690	-
- Polymer Insulators	246,993	-	96,055	-
d. Sales				
- Jointing Kits	10,507	5,854,722	166,903	32,176,601
- Sub Kits	81,525	7,420,738	74,687	4,910,650
- Polymer Insulators	246,993	246,864,670	96,055	83,278,412
- Polymer Insulators - trading	-	-	7,590	39,053,476
BPO Division	-	4,012,000	-	50,271,015
Trading	-	36,713,321	-	99,254,376
Total		300,865,451		308,944,530



Accounting Policies and Notes on Accounts (Contd.)

	2006-07		2005-06	
e. Material consumption including trading material				
- Polymer Insulators - trading	-	-	7,590	30,928,965
- Hot melt Adhesive	16,385	2,107,088	28,600	4,378,306
- Granules	34,565	2,475,029	55,435	3,418,036
- HVI – 753 U	102,320	23,869,990	23,700	6,827,915
- Fibre Glass Tex – 4800	68,671	5,418,985	21,345	2,542,032
- Trading	-	87,456,217	-	110,331,076
- Insulators semi finished	-	12,913,388	-	-
		134,240,697		158,426,330
f. Break-up of material consumption including trading material				
Indigenous	86.00%	115,441,167	71.25%	112,873,108
Imported	14.00%	18,799,530	28.75%	45,553,222
g. Earnings in Foreign currency				
Export of goods		301,833		424,510
h. Value of imports on CIF Basis				
- Materials including trading materials		19,792,932		24,435,632
- Capital Goods		2,114,600		7,128,874
- Tools and Spares		-		-
i. Expenditure in foreign currency				
On travel		2,053,370		946,863
j. Auditors' remuneration				
As Statutory auditors		150,000		150,000
For Tax Audit		25,000		25,000

11. Figures have been rounded off to the nearest rupee.

12. Previous year's figures have been regrouped / rearranged wherever necessary.

As per our Report of even date

For and on behalf of the Board

For P Murali and Co.
Chartered Accountants

Sd/-
P Muralimohan Rao
Partner
M No. 23412

Sd/-
L P Sashikumar
Managing Director

Sd/-
Dr M V S R Kamesam
Director

Place: Secunderabad
Date : 28th July, 2007

Sd/-
P Anupama
Company Secretary



Statement of Cash Flows for the year ended March 31st 2007

	Rs. In lakhs	
	March 31st 2007	March 31st 2006
A Cash Flow from operating activity		
Net Profit before tax	365.07	850.38
Adjustments for:		
Depreciation	248.89	231.25
Miscellaneous expenditure written off	21.37	21.36
Provision for Gratuity & Earned Leave	10.81	-
Other Income	(77.62)	(724.24)
Operating Profit before working capital changes	568.52	378.75
Adjustments for:		
Trade and other receivables	318.41	216.46
Inventories	(231.17)	108.93
Trade advances	1092.91	(919.86)
Trade Payable	(213.53)	(352.98)
Cash generated from operations	1535.14	(568.70)
Direct Taxes paid (net)	(135.35)	(36.72)
Cashflow before extraordinary items	1399.79	(605.42)
Extra ordinary items	28.35	0.20
Net Cash flow from operating activity	1428.14	(605.22)
B. Cash Flow from Investing Activity		
Purchase of fixed assets	(208.23)	(350.74)
Capital work in progress	(1627.34)	(140.96)
Sale of investments	175.00	33.64
Miscellaneous Expenditure	-	(71.13)
Other income	77.62	724.24
Net Cash used for investing activity	(1582.95)	195.05
C. Cash Flow from financing activities		
Repayment of Working capital Loan	(61.72)	(25.09)
Term Loan	90.20	(120.00)
Vehicle Loan	(6.67)	-
Deferred sales tax loan	77.63	92.88
Premium Received on Preferential allotment	-	220.74
Grant received from DSIR	(15.46)	11.29
Loan received from TDB	260.00	-
Proceeds from Preferential allotment	-	242.82
Net cash generated from financing activity	343.98	422.64
Cash and cash equivalents (Opening Balance)	134.46	121.99
Net increase in Cash & Cash equivalents (A + B + C)	189.17	12.47
Cash and cash equivalents (Closing Balance)	323.63	134.46

For P. Murali & Company
Chartered Accountants

Sd/-

P. Murali Mohana Rao
Partner

M No. 23412

Place: Secunderabad

Date : 28th July, 2007

For and on behalf of the Board

Sd/-

L P Sashikumar
Managing Director

Sd/-

Dr. M V S R Kamesam
Director

Sd/-

P Anupama
Company Secretary



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	0	7
--	---	---	---	---	---	---

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

Public Issue:

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

 Rights Issue:

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

Bonus Issue:

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

 Private Placement:

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

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

Sources of Funds:

Total Liabilities:

6	6	7	5	.	8	7
---	---	---	---	---	---	---

 Total Assets:

6	6	7	5	.	8	7
---	---	---	---	---	---	---

Paid-up Capital:

	8	4	0	.	9	3
--	---	---	---	---	---	---

 Reserves and Surplus:

3	6	6	4	.	5	2
---	---	---	---	---	---	---

Secured Loans:

1	0	6	9	.	5	5
---	---	---	---	---	---	---

 Unsecured Loans:

	6	3	4	.	4	1
--	---	---	---	---	---	---

Deferred Tax Liability:

	4	6	6	.	4	6
--	---	---	---	---	---	---

Application of Funds:

Net Fixed Assets:

4	2	3	8	.	6	4
---	---	---	---	---	---	---

 Investments:

	2	1	6	.	4	7
--	---	---	---	---	---	---

Net Current Assets:

2	1	3	6	.	7	4
---	---	---	---	---	---	---

 Misc. Expenditure:

		8	4	.	0	2
--	--	---	---	---	---	---

* includes Deferred Tax Liabilities

Accumulated Losses:

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

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

Turnover/Income:

2	7	5	4	.	5	2
---	---	---	---	---	---	---

 Total Expenditure:

2	3	8	9	.	4	5
---	---	---	---	---	---	---

Profit before tax:

	3	6	5	.	0	7
--	---	---	---	---	---	---

 Profit after tax:

	2	9	1	.	5	3
--	---	---	---	---	---	---

Earning per Share in Rs.:

			1	.	3	9
--	--	--	---	---	---	---

 Dividend Rate:

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

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

Item Code No. (ITC Code) : 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

**Goldstone Teleservices Limited
Consolidated
Financial Statements**



AUDITORS' REPORT

To
*The Board of Directors of
GOLDSTONE TELESERVICES LIMITED*

1. We have audited the attached consolidated Balance Sheet of *Goldstone Teleservices Limited and its subsidiaries (the Group)* as at March 31, 2007, the consolidated Profit and Loss Account and the consolidated cash flow statement for the year ended on that date, annexed thereto. These consolidated financial statements are the responsibility of the Goldstone Teleservices Limited's management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on 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 the 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, whose financial statements reflect group's share of total assets of Rs. 341.05 lakhs as at March 31, 2007 and the group's share of total revenues of Rs. 274.10 lakhs for the year ended on that date. These financial statements and other information have been audited other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of these subsidiaries is based solely on the reports of the other auditors.
4. We report that the consolidated financial statements have been prepared by the Goldstone Teleservices Limited's management in accordance with requirements of Accounting Standard 21 on "Consolidated Financial Statements," issued by the Institute of Chartered Accountants of India.
5. Based on our audit and on consideration of the reports of other auditors on separate financial statements and other financial information of the components, in our opinion and according to the best of our information and according to the information and explanations given to us, the attached consolidated financial statements, and subject to non provision for bad and doubtful debts amounting to Rs.287.04 lakhs resulting in overstatement of profit for the year to that extent (Refer to Note No. 3 of Schedule 23 to the Accounts) the attached financial statements give a true and fair view in conformity with the accounting principles generally accepted in India
 - i. in the case of the consolidated Balance Sheet of the state of affairs of the Goldstone Teleservices Limited group as at March 31, 2007;
 - ii. in the case of the Profit and Loss account, of the Profit of the group for the year ended on that date, and
 - iii. in the case of Cash Flow statement, of the Cash flows of the group for the year ended on that date.

**For P Murali and Co.
Chartered Accountants**

Sd/-
**P Muralimohan Rao
Partner,
No. 23412**

PLACE: HYDERABAD
DATE: 28th July, 2007



CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2007

SCHEDULE		As at March 31, 2007 Rs.	As at March 31, 2006 Rs.
SOURCES OF FUNDS			
SHAREHOLDERS FUNDS:			
Share Capital	1	84,093,220	84,093,220
Reserves and Surplus	2	375,196,961	358,630,468
		459,290,181	442,723,688
MINORITY INTEREST	3	273,846	302,325
LOAN FUNDS:			
Secured Loans	4	106,955,331	84,209,058
Unsecured Loans	5	63,440,665	55,677,435
		170,395,996	139,886,493
DEFERRED TAX LIABILITY		48,796,436	48,553,528
	Total	678,756,459	631,466,034
APPLICATION OF FUNDS			
FIXED ASSETS:			
Gross Block	6	355,752,820	335,323,842
Less: Depreciation		152,414,173	126,824,882
Net Block		203,338,647	208,498,960
Capital work in progress (including land advances)		230,158,664	67,424,720
		433,497,311	275,923,680
INVESTMENTS	7	262,735	262,735
CURRENT ASSETS, LOANS & ADVANCES:			
Inventories	8	41,712,205	18,482,481
Sundry Debtors	9	153,864,851	190,501,736
Cash and Bank Balances	10	37,834,839	22,683,182
Loans and Advances	11	76,866,276	195,970,049
		310,278,171	427,637,448
CURRENT LIABILITIES & PROVISIONS:			
Current liabilities	12	37,443,332	66,177,086
Provisions	13	36,329,448	16,867,852
		73,772,780	83,044,938
NET CURRENT ASSETS		236,505,391	344,592,510
MISCELLANEOUS EXPENDITURE	14	8,491,022	10,687,109
	Total	678,756,459	631,466,034
Notes to Accounts	23		
The Schedules referred to above form an integral part of Balance Sheet			

per our report attached
For P. MURALI & CO.
Chartered Accountants

For and on behalf of the Board

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

Sd/-
L P Sashikumar
Managing Director

Sd/-
Dr M V S R Kamesam
Director

Place: Secunderabad
Date : 28th July, 2007

Sd/-
P Anupama
Company Secretary


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

	SCHEDULE	For the year ended March 31st, 2007 Rs.	For the year ended March 31st, 2006 Rs.
INCOME			
Sales	15	318,343,351	340,391,623
Less: Excise Duty		35,192,180	14,496,892
		283,151,171	325,894,731
Other Income	16	8,129,170	74,467,943
	Total	291,280,341	400,362,674
EXPENDITURE			
Material Consumption	17	143,627,872	176,880,694
Accretion / (Decretion) to stocks	18	(14,933,897)	(3,697,897)
Personnel Expenditure	19	22,104,178	27,738,810
Manufacturing Expenses	20	23,331,321	9,376,287
Administrative and Selling Expenses	21	36,553,526	62,074,875
Financial Expenses	22	15,761,518	16,604,383
Depreciation		26,329,462	24,218,902
Miscellaneous Expenses Written off		2,196,087	2,208,316
	Total	254,970,067	315,404,370
Profit before Taxation		36,310,274	84,958,304
Provision for taxation			
- Current		9,050,000	12,650,000
- Deferred		242,908	5,511,586
- Fringe Benefit Tax		566,291	711,978
Profit after taxation		26,451,075	66,084,740
Prior period adjustments		1,470,683	(1,280,893)
Net Profit		27,921,758	64,803,847
Minority Interest (+)		(28,479)	14,743
Profit brought forward from previous year		70,440,463	45,840,471
Amount available for appropriation		98,390,700	110,629,575
APPROPRIATIONS			
Proposed Dividend		8,409,322	-
Provision for Dividend Tax		1,428,744	-
Transfer to General Reserve		2,915,325	40,189,112
Balance carried to Balance Sheet		85,637,309	70,440,463
Earnings per share (Basic/diluted) (Nominal Value of Share of Rs. 4 each)		1.33	3.08
No of Shares used in computing Earnings per share		21,023,305	21,023,305
Notes to Accounts	23		
The Schedules referred to above form an integral part of Profit and Loss Account			

per our report attached
For **P. MURALI & CO.**
Chartered Accountants

For and on behalf of the Board

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

Sd/-
L P Sashikumar
Managing Director

Sd/-
Dr M V S R Kamesam
Director

Place: Secunderabad
Date : 28th July, 2007

Sd/-
P Anupama
Company Secretary



SCHEDULES TO CONSOLIDATED BALANCE SHEET

	As at March 31, 2007 Rs.	As at March 31, 2006 Rs.
SCHEDULE : 1		
SHARE CAPITAL		
Authorised 4,25,00,000 Equity Shares of Rs.4/- each,	170,000,000	170,000,000
Issued,Subscribed and Paid up 2,10,23,305 (Previous Year 1,36,65,150) Equity Shares of Rs. 4 each fully Paid - Up	84,093,220	84,093,220
Total	84,093,220	84,093,220
SCHEDULE : 2		
RESERVES AND SURPLUS		
Share Premium	156,513,494	156,513,494
Grant received from DSIR	14,128,652	
Less: Amount transfer to P & L A/c	1,545,678	
General Reserve	103,341,904	100,426,579
Capital Reduction Account	17,121,280	17,121,280
Surplus	85,637,309	70,440,463
Total	375,196,961	358,630,468
SCHEDULE : 3		
MINORITY INTEREST		
As at the commencement of the year	302,325	287,582
Current Year Profit / (Loss)	(28,479)	14,743
Total	273,846	302,325
SCHEDULE : 4		
SECURED LOAN		
From Syndicate Bank		
- Term Loans	50,517,561	41,497,945
- Working Capital	28,592,926	34,764,880
From State Bank of India		
- Working Capital	-	5,433,973
From others		
- Technology Developemnt Board	26,000,000	-
- Vehicle Loans	1,844,844	2,512,260
Total	106,955,331	84,209,058
SCHEDULE : 5		
UNSECURED LOANS		
Sales Tax Deferment Loan (interest free)	63,440,665	55,677,435
Total	63,440,665	55,677,435



SCHEDULES TO CONSOLIDATED BALANCE SHEET

SCHEDULE : 6

FIXED ASSETS

Fig in Rs.

Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Cost as at 01.04.2006 Rs.	Additions Rs.	Deletions Rs.	Cost as at 31.03.2007 Rs.	As at 01.04.2006 Rs.	For the year Rs.	Deletions Rs.	As At 31.03.2007 Rs.	As at 31.03.2007 Rs.	As at 31.03.2006 Rs.
Goodwill	5,459,330	-	-	5,459,330	-	-	-	-	5,459,330	5,459,330
Land	1,606,095	-	-	1,606,095	-	-	-	-	1,606,095	1,606,095
Buildings	14,305,777	-	-	14,305,777	4,732,182	477,813	-	5,209,995	9,095,782	9,573,595
Plant & Machinery	179,359,102	20,202,218	-	199,561,320	54,459,811	9,076,191	-	63,536,002	136,025,318	124,899,291
Furniture & Fixtures	7,335,984	138,258	-	7,474,242	2,826,347	444,043	-	3,270,390	4,203,852	4,509,637
Lab Tools & Equipment	5,058,943	434,632	-	5,493,575	1,584,332	241,898	-	1,826,230	3,667,345	3,474,611
Electrical Equipment/ Installation	9,773,007	-	-	9,773,007	4,655,661	464,218	-	5,119,879	4,653,128	5,117,346
Vehicles	13,911,804	-	444,391	13,467,413	7,186,349	1,311,372	346,296	8,151,425	5,315,988	6,725,455
Computer system	57,808,666	79,979	-	57,888,645	35,794,764	9,376,802	-	45,171,566	12,717,079	22,013,902
Office equipment	4,325,282	229,928	-	4,555,210	1,264,974	211,194	-	1,476,168	3,079,042	3,060,308
Generator	4,774,177	-	-	4,774,177	1,892,306	226,773	-	2,119,079	2,655,098	2,881,871
Leasehold Improvements	6,060,777	-	-	6,060,777	817,014	202,430	-	1,019,444	5,041,333	5,243,763
Air Conditioners	2,090,885	126,300	-	2,217,185	390,610	103,484	-	494,094	1,723,091	1,700,275
Network Equipments	20,028,922	-	-	20,028,922	10,738,694	3,246,688	-	13,985,382	6,043,540	9,290,228
Electronic Equipments & UPS	2,569,680	-	-	2,569,680	403,015	122,060	-	525,075	2,044,605	2,166,665
Tools & Spares	16,414	-	-	16,414	7,610	780	-	8,390	8,024	8,804
Temporary Sheds	838,997	55,933	-	894,930	71,213	823,717	-	894,930	-	767,784
Total	335,323,842	21,267,248	444,391	356,146,699	126,824,882	26,329,463	346,296	152,808,049	203,338,650	208,498,960
Previous year	300,249,976	35,073,866	-	335,323,842	102,605,980	24,218,902	-	126,824,882	208,498,960	197,643,996



SCHEDULES TO CONSOLIDATED BALANCE SHEET

	As at March 31, 2007 Rs.	As at March 31, 2006 Rs.
SCHEDULE : 7		
INVESTMENTS		
Quoted Investments		
9,700 (Previous year: 9700) Equity Shares of 10 each, in GTCL Mobilecom Technology Ltd	97,000	97,000
3,683 (Previous year: 3,683) Equity Shares of 10 each, in Bharti Televenture Ltd	165,735	165,735
Total	262,735	262,735
Market value of Quoted Shares	2,810,129	1,520,527
SCHEDULE : 8		
INVENTORIES		
(As per the inventories taken and certified by the Management)		
Rawmaterials, Components and Packing Materials	20,216,645	11,920,818
Work - in - Process	21,495,560	6,561,663
Total	41,712,205	18,482,481
SCHEDULE : 9		
SUNDRY DEBTORS		
Unsecured, considered good		
Debts outstanding for a period exceeding six months	104,569,733	85,767,717
Other Debts	49,295,118	104,734,019
Total	153,864,851	190,501,736
SCHEDULE : 10		
CASH AND BANK BALANCES		
Cash on hand	173,774	55,462
Balances with Scheduled Banks		
- In Current Accounts	5,819,465	4,464,077
- In Fixed Deposits	-	5,000,000
- In Margin Money Deposits	31,841,600	13,163,643
Total	37,834,839	22,683,182



SCHEDULES TO CONSOLIDATED BALANCE SHEET

	As at March 31, 2007 Rs.	As at March 31, 2006 Rs.
SCHEDULE : 11		
LOANS AND ADVANCES		
Unsecured , considered good Advances recoverable in cash or kind or for value to be received	30,602,922	170,818,419
Advances to Staff	327,412	51,119
Advances to suppliers	1,232,913	329,079
Balance with Government Departments	19,170,388	15,019,704
Prapaid Taxes	16,885,487	4,058,716
Prepaid Expenses	745,842	548,410
Deposits	7,901,312	5,144,602
Total	76,866,276	195,970,049
SCHEDULE : 12		
CURRENT LIABILITIES		
Sundry Creditors		
-Dues of Small Scale Industrial Undertakings	-	-
-Others	22,735,588	25,724,608
Advances from Customers	1,295,225	3,011,526
Statutory Liabilities	4,473,806	2,701,730
Other Creditors / Liabilities	8,938,713	34,739,222
Total	37,443,332	66,177,086
SCHEDULE : 13		
PROVISIONS		
Provision for		
- Income Tax	22,832,579	14,200,000
- Fringe Benefit Tax	566,291	711,978
- Wealth Tax	50,000	-
Provision for		
- Dividend	8,409,322	-
- Dividend Tax	1,428,744	-
Provision for		
- Bonus	150,300	277,950
- Gratuity	1,915,335	1,266,238
- Earned leave encashment	976,877	411,686
Total	36,329,448	16,867,852



SCHEDULES TO CONSOLIDATED BALANCE SHEET

	As at March 31, 2007 Rs.	As at March 31, 2006 Rs.
SCHEDULE : 14		
MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
Scientific Research Expenditure	5,690,387	7,112,983
Less: Amount written off during the year	1,422,596	1,422,596
	4,267,791	5,690,387
Miscellaneous Expenditure	4,530,504	5,177,719
Less: Amount written off during the year	647,215	647,215
	3,883,289	4,530,504
Preliminary Expenses	466,218	604,723
Less: Written off during the year	126,276	138,505
	339,942	466,218
Total	8,491,022	10,687,109



SCHEDULES TO CONSOLIDATED PROFIT AND LOSS ACCOUNT

	For the year ended March 31, 2007 Rs.	For the year ended March 31, 2006 Rs.
SCHEDULE : 15		
SALES AND SERVICES		
Insulator Division	246,864,670	122,331,888
Telecom & Insulator Divisions		
- Domestic Turnover	67,121,024	167,558,999
- Exports Turnover	345,657	229,721
BPO Division	4,012,000	50,271,015
Total	318,343,351	340,391,623
SCHEDULE : 16		
OTHER INCOME		
Interest received	1,310,445	1,152,335
Commission received	-	45,977,370
Interest on Excise Refund	2,422,774	14,022,022
Profit on Sale of Investments	-	2,206,696
Amount Transfer from DSIR Grant Received	1,545,678	254,084
Miscellaneous Income	2,850,273	10,855,436
Total	8,129,170	74,467,943
SCHEDULE : 17		
MATERIAL CONSUMPTION		
Opening Stock	11,920,818	26,655,102
Add: Purchase of materials	149,233,134	159,282,081
Expenses related to Purchases	2,690,565	2,864,329
	163,844,517	188,801,512
Less: Closing Stock	20,216,645	11,920,818
Total	143,627,872	176,880,694
SCHEDULE : 18		
ACCRETION / (DECRETION) TO STOCKS		
Closing Stock of WIP & Finished Goods	21,495,560	6,561,663
Less: Opening Stock of WIP & Finished Goods	6,561,663	2,863,766
Total	14,933,897	3,697,897



SCHEDULES TO CONSOLIDATED PROFIT AND LOSS ACCOUNT

	For the year ended March 31, 2007 Rs.	For the year ended March 31, 2006 Rs.
SCHEDULE : 19		
PERSONNEL EXPENDITURE		
Salaries, Wages	20,618,930	25,443,245
Contribution to Provident Fund & ESI	895,532	710,751
Staff Welfare	589,716	1,584,814
Total	22,104,178	27,738,810
SCHEDULE : 20		
MANUFACTURING EXPENSES		
Power and fuel	4,497,083	3,716,772
Consumables	2,059,794	1,266,928
Job Work Charges	12,095,556	2,998,813
Testing & Inspection charges	2,476,091	678,073
Repairs and Maintenance - Plant and Machinery	2,202,797	715,701
Total	23,331,321	9,376,287



SCHEDULES TO CONSOLIDATED PROFIT AND LOSS ACCOUNT

	For the year ended March 31, 2007 Rs.	For the year ended March 31, 2006 Rs.
SCHEDULE : 21		
ADMINISTRATIVE AND SELLING EXPENSES		
Rent	803,850	746,100
Rates and Taxes	510,463	1,422,397
Office Electricity	322,406	2,192,382
Insurance Charges	1,352,763	1,213,363
Printing and Stationery	386,590	1,015,097
Communication Expenses	1,772,198	8,255,493
Travelling Expenses	2,542,464	6,616,074
Conveyance	735,567	905,928
Vehicle Maintenance	712,956	1,313,211
Gifts and Donations	608,500	35,981
Advertisement	260,479	161,479
Business Promotion	668,490	1,337,525
Leads Purchases	-	3,252,500
Carriage Outward	3,260,138	4,126,720
Sales Tax	14,021,612	15,246,641
Liquidated Damages	1,376,208	2,621,713
Directors Remuneration	1,372,027	1,617,695
Legal Fees	115,000	309,550
Professional and Consultancy	1,445,738	1,706,691
Auditors Remuneration	260,000	270,000
Office Maintenance	262,908	675,612
Miscellaneous expenses	2,000,347	2,618,849
Repairs and Maintenance - Buildings	24,707	70,222
Repairs and Maintenance - Others	1,213,913	1,746,296
Listing Fees	85,994	128,800
Security Charges	365,113	421,442
Wealth Tax	50,000	65,919
Loss on sale of Investments / Assets	23,095	1,981,195
Total	36,553,526	62,074,875
SCHEDULE : 22		
FINANCIAL EXPENSES		
Interest on Term Loans	6,116,076	7,002,309
Interest on Working Capital	5,764,781	6,549,763
Bank Charges & Commission	1,858,859	2,173,568
Other Finance Charges	2,021,802	878,743
Total	15,761,518	16,604,383



Accounting Policies and Notes to Consolidated Accounts

SCHEDULE :23

II. PRINCIPLES OF CONSOLIDATION

I. DESCRIPTION OF BUSINESS

Goldstone Teleservices Limited (GTSL or the Company) and its consolidated subsidiaries are mainly 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., Andhra Pradesh.

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.

The companies considered in the consolidated financial statements are listed below:

Name of the Company	Relationship	Percentage of ownership interest	
		March 31, 2007	March 31, 2006
Newtech Stewing Telecom Limited	Subsidiary	100%	100%
Shree Shree Telecom Private Limited	Subsidiary	97.59%	97.59%

III. SIGNIFICANT ACCOUNTING POLICIES

a) Preparation of financial statements

The financial statements have been prepared under the historical cost convention, in accordance with Generally Accepted Accounting Principles in India and the provisions of Companies Act, 1956.

b) Method of Accounting

The Company follows mercantile system of accounting and recognizes income and expenditure on accrual basis.

c) Fixed Assets

Fixed Assets are stated at their original cost of acquisition, net of accumulated depreciation and CENVAT credit, and include taxes, freight and other incidental expenses related to their acquisition / construction / installation. Pre-operative expenses relating to a specific project are capitalised till all the activities necessary to prepare the qualifying asset for its intended use are completed. Expenses capitalized also include applicable borrowing costs.

d) Investments

Investments are classified into current and long-term investments. Current Investments are carried at lower of cost or fair market value. Any diminution in their value is recognized in the profit and loss account. Long-term investments, including investment in subsidiaries, are carried at cost. Diminution of temporary nature in the value of

such long-term investments is not provided for except when such diminution is determined to be of a permanent nature.

e) Inventories

Inventories are valued at cost or net realizable value, whichever is less. Cost comprises of expenditure incurred in the normal course of business in bringing such inventories to its their location. Finished goods at the factory are valued at cost including excise duty in all applicable cases. Obsolete, non-moving and defective inventories are identified at the time of physical verification of inventories and adequate provision, wherever necessary, is made for such inventories.

f) Intangible Assets

Intangible Assets are recognized in the Balance Sheet at cost, net of any accumulated amortization / impairment. Preliminary expenses are amortized over a period of 5 years. De-merger expenses are amortized over a period of ten years.

g) Research and Development

Capital expenditure on Research and Development is included in the Schedule of Fixed Assets. Revenue expenditure relating to the Research phase is charged to the Profit and Loss account. Revenue Expenditure relating to the Development phase is amortized over the period in which the future economic benefits are expected to accrue to the Company, but not exceeding a period of five years,



Accounting Policies and Notes to Consolidated Accounts (Contd.)

and the amortization commences from the year in which the company realizes these benefits for the first time.

h) Revenue Recognition

Income is recognized when the goods are dispatched in accordance with terms of sale. Sale is inclusive of excise duty, sales tax.

In respect of income from services, income is recognized as and when the rendering of services is complete. Revenue from time period services is recognized on the basis of time incurred in providing such services.

i) Retirement Benefits

Company makes monthly contribution to the Employees Provident Fund and Pension Fund under the provisions of Employees Provident Fund and Miscellaneous Provisions Act, 1952. Company provides for accrued liability in respect of gratuity and leave encashment on actuarial valuation.

j) Borrowing Costs

Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalized as part of cost of such asset. Other borrowing costs are treated as a period cost and are expensed in the year of occurrence.

k) Depreciation

Depreciation is provided on straight-line method at the rates specified in Schedule XIV to the Companies Act, 1956. Depreciation on assets added, sold or discarded is provided for on pro-rata basis.

l) Foreign Currency Translation

Foreign currency transactions, being in the nature of integral operations, are accounted for at the rates of exchange prevailing as on the date of transaction. Gains and losses resulting from settlement of such transactions and from 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 to the cost of the asset.

m) Government Grants / Incentives

Amounts receivable from Government by way of Grants / Incentives are accounted for on receipt basis as Capital Reserve. Incentives by way of Sales tax deferment are recognized as loan to the extent of their utilization.

n) Impairment of assets

An asset is treated as impaired when the carrying cost of the asset exceeds its recoverable value. An impairment loss is charged to the Profit and Loss account in the year in which an asset is identified as impaired.

o) Income and Deferred Tax

The provision made for income tax in the accounts comprises both the current and deferred tax. Current tax is provided for on the taxable income for the year. The deferred tax assets and liabilities for the year arising on account of timing differences (net) are recognized in the Profit and Loss account and the cumulative effect thereof is reflected in the Balance Sheet.

p) Contingent Liabilities and Contingent Assets

Liabilities, which are contingent in nature, are not recognized in the books of account but are disclosed separately in the Notes. Contingent Assets are neither recognized nor disclosed in the books of account.

q) Claims

Claims made by the Company are recognized to the extent the Company deems them recoverable. Claims against the Company, including liquidated damages, are recognized only on acceptance basis.

IV. NOTES ON ACCOUNTS

1. Secured Loans

- a) Term Loan from Syndicate Bank is secured by
 - i) Hypothecation of plant and machinery acquired out of the said loan.
 - ii) Hypothecation against first charge on all unencumbered fixed assets of the company both present and future.
 - iii) Equitable Mortgage of immovable property of Goldstone Exports Limited
 - iv) Corporate Guarantees of Goldstone Exports Limited and Goldstone Technologies Limited.
- b) Term Loan from Technology Development Board is secured by
 - i) Hypothecation of fixed assets acquired out of the said loan.
 - ii) Corporate Guarantees of Goldstone Exports Limited.



Accounting Policies and Notes to Consolidated Accounts (Contd.)

- c) Working Capital Facilities from Syndicate Bank are secured by
 - i) Hypothecation against first charge on Current Assets of the company both present and future.
 - ii) Equitable Mortgage of immovable property of Goldstone Exports Limited
 - iii) Corporate Guarantees of Goldstone Exports Limited and Goldstone Technologies Limited.
- d) Bank Guarantee Limits from State Bank of India
 - i) Hypothecation against first charge on Current Assets of the Company both present and future.
 - ii) Hypothecation against first charge on all unencumbered fixed assets of the company both present and future.

- e) Vehicles loans availed are secured by hypothecation of vehicles acquired out of the said loans.

2. Unsecured Loan

The Company has availed Sales Tax deferment of Rs. 77,63,230 during the year (Previous Year: Rs.92,87,713) and the repayment of deferment commences from April 2010.

3. Sundry Debtors

The Company has initiated legal proceedings against Sundry Debtors of Rs. 2,87,03,795/- (Previous year: Rs. 3,26,96,645/-). As the Company is confident of recovering the same, no provision has been made in the books of account and these debtors have been considered as good.

4. Segment Reporting

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

	Rs in lakhs			
	Insulator	Telecom	BPO	Total
Revenue	2468.65	674.67	40.12	3183.44
Other Income	39.68	41.44	-	81.12
Segment Revenue	2508.33	716.11	40.12	3264.56
Segment Results	614.25	(7.30)	(86.24)	520.71
Less:Financial Exp.	127.02	13.91	16.68	157.61
Profit before Taxation	487.23	(21.21)	(102.92)	363.10
Provision for Taxation	90.00	0.50	-	90.50
Pro. for Deferred Tax	51.14	(19.33)	(29.38)	2.43
Pro. for Fringe Benefit Tax	-	5.66	-	5.66
Profit after taxation	346.09	(8.05)	(73.54)	264.50
Prior period adjust.	32.12	(19.59)	2.18	14.71
Net Profit	378.21	(27.64)	(71.36)	279.21
Segment Assets	3278.88	2990.50	1329.80	7599.18
Segment Liabilities	2076.07	921.75	93.37	3091.19
Capital employed	1202.81	2068.75	1236.43	4507.99

5. Related Party Disclosures

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

Newtech Stewing Telecom Limited, a subsidiary company to Goldstone Teleservices Limited (Holds 14,59,067 Equity shares i.e., 97.59% of the Equity Share Capital as at 31.03.2007)

Shree Shree Telecom Pvt Limited, 100% subsidiary company of Goldstone Teleservices Limited.

Transactions with subsidiary companies

	(Rs. in lacs)	
	2006-2007	2005-2006
Newtech Stewing Telecom Ltd:		
Sale of goods	8.13	8.61
Purchase of goods	95.64	-
Receipt towards share of common (allocated) expenses.	-	39.70

Transactions with Key Management Personnel : Nil



Accounting Policies and Notes to Consolidated Accounts (Contd.)

6. Managerial Remuneration:

	Year ended March 31st 2007	Year ended March 31st 2007
L P Sashikumar, Managing Director		
Salary	13.20	12.00
Reimbursement of Expenses	0.17	0.16

7. Earnings Per Share:

Calculation of EPS

(Rs. In Lakhs)

	2006-07	2005-06
Total No. of Shares outstanding (Nos.)	2,10,23,305	2,10,23,305
Profit after taxes before Exceptional items	264.51	660.85
Profit after taxes after Exceptional items	279.22	648.04
EPS before Non-recurring and Exceptional items (Rs.)	1.26	3.14
EPS after Non-recurring and Exceptional items (Rs.)	1.33	3.08

8. Contingent Liabilities not provided for

- Letter of credit – Rs. 187.49 lakhs (Previous year: Rs.64.37 lakhs)
- Bank Guarantees – Rs.252.92 lakhs (Previous year: Rs.252.96 lakhs)
- Corporate Guarantees given to Banks for financial assistance extended to subsidiary - Rs.90.00 lakhs (Previous year: Rs. 470.00 lakhs)
- Commitments on capital contracts remaining to be executed – Rs . 8.02 lakhs (Previous year: Rs. 47.07 lakhs)

9. Figures have been rounded off to the nearest rupee.

10. Previous year's figures have been regrouped / rearranged wherever necessary.

per our report of even date

For P. MURALI & CO.
Chartered AccountantsSd/-
P. Murali Mohana Rao
Partner
Membership No. 23412Place: Secunderabad
Date : 28th July, 2007

For and on behalf of the Board

Sd/-
L P Sashikumar
Managing DirectorSd/-
Dr M V S R Kamesam
DirectorSd/-
P Anupama
Company Secretary



Statement of Consolidated Cash Flows for the year ended March 31st 2007

Rs. In lakhs

	March 31st 2007	March 31st 2006
A Cash Flow from operating activity		
Net Profit before tax	363.10	849.58
Adjustments for		
Depreciation	255.89	242.19
Miscellaneous expenditure written off	21.96	22.08
Provision for Gratuity & Earned Leave	10.87	-
Other Income	(81.29)	(744.68)
Operating Profit before working capital changes	570.53	369.17
Adjustments for		
Trade and other receivables	366.37	209.50
Inventories	(232.30)	110.36
Trade advances	1319.31	(1173.92)
Trade Payable	(287.34)	(349.30)
Cash generated from operations	1736.57	(834.19)
Direct Taxes paid (net)	(139.06)	(31.09)
Cashflow before extraordinary items	1597.51	(865.28)
Extra ordinary items	14.71	(12.81)
Net Cash flow from operating activity	1612.22	(878.09)
B. Cash Flow from Investing Activity		
Purchase of fixed assets	* (204.29)	(350.74)
Capital work in progress	(1627.34)	(140.96)
Sale of investments	-	285.73
Miscellaneous Expenditure	-	(71.13)
Other income	81.29	744.68
Net Cash used for investing activity	(1750.34)	467.58
C. Cash Flow from financing activities		
Repayment of Working capital Loan	(116.06)	29.25
Term Loan from State Bank of Hyderabad	90.20	(120.00)
Vehicle Loan	(6.67)	-
Deferred sales tax loan	77.63	92.88
Premium Received on Preferential allotment	-	220.74
Grant received from DSIR	(15.46)	11.29
Loan received from TDB	260.00	-
Proceeds from Preferential allotment	-	242.82
Net cash generated from financing activity	289.64	476.98
Cash and cash equivalents (Opening Balance)	226.83	66.47
Net increase in Cash & Cash equivalents (A + B + C)	151.52	160.36
Cash and cash equivalents (Closing Balance)	378.35	226.83

For P. MURALI & CO.
Chartered Accountants
Sd/-

P. Murali Mohana Rao
Partner
Membership No. 23412

Place: Secunderabad
Date : 28th July, 2007

For and on behalf of the Board

Sd/-
L P Sashikumar
Managing Director

Sd/-
Dr M V S R Kamesam
Director

Sd/-
P Anupama
Company Secretary

Subsidiary Companies

**Newtech Stewing Telecom Limited
Seventeenth Annual Report**

&

**Shree Shree Telecom Private Limited
Seventh Annual Report**



DIRECTORS' REPORT

To
The Members
Newtech Stewing Telecom Limited

Your Directors have pleasure in presenting the Seventeenth Annual Report on the business and operations of your company and the Audited Financial Accounts for the year ended on 31st March 2007.

Financial Results

Particulars	Rs in Lakhs	
	2006-2007	2005-2006
Net Sales from Operations	250.25	308.95
Other Income	3.51	20.08
Total Income	253.76	329.03
Total Expenditure	229.93	288.16
Operating Profit (PBIDT) /Loss	23.83	40.87
Interest	11.26	10.11
Depreciation and Write Offs	11.18	11.18
Profit Before Tax	1.39	19.58
Provision for Tax		
- Current	0.50	1.50
- Deferred +	(3.74)	(3.63)
Extra-Ordinary Items		
-Prior Period Adjustments	(13.20)	(13.47)
Net Profit	(8.57)	8.24
Equity Share Capital	149.51	149.51
Tangible Net Worth	296.25	304.23

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 2007, 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 2007 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 2007 have been prepared on a going concern basis.

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

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 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
Sd/- Sd/-

L.P.Sashikumar
Director

P.V.S.Sarma
Director

Place: Secunderabad
Date: 28th July 2007



AUDITORS' REPORT

To
The Members of
Newtech Stewing Telecom Limited

1. We have audited the attached Balance Sheet of Newtech Stewing Telecom (the Company) as at March 31, 2007 and also the Profit and Loss account and the Cash Flow Statement 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the 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 (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - iv. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - v. On the basis of the written representations received from the directors, as on March 31, 2007, and taken on record by the Board of Directors, we report that

none of the Directors is disqualified as on March 31, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

- vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - a) in the case of the balance sheet, of the state of affairs of the Company as at 31st March 2007,
 - b) in the case of the profit and loss account, of the profit for the year ended on that date; and
 - c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

Annexure to the Auditors' Report

(Referred to in paragraph 3 of our Report of even date on the accounts of Newtech Stewing Telecom Limited as at 31st March, 2007)

1. (a) The Company has maintained proper records to show full particulars, including quantitative details and situation of fixed assets. The Company has a policy of verifying fixed assets at reasonable intervals. In terms of the policy, the Company has carried out a physical verification of fixed assets during the year and, the discrepancies noted were not material when compared to the books.
 - (b) The fixed assets of the Company have not been revalued during the year.
 - (c) There was no substantial disposal of fixed assets during the year.
2. (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.
3. The Company has not 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 informed to us, there are no companies under the same management as defined under the then applicable Section 370(1B) of the Companies Act, 1956.



4. According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956. As informed to us, there are no companies under the same management as defined under the then applicable Section 370(1B) of the Companies Act, 1956.
5. The Company has given loans or advances in the nature of loans to its employees, the principal amounts of which together with interest thereon, where applicable, are repaid as stipulated.
6. In our opinion and according to the information and explanations given to us, having regard to the explanations that some items are of a special nature for which alternative quotations cannot be obtained, there are adequate internal control procedures generally commensurate with the size of the Company and the nature of its business with regard to purchases of stores and spare parts, plant and machinery, equipment and other assets, and with regard to sale of software and other services and products.
7. In our opinion and according to information and explanations given to us, the transactions of purchase and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating to Rs.50,000/- (Rupees Fifty Thousand only) or more during the year in respect of each party have been made at prices which are reasonable having regard to the prevailing market prices for such goods, materials or services on the prices at which transactions for similar goods and services have been made with other parties.
8. As informed to us the Company has no unserviceable or damaged stores.
9. The Company has not accepted any deposits during the year and hence provisions of Section 58A of the Companies Act, 1956 and the rules framed there under are not applicable.
10. We are informed that in the operation of the Company no realizable by-products and or scrap are generated.
11. The Company has engaged the services of a firm of Chartered Accountants for carrying out its internal audit function which is commensurate with the size and nature of its business.
12. We have been informed that the Central Government has not prescribed the maintenance of Cost records under Section 209 (1) (d) under the Companies Act, 1956 for the Company and any of its products.
13. The Company has been generally regular in depositing Provident Fund & Employees' State Insurance dues with the appropriate authorities.
14. According to the information and explanations given to us, there are no undisputed amounts payable in respect of wealth tax, sales-tax, customs duty and excise duty outstanding as at 31st March, 2007 for a period exceeding six months from the date they became payable.
15. The Company has a policy of authorizing expenditure based on reasonable checks and balances. The policy is intended to ensure that expenses are authorized on the basis of contractual obligations or accepted business practices, having regard to the Company's business needs and exigencies. In terms of these observations, we have not come across any expenses charged to revenue account.
16. The Company is not a sick industrial company within the meaning of clause (o) of sub-section (1) of Section 3 of Sick Industrial Companies (Special Provisions) Act, 1985.
17. In respect of services/consultancy rendered by the Company:

There is a reasonable system of recording receipts, issues and consumption of material and stores, where applicable and allocating materials consumed to each project. There is a reasonable system of allocating man-hours utilized to the relevant consultancy and/or project contracts. There is a reasonable system of authorization at proper levels and an adequate system of internal control on the issue and allocation of stores and labour to jobs.
18. In respect of trading activity, in our opinion the company has a reasonable system of determining the damaged goods.
19. The Company has no accumulated losses at the end of the financial year and has achieved a cash profit of Rs. 12.55 lacs during the current year and a cash profit of Rs.30.76 lacs in the financial year immediately preceding such financial year.
20. The Company has no working capital loan from a nationalized bank and did not issue any debentures. Accordingly, clause 4 (xi) of the order is not applicable.
21. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, clause 4 (xii) of the order is not applicable.
22. The Company is not chit fund, nidhi, mutual benefit fund or a society. Accordingly, clause 4 (xiii) of the order is not applicable.
23. According to the information and explanations given to us, the Company is not dealing or trading in shares,



- securities, debentures and other investments. Accordingly, clause 4 (xiv) of the order is not applicable.
24. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions. Accordingly, clause 4 (xv) of the order is not applicable.
25. The Company has not obtained any term loans. Accordingly, clause 4 (xvi) of the order is not applicable.
26. According to the information and explanations given to us, the Company has not raised any funds or short-term basis. All assets have been funded by shareholders' funds.
27. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
28. The Company has not issued any debentures. Accordingly, clause 4 (xix) of the order is not applicable.
29. The Company has not raised any money by public issues during the year. Accordingly, clause 4 (xx) of the order is not applicable.
30. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.
31. All the investments are held by the Company in its own name.

For Srinivas P & Associates
Chartered Accountants
Sd/-
P Srinivas
Proprietor

Place: Secunderabad
Date: 28th July, 2007.



BALANCE SHEET AS AT MARCH 31, 2007

		SCHEDULE	As at March 31, 2007 Rs.	As at March 31, 2006 Rs.
SOURCES OF FUNDS				
SHAREHOLDERS FUNDS				
Share Capital	1		14,951,120	14,951,120
Reserves and Surplus	2		14,763,066	15,620,334
			29,714,186	30,571,454
LOAN FUNDS				
Secured Loans	3		-	5,433,973
DEFERRED TAX LIABILITY				
			1,682,996	2,057,015
	Total		31,397,182	38,062,442
APPLICATION OF FUNDS				
FIXED ASSETS				
Gross Block	4		17,733,382	18,127,260
Less: Depreciation			14,082,844	13,418,408
Net Block			3,650,538	4,708,852
INVESTMENTS				
	5		165,735	165,735
CURRENT ASSETS, LOANS AND ADVANCES				
Inventories	6		1,571,116	1,458,497
Sundry Debtors	7		1,556,980	6,353,159
Cash and Bank Balances	8		5,316,692	9,096,840
Loans and Advances	9		20,673,691	26,450,647
			29,118,479	43,359,143
CURRENT LIABILITIES & PROVISIONS				
Current liabilities	10		1,426,643	10,169,737
Provisions	11		200,000	150,000
			1,626,643	10,319,737
NET CURRENT ASSETS				
			27,491,836	33,039,406
MISCELLANEOUS EXPENDITURE				
	12		89,073	148,449
	Total		31,397,182	38,062,442
Accounting policies and Notes to Accounts				
	21			
The Schedules referred to above forms an integral part of Balance Sheet				

per our report attached
For Srinivas P & Associates
Chartered Accountants
Sd/-
P.Srinivas
Proprietor

For and on behalf of the Board

Sd/-
L.P. Sashikumar
Director

Sd/-
P.V. S. Sarma
Director

Place: Secunderabad
Date : 28th July, 2007



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

		SCHEDULE	For the year ended March 31, 2007 Rs.	For the year ended March 31, 2006 Rs.
INCOME				
Sales	13		27,042,117	32,308,022
Less: Excise Duty			2,017,392	1,412,742
			25,024,725	30,895,280
Other Income	14		350,817	2,008,071
	Total		25,375,542	32,903,351
EXPENDITURE				
Material Consumption	15		18,951,392	19,315,293
Accretion / Decretion to stocks	16		224,470	93,526
Manufacturing Expenses	17		106,025	1,618,962
Personnel Expenditure	18		577,943	825,958
Administrative and Selling Expenses	19		3,133,109	6,962,328
Financial Expenses	20		1,126,407	1,011,541
Depreciation			1,058,314	1,058,314
Miscellaneous Expenses Written off			59,376	59,376
	Total		25,237,036	30,945,298
Profit before Taxation			138,506	1,958,053
Provision for taxation				
- Current			50,000	150,000
- Deferred (+)			(374,019)	(362,727)
Profit after taxation			462,525	2,170,780
Prior period adjustments			1,319,793	(1,346,512)
Net Profit			(857,268)	824,268
Profit and loss account brought forward			(1,938,063)	(2,762,331)
Surplus transferred to Balance Sheet			(2,795,331)	(1,938,063)
Accounting policies and Notes to accounts	21			
The Schedules referred to above forms an integral part of Profit and Loss Account				

per our report attached
For Srinivas P & Associates
Chartered Accountants

Sd/-
P .Srinivas
Proprietor

For and on behalf of the Board

Sd/-
L.P. Sashikumar
Director

Sd/-
P.V. S. Sarma
Director

Place: Secunderabad
Date : 28th July, 2007



SCHEDULES TO THE BALANCE SHEET

	As at March 31,2007 Rs.	As at March 31, 2006 Rs.
SCHEDULE : 1		
SHARE CAPITAL		
Authorised: 60,00,000 Equity Shares of Rs.10/- each	60,000,000	60,000,000
Issued, Subscribed and Paid up: 1495112 Equity Shares of Rs.10/- each fully paid up	14,951,120	14,951,120
Total	14,951,120	14,951,120

SCHEDULE : 2		
RESERVES AND SURPLUS		
General Reserve	437,117	437,117
Capital Reduction	17,121,280	17,121,280
Surplus	(2,795,331)	(1,938,063)
Total	14,763,066	15,620,334

SCHEDULE : 3		
SECURED LOANS		
From State Bank of India - Working Capital	-	5,433,973
Total	-	5,433,973

SCHEDULE : 4		
FIXED ASSETS		

Amount in Rs.

PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	Cost as at 01.04.2006	Additions during the	As At 31.03.2007	Upto 01.04.2006	For the year	As At 31.03.2007	As at 31.03.2007	As at 31.03.2006
Office equipments	437,649	-	437,649	324,241	20,788	345,029	92,620	113,408
Computers & Software	1,884,624	-	1,884,624	1,428,769	305,498	1,734,267	150,357	455,855
Plant & machinery	15,411,109	-	15,411,109	11,271,520	732,028	12,003,548	3,407,561	4,139,589
Total	17,733,382	-	17,733,382	13,024,530	1,058,314	14,082,844	3,650,538	4,708,852
Previous Year	18,127,260		18,127,260	12,360,094	1,058,314	13,418,408	4,708,852	5,767,166



SCHEDULES TO THE BALANCE SHEET

	As at March 31, 2007 Rs.	As at March 31, 2006 Rs.
SCHEDULE : 5		
INVESTMENTS		
Quoted Investments		
3,683 (Previous year: 3,683) Equity Shares of Rs.10 each , in Bharti Televentures Ltd	165,735	165,735
Total	165,735	165,735
SCHEDULE : 6		
INVENTORIES		
As per inventories taken and certified by the Management		
Rawmaterials and Components	1,506,538	1,169,449
Work-in-Process	64,578	289,048
Finished Goods	-	-
Total	1,571,116	1,458,497
SCHEDULE : 7		
SUNDRY DEBTORS		
Unsecured, considered good		
Debts outstanding for a period exceeding six months	1,324,513	-
Other Debts	232,467	6,353,159
Total	1,556,980	6,353,159
SCHEDULE : 8		
CASH AND BANK BALANCES		
Cash on hand	105	225
Balances with Scheduled Banks in:		
- Current Accounts	2,061,619	21,155
- Margin Money Deposits	3,254,968	4,075,460
- Term Deposits	-	5,000,000
Total	5,316,692	9,096,840
SCHEDULE : 9		
LOANS AND ADVANCES		
Unsecured, considered good		
Advances recoverable in cash or kind or for value to be received	19,226,137	25,267,864
Advances to Staff	4,000	4,000
Advances to suppliers	12,050	0
Balance with Govt Departments	656,529	538,284
Deposits	164,550	401,050
Prepaid Taxes	610,430	239,449
Total	20,673,691	26,450,647



SCHEDULES TO THE BALANCE SHEET

	As at March 31, 2007 Rs.	As at March 31, 2006 Rs.
SCHEDULE : 10		
CURRENT LIABILITIES		
Sundry Creditors		
-Dues of Small Scale Industrial undertakings	-	-
-Others	1,100,842	8,662,945
Statutory Liabilities	92,650	74,685
Other creditors / liabilities	233,151	1,432,107
Total	1,426,643	10,169,737
SCHEDULE : 11		
PROVISIONS		
Provision for Taxation	200,000	150,000
Total	200,000	150,000
SCHEDULE : 12		
MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
Preliminary Expenses	148,449	207,825
Less: Written off during the year	59,376	59,376
Total	89,073	148,449
SCHEDULE : 13		
SALES AND SERVICES		
Telecom Jointing Kits		
- Domestic turnover	27,042,117	32,308,022
Total	27,042,117	32,308,022
SCHEDULE : 14		
OTHER INCOME		
Interest received	302,201	151,573
Profit on sale of investments - Long Term	-	1,856,498
Miscellaneous Income	48,616	-
Total	350,817	2,008,071



SCHEDULES TO THE BALANCE SHEET

	As at March 31, 2007 Rs.	As at March 31, 2006 Rs.
SCHEDULE : 15		
MATERIAL CONSUMPTION		
Opening Stock	1,169,449	1,219,154
Add: Purchase of materials	19,255,736	19,231,455
Expenses related to purchases	32,745	34,133
	20,457,930	20,484,742
Less: Closing Stock	1,506,538	1,169,449
Total	18,951,392	19,315,293
SCHEDULE : 16		
ACCRETION / (DECRETION) TO STOCKS		
Closing stocks as on March 31, 2007		
Finished Goods	-	-
Work - in - Process	64,578	289,048
Less: Opening Stocks as on April 01, 2006		
Finished Goods	-	-
Work - in - Process	289,048	382,574
Total	(224,470)	(93,526)
SCHEDULE : 17		
MANUFACTURING EXPENSES		
Power and fuel	-	808,043
Consumables	5,013	718,310
Job Work Charges	69,419	4,921
Testing and Inspection Charges	20,488	26,269
Repairs and Maintenance - Buildings	-	8,592
Repairs and Maintenance - Plant & Machinery	11,105	52,827
Total	106,025	1,618,962
SCHEDULE : 18		
PERSONNEL EXPENDITURE		
Salaries, Wages	552,535	547,695
Contribution to Provident Fund & ESI	22,627	188,174
Staff Welfare	2,781	90,089
Total	577,943	825,958



SCHEDULES TO THE BALANCE SHEET

	As at March 31, 2007 Rs.	As at March 31, 2006 Rs.
SCHEDULE : 19		
ADMINISTRATIVE AND SELLING EXPENSES		
Rent	-	67,500
Rates and Taxes	135,555	212,482
Office Electricity	-	253,626
Insurance charges	120,197	56,525
Printing and Stationary	4,425	143,764
Communication expenses	30	357,708
Travelling expenses	3,629	594,824
Conveyance	30	150,713
Vehicle Maintenance	-	137,857
Advertisement expenses	-	10,230
Business Promotion	530	121,020
Carriage Outward	739,818	896,906
Sales Tax	1,801,309	1,680,544
Liquidated Damages	134,006	647,479
Legal Fees	-	135,250
Professional and Consultancy	52,834	233,911
Auditors Remuneration	75,000	75,000
Office maintenance	-	119,939
Miscellaneous Expenses	61,146	727,839
Repairs and Maintenance -others	4,600	225,911
Security charges	-	113,300
Total	3,133,109	6,962,328
SCHEDULE : 20		
FINANCIAL EXPENSES		
Interest on Working Capital Loan	380,299	416,375
Interest on Term loan	226,581	-
Bank Charges & Commission	328,911	546,500
Other Finance Charges	190,616	48,666
Total	1,126,407	1,011,541



SCHEDULE - 21

Accounting Policies and Notes on Accounts

I. 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

During the year the company has written back an amount of Rs. 12.07 lacs, which pertains to old balances of Creditors due to non receipt of any claims from parties for more than 5 years. The same was considered as credit item in the prior period adjustment account. The Company shall make the

payment as and when it receives claims from parties and shall be shown under prior period expenses.

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 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.

II. NOTES TO ACCOUNTS

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

2. **Prior Period Adjustments**

Prior period adjustments of Rs.13,20,372 /-(Previous year Rs 13,46,512/-) 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.



Accounting Policies and Notes on Accounts (contd.)

3. 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.

4. Retirement Benefits:

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

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

6. Contingent Liabilities

	Rs in lakhs	
	As at 31.03.07	As at 31.03.06
1. Contingent Liabilities :		
Bank Guarantees issued by State Bank of India towards Performance Guarantees on behalf of the Company	34.84	92.24

7. ADDITIONAL INFORMATION PURSUANT TO THE PROVISIONS OF PARAGRAPHS 3 AND 4 OF SCHEDULE VI TO THE COMPANIES ACT, 1956:

	2006-07		2005-06	
a. Licenced Capacity	5,00,000		5,00,000	
b. Installed capacity				
-Heat Shrinkable Sleeves	4,00,000		4,00,000	
	Quantity	Value	Quantity	Value
c. Production				
-Heat Shrinkable Sleeves	66,917	-	80,967	-
d. Sales				
- Jointing Kits	66,792	17,477,900	65,568	14,172,025
- Sub Kits	-	-	16,581	1,686,092
- Trading	-	-	-	16,449,905
- Others	-	9,564,217	-	-
Total	27,042,117		32,308,022	
e. Material consumption including trading material				
- Hot melt Adhesive	9,160	1,106,948	11,520	1,328,272
- Granules	8,500	621,350	10,500	747,900
- Trading	-	18,423,094	-	17,239,121
	20,151,392		19,315,293	
f. Break-up of material consumption including trading material				
Indigenous	100%	20,151,392	89.00%	172,39,121
Imported	0.00%	-	11.00%	2,106,172
g. Auditors' remuneration				
As auditors	75,000		75,000	

8. Figures have been rounded off to the nearest rupee.

9. Previous year's figures have been regrouped / rearranged wherever necessary.

As per our report attached
For Srinivas P & Associates
Chartered Accountants

Sd/-
P.Srinivas
Proprietor

For and on behalf of the Board

Sd/-
L.P. Sashikumar
Director

Sd/-
P.V. S. Sarma
Director

Place: Secunderabad
Date : 28th July, 2007



Statement of Cash Flows for the year ended March 31st 2007

Rs. In lakhs

	March 31st 2007	March 31st 2006
A Cash Flow from operating activity		
Net Profit before tax	1.39	19.58
Adjustments for:		
Depreciation	6.64	10.58
Miscellaneous expenditure written off	0.59	0.59
Other Income	(3.51)	(20.08)
Operating Profit before working capital changes	5.11	10.67
Adjustments for:		
Trade and other receivables	47.96	(6.68)
Inventories	(1.13)	1.43
Trade advances	61.48	(134.95)
Trade Payable	(87.43)	41.17
Cash generated from operations	26.00	(88.36)
Direct Taxes paid (net)	(3.71)	(0.78)
Cashflow before extraordinary items	22.29	(89.14)
Extra ordinary items	13.20	13.47
Net Cash flow from operating activity	9.09	(102.61)
B. Cash Flow from Investing Activity		
Purchase of fixed assets	3.94	-
Sale of investments	-	94.00
Miscellaneous Expenditure	-	-
Other income	3.51	20.08
Net Cash used for investing activity	7.45	114.083
C. Cash Flow from financing activities		
Repayment of Working capital Loan	(54.34)	54.34
Net cash generated from financing activity	(54.34)	54.34
Cash and cash equivalents (Opening Balance)	90.97	25.15
Net increase in Cash & Cash equivalents (A + B + C)	(37.80)	65.81
Cash and cash equivalents (Closing Balance)	53.17	90.96

As per our report attached
For Srinivas P & Associates
Chartered Accountants

Sd/-
P. Srinivas
Proprietor

For and on behalf of the Board

Sd/-
L.P. Sashikumar
Director

Sd/-
P.V. S. Sarma
Director

Place: Secunderabad
Date : 28th July, 2007



Directors' Report

To
The Members
Shree Shree Telecom Private Limited

Your Directors have pleasure in presenting the Seventh Annual Report on the business and operations of your company and the Audited Financial Accounts for the year ended on 31st March 2007.

Financial Results

Particulars	Rs in Lakhs	
	2006-2007	2005-2006
Net Sales from Operations	-	-
Other Income	0.17	0.36
Total Income	0.17	0.36
Total Expenditure	3.14	19.92
Operating Profit (PBIDT) /Loss	2.97	(19.56)
Interest	0.02	0.33
Depreciation and Write Offs	0.36	0.48
Profit Before Tax	(3.35)	(20.37)
Provision for Tax		
- Current	-	-
- Deferred	0.06	0.28
Extra-Ordinary Items		
- Prior Period Adjustments	0.45	0.45
Net Profit	(3.74)	(20.20)
Equity Share Capital	190.00	190.00
Tangible Net Worth	(88.96)	132.70

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 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 2007, 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 2007 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 2007 have been prepared on a going concern basis.

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

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, 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

Sd/-
S.Muralikrishna
Director

Sd/-
P.V.S.Sarma
Director

Place: Secunderabad
Date: 28th July 2007



AUDITORS' REPORT

To
The Members,
SHREE SHREE TELECOM PRIVATE LIMITED

We have audited the attached Balance Sheet of SHREE SHREE TELECOM PRIVATE LIMITED as at 31st March, 2007 and also the Profit & Loss Account for the year ended on the date annexed thereto for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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

- i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
- iii) The Balance Sheet & Profit & Loss account dealt with by this Report are in agreement with the books of account;
- iv) In our opinion, the Balance Sheet & Profit & Loss account dealt with by this report comply with the Accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- v) On the basis of written representations received from the directors, as on 31st March 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2007 from being appointed Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;

- (a) In the case of the Balance Sheet of the state of affairs of the Company as at 31st March 2007;

And

- (b) In the case of the Profit & Loss account, of the Profit for the year ended on that date;

**For BOPPUDI & ASSOCIATES
CHARTERED ACCOUNTANTS**

Sd/-
**B. APPA RAO
PARTNER**

PLACE: Hyderabad
DATE: 28th July 2007

ANNEXURE TO THE AUDITOR'S REPORT

- I. (a) The company has maintained proper records showing full particulars, including quantitative details and situation of Fixed Assets.
- (b) As explained to us, the fixed assets have been physically verified by the management at reasonable intervals and no material discrepancies between the book records and the physical inventory have been noticed on such verification.
- (c) The Company has not disposed off substantial part of the Fixed Assets during the year and we are of the opinion that the said sale of fixed assets has not affected the going concern.
- II. (a) The Inventory has been physically verified during the year and in our opinion, the frequency of verification is reasonable.
- (b) In our opinion, the procedures of the 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.

The Company is maintaining proper records of inventory and as explained to us, no material discrepancies were noticed on physical verification of stocks as compared to book records.



- III. (a) The Company has not granted any loans, secured or unsecured to Companies, Firms or other Parties covered in the register maintained U/s.301 of the Companies Act, 1956.
- (b) As the Company has not granted any loans, the clause of whether the rate of interest & other terms and conditions on which loans have been granted to parties listed in the register maintained under section 301 is prejudicial to the interest of company, is not applicable.
- (c) As no loans are granted by company, the clause of receipt of interest & principal amount from parties is not applicable to the company.
- (d) No loans have been granted to Companies, Firms & other parties listed in the register U/s 301 of the Companies Act, 1956, hence overdue amount of more than rupees one lac does not arise and the clause is not applicable.
- (e) The Company has not taken any loans, secured or unsecured from Companies, Firms or other Parties covered in the register maintained U/s.301 of the Companies Act. 1956.
- (f) As the Company has not taken any loans, the clause of whether the rate of interest & other terms and conditions on which loans have been taken from parties listed in the register maintained under section 301 is prejudicial to the interest of company, is not applicable.
- (g) As no loans are taken by the company, the clause of repayment of interest & principal amount to parties, is not applicable to the company.
- IV. In our opinion and according to the information and explanations given to us, there are generally adequate internal control systems commensurate with the size of the Company and nature of its business with regard to purchase of inventory and fixed assets and for sale of goods and services. There is no continuing failure by the company to correct major weaknesses in internal controls.
- V. (a) In our opinion and according to the information and explanation given to us, since no contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been made by the company in respect of any party in the financial year, the entry in the register U/s.301 of the Companies Act, 1956 does not arise.
- (b) According to the information and explanations given to us, as no such contracts or arrangements made by the company, the applicability of the clause of charging the reasonable price having regard to the prevailing market prices at the relevant time does not arise.
- VI. The company has not accepted any deposits from the public and hence the applicability of the clause of directives issued by the Reserve Bank of India and provisions of section 58A, 58AA or any other relevant provisions of the Act and the rules framed there under does not arise. As per information and explanations given to us the order from the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal has not been received by the Company.
- VII. In our opinion, the company is having internal audit system, commensurate with its size and nature of its business.
- VIII. In respect of the Company, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956.
- IX. (a) The Company is regular in depositing statutory dues including PF, ESI, Income Tax, Sales Tax, Cess and any other statutory dues with the appropriate authorities and at the last of the financial year there were no amounts outstanding which were due for more than 6 months from the date they became payable.
- (b) According to the information and explanations given to us, no undisputed amounts are payable in respect of PF, ESI, Income Tax, Sales Tax, Cess and any other statutory dues as at the end of the period, for a period more than six months from the date they became payable.
- X. The Company has been registered accumulated losses at the end of the financial year Rs. 61,04,364/ and the company has incurred cash losses of Rs. 2,99,214/-in this financial year and in the immediately preceding financial year Rs, 19,89,337/-.
- XI. According to information and explanations given to us, the Company has not defaulted in repayment of dues to financial Institutions or banks.
- XII. According to the information and explanations given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities and hence the applicability of the clause regarding maintenance of adequate documents in respect of loans does not arise.
- XIII. This clause is not applicable to this Company as the Company is not covered by the provisions of special statute applicable to Chit Fund in respect of Nidhi/ Mutual Benefit Fund/Societies.



- XIV. According to the information and explanations given to us, the company is not dealing or trading in shares, securities, Debentures and other investments and hence the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order 2003, are not applicable to the Company.
- XV. According to the information and explanations given to us, the terms and conditions on which the Company has not given guarantees for loans taken by others, from Banks or Financial institutions.
- XVI. According to the information and explanations given to us, No Term Loans obtained by the company.
- XVII. According to the information and explanations given to us, no funds are raised by the Company on short-term basis. Hence the clause of short term funds being used for long-term investment does not arise.
- XVIII. According to the information and explanations given to us, the Company has not made any preferential allotment of Shares to parties and Companies covered in the Register maintained under section 301 of the Companies Act, 1956 and hence the applicability of the clause regarding the price at which shares have been issued and whether the same is prejudicial to the interest of the Company does not arise.
- XIX. According to the information and explanations given to us, the company does not have any debentures and hence the applicability of the clause regarding the creation of security or change in respect of debentures issued does not arise.
- XX. According to information and explanations given to us, the company has not raised money by way of public issue during the year, hence the clause regarding the disclosure by the management on the end use of money raised by Public Issue is not applicable.
- XXI. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year under audit.

**For BOPPUDI & ASSOCIATES
CHARTERED ACCOUNTANTS**

Sd/-
**B. APPA RAO
PARTNER**

PLACE: Hyderabad
DATE: 28th July 2007



BALANCE SHEET AS AT MARCH 31, 2007

	SCHEDULE	As at March 31, 2007 Rs.	As at March 31, 2006 Rs.
SOURCES OF FUNDS			
SHAREHOLDERS FUNDS:			
Share Capital	1	1,500,000	19,000,000
Deferred Tax Liability		467,485	473,515
Total		1,967,485	19,473,515
APPLICATION OF FUNDS			
FIXED ASSETS:			
Gross Block	2	753,474	753,474
Less: Depreciation		230,219	194,429
Net Block		523,255	559,045
CURRENT ASSETS, LOANS & ADVANCES			
Sundry Debtors	3	286,991	286,991
Cash and Bank Balances	4	155,769	140,840
Loans and Advances	5	204,646	15,259,426
		647,406	15,687,257
CURRENT LIABILITIES & PROVISIONS			
Current liabilities	6	5,307,540	2,502,936
Net Current Assets		(4,660,134)	13,184,321
Miscellaneous Expenditure	7	-	-
Profit and Loss A/c		(6,104,364)	(5,730,149)
Total		1,967,485	19,473,515
Accounting policies & Notes to Accounts The Schedules referred to above form an integral part of Profit and Loss Account	11		

per our report attached
for **Boppudi & Associates**
Chartered Accountants

Sd/-
B.Apparao
Partner

Place: Secunderabad
Date :28th July, 2007

For and on behalf of the Board

Sd/-
S.Muralikrishna
Director

Sd/-
P.V.S.Sarma
Director



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

SCHEDULE		For the Year ended March 31, 2007 Rs.	For the Year ended March 31, 2006 Rs.
INCOME			
Sales		-	-
Less: Excise Duty		-	-
Other Income	8	16,755	35,683
Total		16,755	35,683
EXPENDITURE			
Administrative and Selling Expenses	9	314,123	1,992,021
Financial Expenses	10	1,846	32,999
Depreciation		35,790	35,790
Miscellaneous Expenses Written off		-	12,229
Total		351,759	2,073,039
Profit before Taxation		(335,004)	(2,037,356)
Provision for taxation			
- Deferred		6,030	28,067
Profit after taxation		(328,974)	(2,065,423)
Prior period adjustments (Net)		45,241	45,208
Net Profit / (Loss)		(374,215)	(2,020,215)
Balance in Profit and Loss Account brought forward		(5,730,149)	(3,709,934)
Balance carried to Balance Sheet		(6,104,364)	(5,730,149)
Accounting policies & Notes to Accounts	11		
The Schedules referred to above forms an integral part of Profit and Loss Account			

per our report attached
for Boppudi & Associates
Chartered Accountants

Sd/-
B.Apparao
Partner

For and on behalf of the Board

Sd/-
S.Muralikrishna
Director

Sd/-
P.V.S.Sarma
Director

Place: Secunderabad
Date :28th July, 2007



SCHEDULES TO THE BALANCE SHEET

	As at March 31, 2007 Rs.	As at March 31, 2006 Rs.
SCHEDULE : 1		
SHARE CAPITAL		
Authorised:		
1,50,000 Equity Shares of Rs. 10 each	1,500,000	1,500,000
Issued, Subscribed and Paid up:		
1,50,000 Equity Shares of Rs. 10/- each fully paid up	1,500,000	1,500,000
Share application money received	-	17,500,000
Total	1,500,000	19,000,000

SCHEDULE : 2										
FIXED ASSETS										
Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Ason 01.04.2006 Rs	Additions Rs	Deletions	AsAt 31.03.2007 Rs	Ason 01.04.2006 Rs	For the year Rs	Deletions	AsAt 31.03.2007 Rs	AsAt 31.03.2007 Rs	AsAt 31.03.2006 Rs
Electrical Equipment	89,988	-	-	89,988	23,499	4,274	-	27,773	62,215	66,489
Electrical Installation	22,853	-	-	22,853	5,970	1,086	-	7,056	15,797	16,883
Plant & Machinery	522,252	-	-	522,252	134,070	24,807	-	158,877	363,375	388,182
Lab tools and Equipment	118,381	-	-	118,381	30,889	5,623	-	36,512	81,869	87,492
Total	753,474	-	-	753,474	194,428	35,790	-	230,218	523,256	559,046
Previous year	753,474	-	-	753,474	158,638	35,790	-	194,428	559,046	594,836

SCHEDULE : 3		
SUNDRY DEBTORS		
Unsecured, considered good		
Debts outstanding for a period exceeding six months	286,991	286,991
Total	286,991	286,991

SCHEDULE : 4		
CASH AND BANK BALANCES		
Balances with Scheduled Banks		
- In Current Accounts	47,950	49,776
- In Margin money Deposits	107,819	91,064
Total	155,769	140,840



SCHEDULES TO THE BALANCE SHEET

	As at March 31, 2007 Rs.	As at March 31, 2006 Rs.
SCHEDULE : 5		
LOANS AND ADVANCES		
Unsecured, considered good		
Advances recoverable in cash or kind or for value to be received	-	15,054,780
Balance with Govt. departments	5,088	5,088
Deposits	22,700	22,700
Prepaid Taxes	176,858	176,858
Total	204,646	15,259,426
SCHEDULE : 6		
CURRENT LIABILITIES		
Statutory Liabilities	-	12,678
Other Liabilities	5,307,540	2,490,258
Total	5,307,540	2,502,936
SCHEDULE : 7		
MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)		
Preliminary Expenditure	-	12,229
Less: Amount written Off During the year	-	12,229
Total	-	-



SCHEDULES TO THE PROFIT AND LOSS ACCOUNT

	For the year ended March 31, 2007 Rs.	for the year ended March 31, 2006 Rs.
SCHEDULE : 8		
OTHER INCOME		
Interest on Fixed Deposits	16,755	25,838
Interest on Income Tax refund	-	2,932
Miscellaneous income	-	6,913
Total	16,755	35,683
SCHEDULE : 9		
ADMINISTRATIVE AND SELLING EXPENSES		
Rent	201,450	-
Rates and Taxes	14,718	9,644
Printing and Stationary	1,500	-
Professional and Consultancy	4,496	-
Auditors Remuneration	10,000	20,000
Miscellaneous Expenses	28,308	13,625
Security Charges	53,651	-
Loss on sale of investments	-	1,948,752
Total	314,123	1,992,021
SCHEDULE : 10		
FINANCIAL EXPENSES		
Bank Charges	1,846	32,999
Total	1,846	32,999



SCHEDULE :11

Accounting Policies and Notes on Accounts

I. 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.
- 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.

II. NOTES TO ACCOUNTS

1. Sundry Debtors, Loans and advances and sundry creditors are subject to confirmation by parties.
2. 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 16,755/- (Previous year Rs. 25,838/-) which has been included in the Profit & Loss A/c.
3. The accumulated net deferred tax liability as per Accounting Standard 22 arising on account of timing difference as on 31.03.2007 amounting to Rs.6,030/- (Previous year Rs 28,067/-) has been debited to Profit & Loss Account .
4. 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.
5. Previous year figures have been regrouped/ rearranged wherever necessary.
6. **Contingent Liabilities**
Bank guarantees issued by bank towards Bid/Performance guarantees Rs.90,935/- (Previous Year Rs 90,935/-)

For and on behalf of the Board

Sd/-
S.Muralikrishna
Director

Sd/-
P.V.S.Sarma
Director

As per our report of even date

For Boppudi & Associates
Chartered Accountants

Sd/-
B.Apparao
Partner

Place: Secunderabad
Date : 28th July 2007

Intentionally this page is blank



GOLDSTONE TELESERVICES LIMITED

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

PROXY FORM

I/We..... of
..... being a member/ members of the above named company
hereby appoint of
..... as my/our proxy to vote for me/us on my/our behalf
at the 9th Annual General Meeting of the company to be held on Friday, the 28th September, 2007 at 10.30 A.M at Plot No.
1 & 9 IDA Phase II, Cherlapally, Hyderabad – 500 051 and at any adjournment thereof.

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



NOTE :

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

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

GOLDSTONE TELESERVICES LIMITED

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

ATTENDANCE SLIP

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

Regd. Folio/ :
Client ID/ DPID

Shares held :.....

I hereby record my presence at the 9th Annual General Meeting to be held on Friday, the 28th September, 2007 at 10.30 A.M. at Plot No. 1 & 9 IDA Phase II, Cherlapally, Hyderabad – 500 051.

Name of the Shareholder :

Name of the Proxy :

Signature of member/proxy :

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

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