



### Notice

Notice is hereby given that the Sixth Annual General Meeting of the Members of the Company will be held on Thursday, the 28<sup>th</sup> day of September, 2006 at 4.00 P.M. at Plot No. 1 & 9, IDA, Phase II, Cherlapally, Hyderabad-500 051, to transact the following business:

#### ORDINARY BUSINESS:

1. To consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March 2006 and Profit and Loss Account for the year ended as on the date along with Directors Report and Auditors Report thereon.
2. To appoint a Director in place of Dr. M V S R Kamesam, who retires by rotation and being eligible, offers himself for re-appointment.
3. To consider and if thought fit, to pass with or without modification the following Resolution as an Ordinary Resolution:

“WHEREAS a Special Notice has been received pursuant to Section 225(1) of the Companies Act, 1956 from Shareholder for the appointment of M/s P.Murali & Co., Chartered Accountants, in place of the retiring Auditors, namely M/s. C K S Associates Chartered Accountants.

NOW THEREFORE IT IS RESOLVED that M/s P.Murali & Co., Chartered Accountants, Hyderabad be and are hereby appointed as the Auditors of the Company from the conclusion of this Annual General Meeting until the

conclusion of the next Annual General Meeting at remuneration as may be decided by the Board of Directors of the Company.”

#### SPECIAL BUSINESS

##### 4.Re Appointemnt of Managing Director

“RESOLVED THAT pursuant to Sec. 198, 269, 309, 310 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII there of, the consent of the members be and is hereby accorded for appointment of Mr. L.P.Sashikumar, as Managing Director of the Company for a period of one years w.e.f 1<sup>st</sup> April 2006 on the following terms and conditions.

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

a) Salary Rs.65,000/- ( Sixty Five thousand only) per month

#### Perquisites:

##### CATEGORY A

1. Housing : Rent Free Accommodation or House Rent Allowance – Rs.10,000 per month.
2. Other Allowances like Mainenance, Subscription to internet, Professional Development Allowance, Gardener, Servant etc: not exceeding Rs. 20,000/- per month.
3. Reimbursement upto Rs. 15,000/- Per month, towards Entertainment, LTA, Subscription to Professional journals and Medical Expenses etc:



### CATEGORY B

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

for and the behalf of the company  
Sd/-

**L P Sashikumar**  
Managing Director

**Place:Secunderabad**

Date: 21.08.2006

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### Notes:

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- 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 of the Company not less than 48 hours before the meeting.
- c) The Register of Members and Share Transfer Books of the Company shall remain closed from Tuesday, 26<sup>th</sup> September 2006 to Thursday,

28<sup>th</sup> September 2006 (both days inclusive) for the purpose of Annual General Meeting.

- d) Queries on accounts and operations of the Company, if any, may please be sent to the Company at least seven days in advance of the Meeting so that the answers may be made readily available at the Meeting.
- e) Members / Proxies are requested to deposit the enclosed Attendance Slip duly filled in and signed for attending the meeting.

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

#### **Dr. M V S R Kamesam**

Dr M.V.S.R. Kamesam is an M.,Tech from IIT Kharagpur. He also holds post Graduate Diploma in Management from IIM Bangalore and Ph.D in Organisational Transformation. He has over 30 Years of Industrial experience in various reputed companies.

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

#### **Item No. 3**

Special Notice in terms of Section 190 of the Companies Act, 1956 read with Section 225 of the Act has been received from Shareholder(s) of the Company for the appointment of new



## Goldstone Teleservices Limited

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Auditors in place of the retiring auditors C K S Associates, Chartered Accountants. The Company has forthwith communicated to the retiring auditors of the Special Notice and that the retiring auditors have made no representation against the said special notice. A written certificate has been obtained from M/s P.Murali & Co., Chartered Accountants to the effect that in case of their appointment as Auditors of the Company, the appointment will be in accordance with the limits prescribed under Section 224 (1B) of the Act.

Your Directors recommend the Resolution for your approval.

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

### **Item No. 4**

Mr. L P Sashikumar was re-appointed as Managing Director of the Company. An agreement was executed between the Company and Mr. L P Sashikumar,

incorporating the remuneration and other perquisites mentioned in the proposed resolution. The remuneration is within the limits prescribed under Section 309 and Schedule XIII of the Companies Act, 1956. A copy of the draft agreement referred to as above will be open for inspection by the members at the Registered Office 9-1-83 & 84, Amarchand Sharma Complex, S D Road, Secunderabad - 500 003, between 10.00 AM to 1.00 PM on all working days. Approval of the Shareholders is required in the Annual General Meeting for his appointment as Managing Director and hence your directors recommend the resolution for your approval.

None of the Directors of the Company is in any way concerned or interested in this resolution except Mr. L P Sashikumar

For and on behalf of the Board

**Sd/-**  
**L P Sashikumar**  
Managing Director

**Place:Secunderabad**  
Date:21<sup>st</sup> August 2006



## Directors' Report

To  
The Members  
Goldstone Teleservices Limited

Your Directors have pleasure in presenting the Sixth Annual Report on the business and operations of your company and the Audited Financial Accounts for the year ended on 31<sup>st</sup> March 2006

<b>Financial Results</b>	<b>Rs in Lakhs</b>	
Particulars	<b>2005-06</b>	2004-05
Net Sales/Income from Operations	<b>2958.60</b>	1943.52
Other Income	<b>724.24</b>	84.63
Total Income	<b>3682.84</b>	2028.15
total expenditure	<b>2424.26</b>	1533.92
Operating Profit (PBIDT)	<b>1258.58</b>	494.23
Interest	<b>155.59</b>	140.95
Depreciation and Write Offs	<b>252.62</b>	232.53
Profit Before Tax	<b>850.37</b>	120.75
Provision for taxation		
- Current	<b>125.00</b>	15.50
-Deferred	<b>58.46</b>	47.11
-Fringe benefit	<b>7.12</b>	-
Profit after Tax	<b>659.79</b>	58.14
Extra-Ordinary Items		
- Prior period adjustments	<b>0.20</b>	19.80
Net Profit	<b>659.99</b>	77.94
Equity Share Capital (2,10,23,305 Shares of Rs 4/- each; Current year)	<b>840.93</b>	546.61
E.P.S	<b>3.14</b>	0.57
Net Worth	<b>4222.37</b>	3137.28
Book Value (face Value of Rs. 4/- each)	<b>20.08</b>	22.96

### Dividend

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

### Fixed Deposits

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

### Insurance

All the properties of your Company including its Building, Plant & Machinery and Stocks have been adequately insured

### Subsidiaries

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

### Newtech Stewing Telecom Limited

NSTL posted a total Income of Rs.329.03 lakhs as against Rs. 142.45 lakhs for the previous year i.e., 2004-05. NSTL posted a Net Profit of Rs.8.24 lakhs as against Net loss of Rs. 15.33 lakhs for the previous year i.e., 2004-05.

### Combined results (in lakhs)

Particulars	GTSL		NSTL		SSTL		GTSL & Subsidiaries Consolidated	
	12 months	12 months	12 months	12 months	12 months	12 months	12 months	12 months
Year	<b>05-06</b>	04-05	<b>05-06</b>	04-05	<b>05-06</b>	04-05	<b>05-06</b>	04-05
Sales	<b>2958.60</b>	1943.52	<b>308.95</b>	138.14	<b>0.00</b>	0.00	<b>3267.55</b>	2081.66
Other Income	<b>724.24</b>	84.63	<b>20.08</b>	4.31	<b>0.36</b>	8.57	<b>744.68</b>	97.51
Total	<b>3682.84</b>	2028.15	<b>329.03</b>	142.45	<b>0.36</b>	8.57	<b>4012.23</b>	2179.18
PBIDT	<b>1258.58</b>	494.23	<b>40.87</b>	(6.42)	<b>(19.56)</b>	(19.35)	<b>1279.89</b>	468.46
PBT	<b>850.37</b>	120.75	<b>19.58</b>	(22.05)	<b>(20.37)</b>	(20.49)	<b>849.58</b>	78.21



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

### **Shree Shree Telecom Private Limited**

SSTL posted a total Income of Rs. 0.36 lakhs as against Rs. 8.58 lakhs for the previous year i.e. 2004-05. The Net loss is Rs.20.20 lakhs as against loss of rs 20.30 lakhs for the previous year i.e. 2004-05

### **Management Discussions and Analysis Business Outlook:**

Presently major thrust is given by Government of India for development of Infrastructure sectors namely Energy (Power, Oil and Gas), Communications, Transport, and Irrigation etc. Investments envisaged during the 11<sup>th</sup> plan period and afterwards are very heavy, proposed to be achieved through Public – Private partnership. The products manufactured by our Company play a vital role in the above Nation-building task. Our Company's products are used widely in Power sector, Indian Railways, Tele communications, Oil and Gas pipeline sectors. The activity and revenues from the BPO/ Call Centre division has reduced during the year and the management has been examining various proposals to deal with the situations.

### **Insulators Division:**

Composite Insulators in the range of 11 KV, 22 KV, 33 KV manufactured by our Company have been widely accepted by the customers quality wise and price wise. The R&D project undertaken by the Company to develop and manufacture of High Voltage Insulators has been successfully completed and full-scale commercial production would start during the current financial year.

Company is in the process of developing wide range of Composite Insulators and various types

of polymer compound required for these insulators. R&D activity in this division is a continuous process with an aim to provide high quality and cost effective product to our customers. The turnover achieved during the year 2005-06 in this division is Rs.12.23 crores against Rs.7.67 crores in the previous year. The performance of this division is estimated to be very high during the current financial year.

Few competitors are likely to enter the market during the current financial year, but our Company has always got the first mover advantage.

### **Telecom Division:**

The demand for cable jointing kits remained stagnant and our Company has been receiving orders steadily during the year and the position continuous to be the same during the current financial year also. The division has achieved a turnover of Rs.13.63 crores during the year 2005-06 against a turnover of Rs.6.44 crores during the previous year.

Technological innovations in telecom industry adversely impacted telecom cable jointing kits business.

### **BPO Division:**

The IT/ITES business has become highly competitive. Our Company has been examining various alternative proposals to improve the performance of this division. A turnover of Rs.5.03 crores has been achieved.

### **Internal controls and systems:**

The internal audit & 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.30.90 crores as against Rs.20.06 crores during the previous year. The increase is mainly an account of improved performance in insulators division and telecom division.

There is a quantum jump of Rs. 7.24 crores in other income on account of commission earned, and interest on excise refund.

Commensurate with the increased turnover consumption of raw materials has also increased. Personnel expenditure has increased in line with the increased turnover and business operations. Other manufacturing expenses have increased by Rs.27.92 lakhs an account of higher production during the year.

Administrative and selling expenses have increased an account of increase in selling expenses and other taxes and duties

Financial expenses have increased marginally in spite of higher turnovers, due to implementation of string and financial controls.

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

Due to quantum jump in the profit the provision for taxation has been more by Rs. 109.50 lakhs during the year.

The paid up share capital of the Company has gone up by Rs.294.32 lakhs an account of preferential issue of equity shares at premium, to

part finance the project to manufacture Heat Shrinkable Sleeves of Corrosion protection of Oil and Gas Pipeline Joints and other regular capital expenditure.

The increase in results and surplus has been an account of the share premium collected on the preferential equity issue and higher profits earned during the year.

The decrease in secured loans is an account of payment of term loan instalments during the year.

During the year fixed assets worth Rs.350.74 lakhs have been added mainly in insulators division.

Reduction in the value of inventories as at 31<sup>st</sup> March 2006 has been an account of improved business cycle time.

### **Human Resource Development & Industrial Relations:**

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

As on 31<sup>st</sup> March 2006 the Company has a total strength of 152 employees.

### **Outlook for the year 2006-07:**

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 customers are showing more interest in procurement of increased quantities of Composite Insulators. Procurement



of Telephone Cable Jointing Kits also expected to be stable during the year. Company is examining various options to improve upon the return on the investments made in BPO/Call Centre division. 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 Management Discussion and Analysis describing the Company's objectives projections, estimates, expectations, may be 'forward-looking statements' within the meaning of applicable securities laws and regulations. Actual results may differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand, supply and price conditions in the domestic/overseas markets in which the Company operates, changes in the government regulations, tax laws and other statutes and other incidental factors.

### **Auditors:**

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

### **Directors**

Dr M V S R Kamesam retire by rotation and being eligible offer himself for re-appointment. Mr. S P Shukla, and Mr. M. P. Mehrotra, have resigned as Directors of the Company. The Board places on record their appreciation for the valuable services rendered by them during their tenure as Directors.

### **Stock Exchange Listing**

The Equity Shares of the Company are listed on the National Stock Exchange, Mumbai Stock Exchange, Hyderabad Stock Exchange, Ahmedabad Stock Exchange, Madras Stock Exchange and Delhi Stock Exchanges. The company confirms that it has paid Annual Listing Fees due to all the above Stock Exchanges for the year 2005-2006.

### **Director's Responsibility Statement**

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

- (a) That in the preparation of the Accounts for the twelve months period ending 31<sup>st</sup> March 2006, the applicable accounting standards have been followed and there are no material departures there from.
- (b) That the accounting policies have been selected and applied consistently and judgements and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31<sup>st</sup> March 2006 and of the profit of the Company for the year ended on that date.
- (c) That proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and



detecting fraud and other irregularities.

- (d) That the accounts for the year ended 31st March 2006 have been prepared on a going concern basis.

## Corporate Governance

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

## Balance Sheet Abstract and Company's General Business Profile

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

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

Disclosure of particulars in respect of conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo required under companies (Disclosure of particulars in the Directors Report) Rules 1988.

### A. CONSERVATION OF ENERGY

#### a. Energy Conservation Measures taken or under implementation

Continuous running of the sleeve manufacturing plant

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

Additional/new measures will be initiated for further reduction in energy consumption based on technical evaluation and 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.

### I. POWER AND FUEL CONSUMPTION

#### 1. Electricity 2005-06

##### a. Purchased

Units – KWH	7,88,547
Total Amount	33,75,012
Rate/Unit –Rs.	4.28

##### b. Own Generation

Through Diesel Generator	36,388
Units – KWH	3,45,760
Total Amount	9.5
Rate/Unit –Rs.	

### B. TECHNOLOGY ABSORPTION: Research and Development

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

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

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

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





### 3. Future Plan of Action

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

### 4. Expenditure on Scientific Research & Development Rs. 432.71 lakhs

### C. FOREIGN EXCHANGE EARNINGS AND OUT GO

#### Foreign Exchange Transactions:

	(Amount in Rs. Lakhs)	
	2005-06	2004-05
i) Value of Imports on CIF basis		
- Raw Materials	<b>244.36</b>	52.12
- Capital Goods	<b>71.29</b>	26.65
-Tools & Spares	-	2.76
ii) Expenditure in Foreign Currency		
-Traveling Expenses	<b>9.47</b>	14.48
iii) Earnings in Foreign currency (on receipt basis)		
- Export of Goods (FOB Basis)	<b>4.25</b>	0.55

### Particulars of Employees

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

### Acknowledgements

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

Your Directors thank all the Employees of the 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/-	Sd/-
<b>L P Sashikumar</b>	<b>Dr. M.V.S.R Kamesam</b>
Managing Director	Director

Place : Secunderabad

Date : 21st August, 2006.



## Corporate Governance Report

### 1. Company's philosophy on code of corporate governance:

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

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

### 2. Board of Directors:

The Board of Directors of the Company consists of 4 directors. Three of them are Non-Executive Directors. Out of them two are independent and one is Non Independent. The Board has taken all the necessary steps to strengthen the Board with optimum combination of Executive and Non-Executive independent Directors. In consonance with the amended Listing Agreement, the Board comprises of independent directors.

Twelve Board Meetings were held during the financial year 2005 - 2006 on the following dates:

30th April 2005; 1st June 2005; 17th June 2005; 24<sup>th</sup> June 2005; 30<sup>th</sup> July 2005; 8th August 2005; 16th September 2005; 24th October 2005; 29th October 2005; 14th December 2005; 30<sup>th</sup> January 2006; and 27th March 2006.

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

Name of Director	Designation	Number of Board Meetings held	Number of Board Meetings Attended	No. of Committee Positions held in other companies	Attendance Directorships in other companies	at Last AGM (Yes/No)
*Mr. S P Shukla	Exec Chairman	12	3	1	1	Yes
Mr. L.P. Sashi Kumar	M.D.	12	12	1	1	Yes
Dr. M.V.S.R. Kamesam	Non-E.D	12	12	NIL	Nil	Yes
Ms. Mahitha Cadell	Non-E.D	12	2	NIL	3	Yes
Mr. S Murali Krishna	NON-ED	12	NIL*	NIL	NIL	Yes
*Mr. M.P. Mehrotra	Non-E.D	12	3	Nil	11	No

\* Mr S.P.Shukla has resigned on 31st January 2006 and Mr. M.P.Mehrotra has resigned on 27th March 2006 as Directors of the Company .

### 3. Audit Committee:

As on 31<sup>st</sup> March 2006 the Audit Committee Comprised of Sri. M V S R Kamesam as Chairman, Sri S Murali Krishna and Sri L P Sashikumar, as its Members. The role, terms of reference and



authority and powers of the Audit Committee are in conformity with the requirements of Companies Act, 1956 and provisions made in paragraph C and D in sub-clause II of Clause 49 of the listing agreement.

The Meetings of the Audit Committee held during the year 2005-2006 on the following dates. The 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	4	30-06-2005
2.	Mr. L P Sashikumar	Member	4	30-07-2005
3.	Mr S P Shukla	Member	4	31-10-2005 30-01-2006

#### 4. Remuneration/ Compensation Committee

As on 31<sup>st</sup> March, 2006 the Remuneration Committee comprised of Dr. M.V.S.R.Kamesam , Charmin Mr. L P Sashikumar, and Mrs. Mahita Caddell as Members of the committee. The terms of reference of the Remuneration Committee, inter alia include determination of compensation package of Executive Directors and Senior Management of the Company. During the year 2005-2006, no meeting of the Remuneration Committee was held.

#### 5. Shareholders and Investor(s) Grievance Committee:

The company has a Shareholders\Investor Grievance Committee Comprised of Mr. L.P.SashiKumar as Chairman, Mr.S.Murali Krishna and Mrs Mahirta Caddell as its members. Number of Investor Queries/Complaints received during the year 2005-06 were as follows

Nature of Complaint	Received during the year	Resolved during the year
Letter from SEBI	-	-
Letter from BSE	2	2
Letter from NSE	2	2
Non-Receipt of Dividend/Warrant	25	25
Non-receipt of Share Certificate/Transfer	3	3
Total	32	32

As on 31st March 2006, The Members of the shareholders /Investors Grievance Committee are also entrusted with the responsibility of Share Transfer Committee, which looks into the matters relating to transfers/transmissions, issue of duplicate certificates etc., the details regarding the transfers, dematerializations, issue of duplicate Share certificate, etc., are as under:



No. of share transfer committee meetings	No. of Shares approved for transfer	Duplicate Shares Issued	Re-materialization	Total
13	611950	Nil	3600	615550

### 6. General Body Meetings:

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

Date of AGM Held	Time
12 <sup>th</sup> September, 2005 Monday	10.30 AM
30 <sup>th</sup> September, 2004 Thursday	11.30 AM
30 <sup>th</sup> September, 2003 Tuesday	10.30 AM

Postal Ballot was invited for the AGM held on 12th September, 2005 for alteration of objects clause III A of Memorandum of Association. Total Postal ballots received 91 out of which votes in favour of Resolution is 90 and one is against, none were invalid. The special Resolution is passed.

### 7. Disclosures:

There were no transactions of material nature between the company and the directors or management and their relatives or promoters that may have a potential conflict with interests of the company. The remuneration paid to Whole-time Directors and key management personnel has been disclosed in the Annual Report.

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

### 8. Means of Communication:

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

### 9. General Shareholders Information:

The Sixth Annual General Meeting of the Company will be held on Thursday, 28<sup>th</sup> September, 2006 at 4.00 P.M at Plot No 1 & 9 Phase II, IDA Cherlapally, Hyderabad- 500051

**Dates of Book Closure:** 26<sup>th</sup> September – 28<sup>th</sup> September 2006 (Including of both days)



## Goldstone Teleservices Limited

### Stock Exchanges where Shares of the Company are listed

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

### Stock Code:

**NSE** - GOLDTELE

**BSE** - 532439

**HSE** - 6496

Listing fees has been paid to all the stock exchanges for the year 2005-06

### Market Price Data:

Month	NSE		BSE	
	High	Low	High	Low
April 2005	17.50	14.25	17.70	14.25
May 2005	16.15	13.40	16.25	13.37
June 2005	18.70	13.40	18.29	13.50
July 2005	19.25	15.10	18.65	15.00
August 2005	20.80	14.90	20.90	14.90
September 2005	23.05	14.80	22.00	14.70
October 2005	16.95	10.80	16.90	11.00
November 2005	14.50	12.00	14.47	11.60
December 2005	14.95	9.90	14.74	9.78
January 2006	17.40	13.75	17.26	13.30
February 2006	16.45	12.75	16.36	12.01
March 2006	16.35	13.00	17.24	12.60

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

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



## Registrar and Transfer Agents

M/s Venture Capital and Corporate & Investment Limited  
6-2-913/914, 3<sup>rd</sup> Floor, Progressive Towers,  
Khairatabad Hyderabad – 04  
Tel: +91-40-23322262/64  
Fax: +91-40-3324803  
Email: vccil\_hyd@yahoo.co.in

## Distribution of Shareholding as on 31<sup>st</sup> March 2006

Share or Debentures Holding of nominal value of	Share/Debentures Holders		Share/Debenture Amount	
	Number	% of Total	In Rs	% of Total
(1)	(2)	(3)	(4)	(5)
Upto - 5000	10,304	94.20	17601544	20.93
500 - 10000	351	3.21	5299120	6.30
10001 - 20000	151	1.38	4521232	5.38
20001 - 30000	40	0.37	2027864	2.41
30001 - 40000	21	0.19	1486404	1.77
40001 - 50000	20	0.18	1884148	2.24
50001 - 100000	22	0.20	3239256	3.85
100001 and above	28	0.27	48033652	57.12
<b>TOTAL</b>	<b>10937</b>	<b>100.00</b>	<b>84093220</b>	<b>100.00</b>

## Shareholding Pattern as on 31<sup>st</sup> March 2006

Category	No. of Equity Shares Held	% of Shareholding	No. of Shareholders	% to Total Shareholders
1 Promoters	3310515	15.75%	2	0.02%
2 Mutual Funds, IFI's & Banks	4310019	20.50%	6	0.06%
3 Private Bodies Corporate	2457977	11.69%	511	4.67%
4 Public	10428756	49.61%	10192	93.18%
5 NRI'S & OCB's	516218	2.46%	226	2.07%
<b>GRAND TOTAL</b>	<b>21023305</b>	<b>100.00%</b>	<b>10937</b>	<b>100.00%</b>



**Dematerialization of Shares and Liquidity**

The International Security Identification Number (ISIN) allotted to the Company Scrip is INE260D01016. Investors have a better liquidity in Dematerialized form and are therefore advised to open a Demat Account with a Depository Participant of their choice to trade in Dematerialized form. Over 72.97% of the company Shares are now held in Electronic Form.

**Location of Divisions:**

**The Manufacturing Unit of Cable Jointing Kits is located At:  
Plot No 1 & 9, IDA, Phase II Cherlapally, Hyderabad – 500051  
BPO of the Company is located at:  
Door No. 8-2-243/A, 2<sup>nd</sup> and 3<sup>rd</sup> Floor, Maharshi Building,  
Road No. 3, Banjara Hills, Hyderabad –500034**

**Address for Correspondence:**

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

**Compliance Certificate of the Auditors**

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

**Auditors' Certificate on Corporate Governance**

**To  
The Members**

We, the Statutory Auditors of Goldstone Teleservices Limited have reviewed the relevant records for the year ended on 31<sup>st</sup> March 2006 relating to compliance with the requirements of Corporate Governance and state that in our opinion and to the best of our knowledge and according to the information and explanation given to us, the Company has complied with the provisions of Clause 49 of the Listing Agreement

**For CKS Associates**  
Chartered Accountants

Place : Secunderabad  
Date : 21st August, 2006

Sd/-  
**Partner**



### Auditors' Report

To  
The Members of  
GOLDSTONE TELESERVICES LIMITED

1. We have audited the attached Balance Sheet of GOLDSTONE TELESERVICES LIMITED as at March 31, 2006, the relative Profit and Loss Account of the Company for the year ended on that date annexed thereto and the cash flow statement for the year ended on that date, which are signed by us under reference to this report. 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 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.
  - a. 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.
  - b. In our opinion, proper books of account, as required by law have been kept by the Company, so far as appears from our examination of these books;
  - c. The Balance Sheet and the Profit and Loss account dealt with by this Report are in agreement with the books of account;
- d. In our opinion, the Profit and Loss account and the Balance Sheet comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
- e. On the basis of written representations received from the directors as on March 31, 2006 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2006 from being appointed as a Director in terms of clause of (g) of sub-section (1) Section 274 of the Companies Act, 1956;
- f. In our opinion and to the best of our information and according to the explanations given to us, and subject to: Non provision for bad and doubtful debts amounting to Rs. 326.97 lakhs resulting in overstatement of profit for the year to that extent (Refer to Note No. 5 of Schedule 23 to the Accounts) 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 :
  - i) in the case of the Balance Sheet of the state of affairs of the Company as at March 31, 2006;
  - ii) in the case of the Profit and Loss account, of the Profit of the Company for the year ended on that date, and
  - iii) in the case of Cash Flow statement, of the Cash flows for the year ended on that date.





- 4 As required by the Companies (Auditors Report) Order 2003, issued by the Central Government of India in terms of Section 227 (4-A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we further report that:
- 1.1 The Company has maintained proper records showing full particulars, including the quantitative details and situation of fixed assets.
- 1.2 All the fixed assets, have been physically verified by the management at intervals, which, in our opinion, are reasonable having regard to the size of the company and nature of its assets. No material discrepancies were noticed on such verification.
- 1.3 There was no substantial disposal of fixed assets during the year.
- 2.1 According to the information and explanations given to us, inventories have been physically verified by the management at reasonable intervals during the year.
- 2.2 In our opinion, 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.
- 2.3 The Company has maintained proper records of inventory. No material discrepancies were noticed on physical verification.
- 3.1 According to the information and explanations given to us, the company granted inter corporate unsecured loans of Rs.1258.83 lakhs to three companies covered in the register maintained under section 301 of the Act.
- 3.2 According to the information and explanations given to us, the rate of interest and other terms and conditions of loans given by the company are prima facie not prejudicial to the interest of the company
- 3.3 As the repayment schedule is not made available to us, we are unable to comment whether the payment of principal amount and interest are being made regularly.
- 3.4 As the repayment schedule is not made available to us, we are unable to comment if any amount is overdue or reasonable steps have been taken by the company for recovery of the principal and interest
- 3.5 As 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, the matters to be reported under Paragraphs 4 (iii) (e), (f) and (g) are not applicable.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures, commensurate with the size of the Company and nature of its business, for the purchase of inventory, fixed assets and for sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls.
- 5.1 To the best of our knowledge and belief and according to the information and explanations given to us, we are of the opinion that the transactions that need



- be entered into the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
- 5.2 In our opinion and according to the explanations given to us, the transactions made in pursuance of contracts or arrangements entered into the register maintained under Section 301 of the Companies Act, 1956 have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public covered by the provisions of Sections 58A and 58AA of the Companies Act, 1956 and the Rules framed thereunder.
7. In our opinion and according to the information and explanations given to us, the Company has an internal audit system commensurate with its size and nature of its business.
8. The maintenance of cost records has not been prescribed by the Central Government under Section 209(1)(d) of the Companies Act, 1956 for the products manufactured by the company.
- 9.1 According to the information and explanations given to us, undisputed statutory dues including provident fund, employees state insurance, income tax, sales tax, wealth tax, service tax, customs duty, cess and excise duty have generally been not regularly deposited with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, service tax, sales tax, customs duty, excise duty and other statutory dues, were outstanding at the year end for a period of more than six months from the date they became payable.
- 9.2 According to the information and explanations given to us, there are no dues pending on account of disputes before any forum in respect of sales tax / income tax / custom duty / wealth tax / service tax / excise duty / cess
- 10 The Company has no accumulated losses as at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- 11 The Company has defaulted in repayment of dues to State Bank of Hyderabad to the extent of Rs. 20.63 Lakhs (Please refer to Note 2.2 of Schedule 23 to the Accounts)
- 12 The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- 13 As the Company is not a chit fund or a nidhi company the matters to be reported under paragraph 4(xiii) are not applicable to the Company.
- 14 As the Company is not dealing or trading in shares, securities, debentures and other investments, maintenance of proper records thereof and timely entries therein does not arise.



- 15 According to the information and explanations given to us, the Company has given guarantee for loans taken by its subsidiary companies from financial institutions, the terms and conditions whereof in our opinion are not prima-facie prejudicial to the interest of the company.
- 16 The Company has not taken any term loans during the year under review.
- 17 According to the information and explanations given to us and on an overall examination of Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment during the year.
- 18 The Company has made preferential allotment of shares during the year to parties listed in the register maintained under Section 301 of the Companies Act, 1956 at prices arrived at as per SEBI guidelines and rules framed by them which in our opinion are not prejudicial to the interest of the company.
- 19 As the Company has not issued any debentures, the creation of security thereof does not arise.
- 20 The Company has not raised any money by way of public issue during the year under review.
- 21 To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company has been noticed during the course of our audit.

**For C K S ASSOCIATES  
Chartered Accountants**

**Sd/-  
N. V. S. SRIKRISHNA  
Partner  
(M. No. 25139)**

Address:  
87, Nagarjuna, Road No. 3,  
Gaganmahal Colony,  
Domalguda  
Hyderabad – 500 029.

Date: 21.08.2006



## Goldstone Teleservices Limited

### Balance Sheet as at 31st March, 2006

	SCHEDULE	As at 31.03.2006	As at 31.03.2005
		Rs.	Rs.
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS FUNDS:</b>			
Share Capital	1	<b>8,40,93,220</b>	5,46,60,600
Reserves and Surplus	2	<b>34,86,82,158</b>	25,94,79,247
Preferential Share Warrants Money		<b>0</b>	51,50,709
		<b>43,27,75,378</b>	<b>31,92,90,556</b>
<b>LOAN FUNDS:</b>			
Secured Loans	3	<b>7,62,62,825</b>	9,07,72,099
Unsecured Loans	4	<b>5,56,77,435</b>	4,63,89,722
		<b>13,19,40,260</b>	<b>13,71,61,821</b>
<b>DEFERRED TAX LIABILITY</b>			
		<b>4,60,22,998</b>	<b>4,01,76,752</b>
<b>Total</b>		<b>61,07,38,636</b>	<b>49,66,29,129</b>
<b>APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS:</b>			
Gross Block	5	<b>31,09,83,778</b>	27,59,09,912
Less: Depreciation		<b>11,32,12,045</b>	9,00,87,248
Net Block		<b>19,77,71,733</b>	<b>18,58,22,664</b>
Capital work in progress		<b>6,74,24,720</b>	5,33,28,951
		<b>26,51,96,453</b>	<b>23,91,51,615</b>
<b>INVESTMENTS</b>			
	6	<b>3,91,47,000</b>	<b>4,25,10,550</b>
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>			
Inventories	7	<b>1,70,23,984</b>	2,79,17,140
Sundry Debtors	8	<b>18,38,61,586</b>	20,55,07,103
Cash and Bank Balances	9	<b>1,34,45,502</b>	1,21,99,448
Loans and Advances	10	<b>17,15,80,676</b>	7,79,22,249
		<b>38,59,11,748</b>	<b>32,35,45,940</b>
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>			
Current liabilities	11	<b>7,52,93,247</b>	11,05,91,364
Provisions	12	<b>1,47,61,978</b>	35,50,000
		<b>9,00,55,225</b>	<b>11,41,41,364</b>
<b>Net Current Assets</b>		<b>29,58,56,523</b>	<b>20,94,04,576</b>
<b>Miscellaneous Expenditure</b>	13	<b>1,05,38,660</b>	55,62,388
<b>Total</b>		<b>61,07,38,636</b>	<b>49,66,29,129</b>
Accounting policies	22		
Notes to Accounts	23		
per our report attached For <b>C K S Associates</b> Chartered Accountants		on behalf of the Board	
<b>Sd/-</b> <b>N V S SRIKRISHNA</b> Partner (M.No. 25139) Place: Secunderabad Date : 21.08.2006	<b>Sd/-</b> <b>L P Sashikumar</b> Managing Director	<b>Sd/-</b> <b>Dr.M V S R Kamesam</b> Director	



## Goldstone Teleservices Limited

### Profit and Loss Account for the Year Ended 31st March, 2006

	SCHEDULE	For the Year ended <b>31.03.2006</b> Rs.	For the year ended 31.03.2005 Rs
<b>INCOME</b>			
Sales and Services	14	<b>30,89,44,530</b>	20,06,34,898
Less: Excise Duty		<b>1,30,84,150</b>	62,82,459
		<b>29,58,60,380</b>	<b>19,43,52,439</b>
Other Income	15	<b>7,24,24,189</b>	<b>84,63,057</b>
<b>Total</b>		<b>36,82,84,569</b>	<b>20,28,15,496</b>
<b>EXPENDITURE</b>			
Material Consumption	16	<b>15,84,26,330</b>	7,82,02,946
Personnel Expenditure	17	<b>2,69,12,852</b>	2,13,07,496
Manufacturing Expenses	18	<b>78,27,547</b>	50,35,169
Administrative and Selling Expenses	19	<b>5,30,50,305</b>	4,03,80,647
Financial Expenses	20	<b>1,55,59,843</b>	1,40,94,873
Depreciation		<b>2,31,24,798</b>	2,25,39,126
Miscellaneous Expenses Written off		<b>21,36,711</b>	7,14,115
<b>Total</b>		<b>28,70,38,386</b>	<b>18,22,74,372</b>
<b>ACCRETION/(DECRETION) TO STOCKS</b>	21	<b>37,91,423</b>	<b>(84,65,421)</b>
Profit before Taxation		<b>8,50,37,606</b>	1,20,75,703
Provision for taxation			
- Current		<b>1,25,00,000</b>	15,50,000
- Deferred		<b>58,46,246</b>	47,11,593
- Fring Benefit tax		<b>7,11,978</b>	-
<b>Profit after taxation</b>		<b>6,59,79,382</b>	58,14,110
Prior period adjustments		<b>20,411</b>	19,79,544
<b>Net Profit</b>		<b>6,59,99,793</b>	<b>77,93,654</b>
Profit brought forward from previous year		<b>5,22,29,331</b>	4,44,35,677
Amount available for appropriation		<b>11,82,29,124</b>	5,22,29,331
<b>APPROPRIATIONS</b>			
Proposed Dividend		-	-
Provision for Dividend tax		-	-
Transfer to General Reserve		<b>4,01,89,112</b>	-
Balance profit Transferred to Balance Sheet		<b>7,80,40,012</b>	<b>5,22,29,331</b>
Earnings per Share ( Basic / diluted) (Nominal Value of Share Rs 4/- each)		<b>3.14</b>	0.57
No.of Shares used in computing Earning per Share		<b>2,10,23,305</b>	1,36,65,150
Accounting policies	22		
Notes to Accounts	23		
per our report attached		on behalf of the board	
<b>For C K S ASSOCIATES</b>			
Sd/-		Sd/-	Sd/-
<b>NVS Srikrishna</b>		<b>L P Sashikumar</b>	<b>Dr.M V S R Kamesam</b>
Partner (M.No. 25139)		Managing Director	Director
Place: Secunderabad			
Date : 21.08.2006			



## Schedules Forming Part of the Accounts

### SCHEDULE :1

#### SHARE CAPITAL

	As at 31.03.2006	As at 31.03.2005
	Rs.	Rs.
<b>Authorised:</b>		
4,25,00,000 Equity Shares of Rs.4/- each	<b>17,00,00,000</b>	10,00,00,000
<b>Issued, Subscribed and Paid up:</b>		
2,10,23,305 (Previous Year 1,36,65,150) Equity Shares of Rs. 4/- each, fully paid up	<b>8,40,93,220</b>	5,46,60,600
<b>Total</b>	<b>8,40,93,220</b>	<b>5,46,60,600</b>

### SCHEDULE :2

#### RESERVES AND SURPLUS

Share Premium		<b>15,65,13,494</b>	13,44,39,028
Grant Recieved from DSIR	14382736		
Less: Amount Transfer to P&L A/c	254084	<b>1,41,28,652</b>	1,30,00,000
General Reserve		<b>10,00,00,000</b>	5,98,10,888
Surplus		<b>7,80,40,012</b>	5,22,29,331
<b>Total</b>		<b>34,86,82,158</b>	25,94,79,247

### SCHEDULE :3

#### SECURED LOANS

From State Bank of Hyderabad:			
- Term Loans		<b>4,14,97,945</b>	5,34,98,425
- Working Capital		<b>3,47,64,880</b>	3,72,73,674
<b>Total</b>		<b>7,62,62,825</b>	<b>9,07,72,099</b>

### SCHEDULE :4

#### UNSECURED LOANS

Sales Tax Deferment		<b>5,56,77,435</b>	<b>4,63,89,722</b>
<b>Total</b>		<b>5,56,77,435</b>	<b>4,63,89,722</b>



**Schedules Forming Part of the Accounts**

SCHEDULES : 5

**FIXED ASSETS**

Description	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	Cost as at 01.04.2005	Additions during the Year	Deductions during the year	Cost as at 31.03.2006	As at 01.04.2005	For the year	Deductions During the year	Upto 31.03.2006	As at 31.03.2006	As at 31.03.2005
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Land	16,06,095	-	-	16,06,095	-	-	-	-	16,06,095	16,06,095
Buildings	1,43,05,777	-	-	1,43,05,777	42,54,369	4,77,813	-	47,32,182	95,73,595	1,00,51,408
Plant & Machinery	13,01,22,345	3,33,03,396	-	16,34,25,741	3,65,92,865	64,61,357	-	4,30,54,222	12,03,71,519	9,35,29,480
Furniture & Fixtures	69,61,116	-	-	69,61,116	20,10,840	4,40,639	-	24,51,479	45,09,637	49,50,276
Lab Tools & Equipment	49,03,270	37,292	-	49,40,562	13,19,666	2,33,777	-	15,53,443	33,87,119	35,83,604
Electrical Equipment/										
Installation	91,39,110	5,21,056	-	96,60,166	35,36,553	10,89,638	-	46,26,191	50,33,975	56,02,557
Vehicles	1,29,19,074	9,73,720	-	1,38,92,794	59,10,882	12,56,457	-	71,67,339	67,25,455	70,08,192
Computer system	5,58,82,042	42,000	-	5,59,24,042	2,53,06,199	90,59,797	-	3,43,65,996	2,15,58,046	3,05,75,843
Office equipment	37,16,731	1,70,902	-	38,87,633	7,60,470	1,80,263	-	9,40,733	29,46,900	29,56,261
Generator	47,74,177	-	-	47,74,177	10,05,533	2,26,773	-	18,92,306	28,81,871	31,08,644
Leasehold Improvements	60,60,777	-	-	60,60,777	6,14,584	2,02,430	-	8,17,014	52,43,763	54,46,193
Air Conditioners	20,65,385	25,500	-	20,90,885	2,92,305	98,305	-	3,90,610	17,00,275	17,73,080
Network Equipments	2,00,28,922	-	-	2,00,28,922	74,92,006	32,46,688	-	1,07,38,694	92,90,228	1,25,36,916
Electronic Equipment & UPS	25,69,680	-	-	25,69,680	2,80,955	1,22,060	-	4,03,015	21,66,665	22,88,725
Tools & Spares	16,414	-	-	16,414	6,830	780	-	7,610	8,804	9,584
Temporary Sheds	8,38,997	-	-	8,38,997	43,191	28,021	-	71,211	7,67,786	7,95,806
<b>Total</b>	<b>27,59,09,912</b>	<b>3,50,73,866</b>	<b>-</b>	<b>31,09,83,778</b>	<b>9,00,87,248</b>	<b>2,31,24,798</b>	<b>-</b>	<b>11,32,12,045</b>	<b>19,77,71,733</b>	<b>18,58,22,664</b>
Previous year	25,74,73,149	1,89,54,427	5,17,664	27,59,09,912	6,78,93,716	2,25,39,125	3,45,593	9,00,87,248	18,58,22,664	18,95,79,433



Schedules Forming Part of the Accounts

SCHEDULE :6

INVESTMENTS

	As at 31.03.2006 Rs.	As at 31.03.2005 Rs.
<b>Long-Term investments-Quoted</b>		
9700 Equity Shares of 10/- each, in GTCL Mobile Technology Ltd fully paid-up	97,000	97,000
- (Previous Year 3,50,000) Equity Shares of Rs.10/- each, in GR Cables Limited fully paid-up	-	33,63,550
	97,000	34,60,550
<b>Market Value of Quoted Shares</b>	-	27,80,795
<b>Long term Investments in Subsidiary Companies (Unquoted)</b>		
14,59,067 Equity Shares of Rs. 10/- each in Newtech Stewing Telecom Limited fully paid up	2,00,50,000	2,00,50,000
1,50,000 Equity Shares of Rs. 10/- each in, Shree Shree Telecom Pvt Limited fully paidup	15,00,000	15,00,000
Share application money Deposit pending allotment in Shree Shree Telecom Private Limited	1,75,00,000	1,75,00,000
	3,90,50,000	3,90,50,000
<b>Total</b>	<b>3,91,47,000</b>	<b>4,25,10,550</b>

SCHEDULE :7

INVENTORIES

(As per inventories taken and Certified by the Management)		
Rawmaterials and Components	1,07,51,369	2,54,35,948
Work-in-process	62,72,615	24,81,192
<b>Total</b>	<b>1,70,23,984</b>	<b>2,79,17,140</b>





## Schedules Forming Part of the Accounts

### SCHEDULE :8

#### SUNDRY DEBTORS

	As at 31.03.2006 Rs.	As at 31.03.2005 Rs.
(Unsecured, considered good for which the Company holds no security other than the debtors personal Security)		
Debts outstanding for a period exceeding six months	8,54,80,726	2,07,07,137
Other Debts	9,83,80,860	18,47,99,966
<b>Total</b>	<b>18,38,61,586</b>	<b>20,55,07,103</b>

### SCHEDULE :9

#### CASH & BANK BALANCES

Cash on hand	55,237	88,362
Balances with Scheduled Banks in :		
-In Current Accounts	43,93,146	44,95,354
-In Margin Money Deposits	89,97,119	76,15,732
<b>Total</b>	<b>1,34,45,502</b>	<b>1,21,99,448</b>

### SCHEDULE :10

#### LOANS AND ADVANCES

(Unsecured, considered good)		
Advances recoverable in cash or kind or for value to be received	14,57,02,412	6,76,05,316
Advances to Subsidiary Companies	21,14,063	30,31,406
Advances to Staff	47,119	1,80,420
Balance with Govt Departments	1,44,76,332	4,98,759
Prepaid Expenses	5,48,410	5,50,616
Deposits	47,20,852	38,82,102
Advances to Suppliers	3,29,079	2,03,279
Prepaid Taxes	36,42,409	19,70,351
<b>Total</b>	<b>17,15,80,676</b>	<b>7,79,22,249</b>



**Schedules Forming Part of the Accounts**

**SCHEDULE :11**

**CURRENT LIABILITIES**

	<b>As at 31.03.2006</b>	As at 31.03.2005
	<b>Rs.</b>	Rs.
Sundry Creditors		
- Dues of Small Scale Industrial undertakings	-	3,59,575
- Others	<b>1,70,61,663</b>	7,37,79,202
Advances against sales	<b>30,11,526</b>	-
Statutory Liabilities	<b>45,70,241</b>	49,70,984
Other Creditors/Liabilities	<b>5,06,49,817</b>	3,14,81,603
<b>Total</b>	<b>7,52,93,247</b>	<b>11,05,91,364</b>

**SCHEDULE :12**

**PROVISIONS**

Provision for Taxation	<b>1,40,50,000</b>	35,50,000
Provision for Fringe Benefit Tax	<b>7,11,978</b>	-
<b>Total</b>	<b>1,47,61,978</b>	<b>35,50,000</b>

**SCHEDULE :13**

**MISCELLANEOUS EXPENDITURE**

(To the extent not written off or adjusted)		
Scientific Research Expenditure	<b>71,12,983</b>	-
Less: Amount Written off during the year	<b>14,22,596</b>	-
	<b>56,90,387</b>	-
Miscellaneous Expenditure	<b>51,77,719</b>	58,24,934
Less: Amount Written off during the year	<b>6,47,215</b>	6,47,215
	<b>45,30,504</b>	51,77,719
Preliminary expenses	<b>3,84,669</b>	4,51,569
Less: Amount Written off during the year	<b>66,900</b>	66,900
	<b>3,17,769</b>	3,84,669
<b>Total</b>	<b>1,05,38,660</b>	<b>55,62,388</b>



**Schedules Forming Part of the Accounts**

**SCHEDULE :14**

**SALES & SERVICES**

	<b>For the year ended 31.03.2006</b>	<b>For the year ended 31.03.2005</b>
Telecom & Insulator Divison	<b>Rs.</b>	<b>Rs.</b>
- Domestic Turnover	<b>25,84,43,794</b>	14,08,11,488
- Exports Turnover	<b>2,29,721</b>	2,55,029
BPO Division	<b>5,02,71,015</b>	5,95,68,381
<b>Total</b>	<b>30,89,44,530</b>	<b>20,06,34,898</b>

**SCHEDULE :15**

**OTHER INCOME**

Interest received (including tax of Rs. 2,59,783/- deducted at source)	<b>9,74,924</b>	6,93,240
Commission received (including tax of Rs.23,77,370/- deducted at source)	<b>4,59,77,370</b>	-
Interest on Excise Refund	<b>1,40,22,022</b>	69,72,293
Profit on sale of investments	<b>3,50,198</b>	-
Miscellaneous income	<b>1,08,45,591</b>	7,97,524
Amount Transfer from DSIR Grant received	<b>2,54,084</b>	-
<b>Total</b>	<b>7,24,24,189</b>	<b>84,63,057</b>

**SCHEDULE :16**

**MATERIAL CONSUMPTION**

Opening Stock	<b>2,54,35,948</b>	69,79,184
Add : Purchase of Materials	<b>14,09,11,555</b>	9,57,48,241
Expenses related to purchases	<b>28,30,196</b>	9,11,469
	<b>16,91,77,699</b>	10,36,38,894
Less: Closing stock	<b>1,07,51,369</b>	2,54,35,948
<b>Total</b>	<b>15,84,26,330</b>	<b>7,82,02,946</b>

**SCHEDULE :17**

**PERSONNEL EXPENDITURE**

Salaries, Wages	<b>2,48,95,550</b>	1,98,04,762
Contribution to Provident Fund & ESI	<b>5,22,577</b>	7,12,004
Staff Welfare	<b>14,94,725</b>	7,90,730
<b>Total</b>	<b>2,69,12,852</b>	<b>2,13,07,496</b>



## Schedules Forming Part of the Accounts

### SCHEDULE :18

#### MANUFACTURING EXPENSES

	For theyear eanded 31.03.2006	For the year eanded 31.03.2005
	Rs.	Rs.
Power and fuel	29,08,729	27,66,984
Consumables	5,48,618	5,20,293
Job Work Charges	29,93,892	7,68,258
Testing and Inspection Charges	6,51,804	2,74,629
Repairs and Maintenance-Buildings	61,630	57,349
Repairs and Maintenance-Plant and Machinery	6,62,874	6,47,656
<b>Total</b>	<b>78,27,547</b>	<b>50,35,169</b>

### SCHEDULE :19

#### ADMINISTRATIVE AND SELLING EXPENSES

Rent	6,78,600	20,56,330
Rates and Taxes	12,00,271	5,55,061
Office Electricity	19,38,756	12,59,768
Insurance Charges	11,56,838	7,61,368
Printing and Stationary	8,71,333	4,46,059
Communication expenses	78,97,785	1,07,38,361
Travelling expenses	60,21,250	46,86,783
Conveyance	7,55,215	13,44,977
Vehicle Maintenance	11,75,354	13,27,705
Gifts and Donations	35,981	40,725
Advertisement	1,51,249	1,21,558
Business Promotion	12,16,505	8,67,029
Leads Purchases	32,52,500	23,20,500
Carriage outward	32,29,814	18,48,032
Sales Tax	1,35,66,097	26,64,611
Liquidated Damages	19,74,234	3,09,371
Directors Remuneration	16,17,695	19,24,415
Legal Fees	1,74,300	6,71,863
Professional and Consultancy	14,72,780	10,30,951
Auditors Remuneration	1,75,000	1,60,000
Office Maintenance	5,55,673	7,14,262
Miscellaneous Expenses	18,02,385	18,28,443
Repairs and Maintenance - others	15,20,386	18,25,302
Listing Fees	1,28,800	50,649
Security Charges	3,08,142	7,33,688
Wealth Tax	65,919	92,836
Rights Issue Expenses	75,000	-
Loss on sale of investments	32,443	-
<b>Total</b>	<b>5,30,50,305</b>	<b>4,03,80,647</b>



Schedules Forming Part of the Accounts

SCHEDULE :20

FINANCIAL EXPENSES

	For the year ended <b>31.03.2006</b>	For the year ended 31.03.2005
	Rs.	Rs.
Interest on Term Loans	<b>70,02,309</b>	75,48,389
Interest on Working Capital	<b>61,33,388</b>	42,00,204
Bank Charges & Commission	<b>15,94,069</b>	18,76,644
Other Finance Charges	<b>8,30,077</b>	4,69,636
<b>Total</b>	<b>1,55,59,843</b>	<b>1,40,94,873</b>

SCHEDULE :21

ACCRETION / (DECRETION) TO STOCKS

<b>Closing Stocks as on March 31,2006</b>		
Work- in-process	<b>62,72,615</b>	24,81,192
	<b>62,72,615</b>	24,81,192
<b>Less:Opening Stock as on April 01,2005</b>		
Work- in-proces	<b>24,81,192</b>	1,09,46,613
	<b>24,81,192</b>	1,09,46,613
<b>Total</b>	<b>37,91,423</b>	<b>(84,65,421)</b>



## **Schedules Forming Part of the Accounts**

### **SCHEDULE - 22**

#### **NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2006**

##### **1.0 History and Background:**

Goldstone Teleservices Limited was incorporated on October 11, 2000 to manufacture telecom cable jointing kits. The operations of the telecom business of Goldstone Technologies Limited including its investment in subsidiaries viz., Newtech Stewing Telecom Limited and Shree Shree Telecom Pvt Limited, were transferred on a 'going concern' basis in accordance with the Scheme of Arrangement approved by Hon'ble High Court of Andhra Pradesh. The Company entered into the business of Business Process Outsourcing during 2002-03 and has set up facilities for manufacture of Polymer Insulators during 2003-04.

The Company is having manufacturing facilities for 690,000 Nos. of Heat shrinkable sleeves (which forms part of the Cable Jointing Kit) and the capacity of Polymer Insulators depends on the given product mix. State Bank of Hyderabad has extended the necessary term loan and working capital support to the Company.

##### **2.0 Significant Accounting Policies**

###### **2.1 Preparation of financial statements**

The financial statements have been prepared under the historical cost convention, in accordance with normally accepted accounting principles and comply with the applicable accounting standards issued by the Institute of Chartered Accountants of India and all the relevant provisions of Companies Act, 1956.

###### **2.2 Method of Accounting**

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

###### **2.3 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.

###### **2.4 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.

###### **2.5 Inventories**

Inventories are valued at cost or net realizable value, whichever is less. Cost comprises of expenditure incurred in the



## Schedules Forming Part of the Accounts

normal course of business in bringing such inventories to its 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.

### 2.6 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.

### 2.7 Research and Development

Capital expenditure on Research and Development is included in the Schedule of Fixed Assets. Revenue expenditure relating the Research phase is charged of 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.

### 2.8 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.

### 2.9 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.

### 2.10 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.

### 2.11 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.

### 2.12 Foreign Currency Transactions

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.



## **Schedules Forming Part of the Accounts**

### **2.13 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.

### **2.14 Impairment of assets**

An asset is treated as impaired when the carrying cost of assets 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.

### **2.15 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 there of is reflected in the Balance Sheet.

### **2.16 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.

### **2.17 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.

## **SCHEDULE : 23**

### **NOTES TO ACCOUNTS**

**1.0** The Company has issued 73,58,155 Equity Shares during the year by way of preferential allotment at a premium of Rs. 3/- per share.

#### **2.0 Secured Loans**

**2.1** The term loans from State Bank of Hyderabad are secured by Equitable Mortgage of immovable land and buildings, second charge on the current assets of the company including receivables of BPO division, Corporate Guarantees of Goldstone Exports Limited and Goldstone Technologies Limited and on the personal guarantee of a promoter-Director of the Company.

**2.2** The term loans outstanding include overdue installments of Rs. 10.00 lakhs and interest of Rs. 10.63 lakhs.

**2.3** The working capital borrowings are secured by way of hypothecation of inventories and book debts, equitable mortgage of land and buildings of Goldstone Exports Limited, second charge on the fixed assets of the Company, Corporate Guarantees of Goldstone Exports Limited and Goldstone Technologies Limited and on the personal guarantee of a promoter-Director of the Company.

**3.0** The Company has availed Sales tax deferment of Rs. 92,87,713/- during the year and the repayment of deferment commences from April 2010.

**4.0** The Company has sent letters of confirmation of balance to Sundry debtors and Creditors and these balances are subject





## Schedules Forming Part of the Accounts

to reconciliation for variations noticed subsequently, if any.

**5.0** The Company has initiated legal proceedings against Sundry Debtors of 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.

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

### 9.0 Segment Reporting

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

	<b>Rs in lakhs</b>			
	<b>Telecom</b>	<b>BPO</b>	<b>Insulator</b>	<b>Consolidated</b>
Revenue	1363.42	502.71	1223.32	<b>3089.45</b>
Other Income	719.63	0.00	4.61	<b>724.24</b>
Segment Revenue	2083.05	502.71	1227.93	<b>3813.69</b>
Segment Results	802.00	113.05	90.93	<b>1005.98</b>
Less: Financial Exp.	79.56	44.72	31.32	<b>155.60</b>
Profit before Taxation	722.44	68.33	59.61	<b>850.38</b>
Provision for Taxation	75.00	25.00	25.00	<b>125.00</b>
Provision for Deferred Tax	(58.72)	(14.78)	131.97	<b>58.46</b>
Provision for Fringe Benefit Tax	7.12	0.00	0.00	<b>7.12</b>
Profit after taxation	699.04	58.11	(97.36)	<b>659.80</b>
Prior period adjustments.	11.81	1.80	(13.40)	<b>0.20</b>
<b>Net Profit</b>	<b>710.85</b>	<b>59.91</b>	<b>(110.76)</b>	<b>660.00</b>
Segment Assets	4029.06	1676.65	1196.84	<b>6902.55</b>
Segment Liabilities	725.93	9.05	165.57	<b>900.55</b>
Capital employed	3303.13	1667.60	1031.27	<b>6002.00</b>

### 10.0 Related Party Disclosures

Transactions with subsidiary companies :

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

Newtech Stewing Telecom Limited (NSTL) subsidiary company to Goldstone Teleservices Limited (GTSL). (GTSL holds 14,59,067 Equity shares i.e., 97.59% of the Equity Share Capital as at 31.03.2006)

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



**Schedules Forming Part of the Accounts**

Details of transactions:

	(Rs.in lacs)			
	2005 - 2006		2004 - 2005	
	NSTL	SSTL	NSTL	SSTL
Sale of finished goods	8.61	0.00	7.72	0.90
Receipt towards share of common (allocated) expenses.	39.70	0.00	7.39	0.00

**Transactions with Key Management Personnel :** Nil

**11.0 Managerial Remuneration:**

(Rs.in lacs)

	Year ended 31.03.2006	Year ended 31.03.2005
<b>L P Sashikumar , Managing Director</b>		
Salary	12.00	12.00
Reimbursement of Expenses	0.16	0.14

**12.0 Earnings Per Share:**

Calculation of EPS

(Rs. In Lakhs)

	2005-06	2004-05
Total No. of Shares out standing (nos.)	2,10,23,305	1,36,65,150
Profit after taxes before Exceptional items	659.79	58.14
Profit after taxes after Exceptional items	659.99	77.94
EPS before Non-recurring and Exceptional items	3.13	0.43
EPS after Non-recurring and Exceptional items	3.14	0.57

**13.0 Contingent Liabilities**

(Rs. In Lakhs)

	31-03-2006	31-03-2005
a Unexpired letters of credit (net of margin money deposits)	64.37	232.56
b Bank guarantees outstanding (net of margin money deposits)	159.82	1 73.73
c Commitments on capital contracts remaining to be executed	47.07	21.20
d Corporate guarantee given by the Company for sanction of working capital to its subsidiary company, viz., Newtech Stewing Telecom Private Limited	470.00	320.00
e Corporate guarantee given by the Company for sanction of working capital to its subsidiary company, viz., Shree Shree Telecom Private Limited	-	95.00
e First charge on fixed assets created in favour of Industrial Development Bank of India for sanction of term loan to Goldstone Technologies Private Limited	180.00	405.00



Schedules Forming Part of the Accounts

<b>14.0 ADDITIONAL INFORMATION PURSUANT TO THE PROVISIONS OF PARAGRAPHS 3 AND 4 OF SCHEDULE VI TO THE COMPANIES ACT, 1956:</b>				
	<b>2005-06</b>		<b>2004-05</b>	
<b>a. Licenced Capacity</b>	NA		NA	
<b>b. Installed capacity</b> - Heat Shrinkable Sleeves - Polymer Insulators	<b>690,000</b> Depends on product mix		690,000 Depends on product mix	
	<b>Quantity</b>	<b>Value</b>	<b>Quantity</b>	<b>Value</b>
<b>c. Production</b> - Heat Shrinkable Sleeves - Polymer Insulators	<b>2,44,690</b> <b>96,055</b>	- -	92,110 23,843	- -
<b>d. Sales</b> - Jointing Kits - Sub Kits - Polymer Insulators - Polymer Insulators - trading BPO Division Trading <b>Total</b>	<b>1,66,903</b> <b>74,687</b> <b>96,055</b> <b>7,590</b> - -	<b>3,21,76,601</b> <b>49,10,650</b> <b>8,32,78,412</b> <b>3,90,53,476</b> <b>5,02,71,015</b> <b>9,92,54,376</b> <b>30,89,44,530</b>	88,285 3,825 24,843 - - -	3,46,27,041 3,77,587 2,96,93,680 - 5,95,68,381 7,63,68,209 <b>20,06,34,898</b>
<b>e. Material consumption including trading material</b> - Polymer Insulators - trading - Hot melt Adhesive - Granules - HVI - 753 U - Fibre Glass Tex - 4800 - Trading	<b>7,590</b> <b>28,600</b> <b>55,435</b> <b>23,700</b> <b>21,345</b> -	<b>3,09,28,965</b> <b>43,78,306</b> <b>34,18,036</b> <b>68,27,915</b> <b>25,42,032</b> <b>11,03,31,076</b> <b>15,84,26,330</b>	- 31,470 41,416 - - -	- 34,83,126 29,21,878 - - 7,17,97,942 <b>7,82,02,946</b>
<b>f. Break-up of material consumption including trading material</b> Indigenous Imported	<b>71.25%</b> <b>28.75%</b>	<b>11,28,73,108</b> <b>4,55,53,222</b>	91.81% 8.19%	7,17,97,942 64,05,004



**Schedules Forming Part of the Accounts**

	<b>2005 - 2006</b>	2004 - 2005
<b>g. Earnings in Foreign currency</b> Export of goods	<b>4,24,510</b>	54,775
<b>h. Value of imports on CIF Basis</b> - Materials including trading materials	<b>2,44,35,632</b>	52,12,072
- Capital Goods	<b>71,28,874</b>	26,65,130
- Tools and Spares	-	2,76,243
<b>I. Expenditure in foreign currency</b> On travel	<b>946,863</b>	14,48,149
<b>j. Auditors' remuneration</b> As auditors	<b>1,50,000</b>	140,000
For Tax Audit	<b>25,000</b>	20,000

15.0 Figures have been rounded off to the nearest rupee.

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

As per our Report of even date

On behalf of the Board

For C K S Associates  
Chartered Accountants

Sd/-  
**N V S Srikrishna**  
Partner  
M No. 25139

Sd/-  
**L P Sashikumar**  
Managing Director

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

Place: Secunderabad  
Date : 21.08.2006.



**Statement of Cash Flows for the year ended 31.03.2006**

Rs. In lakhs

	<b>31.03.2006</b>	<b>31.03.2005</b>
<b>A Cash Flow from operating activity</b>		
Net Profit before tax	<b>850.38</b>	120.76
<b>Adjustments for:</b>		
Depreciation	<b>231.25</b>	221.94
Miscellaneous expenditure written off	<b>21.36</b>	7.14
Share Warrants money forfeiture	<b>0.00</b>	0.00
Provision for Gratuity & Earned Leave	<b>0.00</b>	(4.20)
Loss on sale of vehicles	<b>0.00</b>	0.67
Other Income	<b>(724.24)</b>	(84.63)
Operating Profit before working capital changes	<b>378.75</b>	<b>261.68</b>
<b>Adjustments for:</b>		
Trade and other receivables	<b>216.46</b>	(1020.00)
Inventories	<b>108.93</b>	(99.91)
Trade advances	<b>(919.86)</b>	(67.38)
Trade Payable	<b>(352.98)</b>	1004.54
<b>Cash generated from operations</b>	<b>(568.70)</b>	<b>78.93</b>
Direct Taxes paid (net)	<b>(36.72)</b>	(3.07)
Cashflow before extraordinary items	<b>(605.42)</b>	75.86
Extra ordinary items	<b>0.20</b>	19.79
<b>Net Cash flow from operating activity</b>	<b>(605.22)</b>	<b>95.65</b>
<b>B. Cash Flow from Investing Activity</b>		
Purchase of fixed assets	<b>(350.74)</b>	(184.37)
Capital work in progress	<b>(140.96)</b>	(395.19)
Sale of investments	<b>33.64</b>	76.39
Miscellaneous Expenditure	<b>(71.13)</b>	0.00
Other income	<b>724.24</b>	84.63
Loss on Sale of Vehicle	<b>0.00</b>	(0.67)
<b>Net Cash used for investing activity</b>	<b>195.05</b>	<b>(419.21)</b>
<b>C. Cash Flow from financing activities</b>		
Repayment of Working capital Loan	<b>(25.09)</b>	124.28
Term Loan from State Bank of Hyderabad	<b>(120.00)</b>	(15.00)
Deferred sales tax loan	<b>92.88</b>	32.20
Dividend paid	<b>0.00</b>	0.00
Premium Received on Preferential allotment	<b>220.74</b>	0.00
Grant received from DSIR	<b>11.29</b>	130.00
Proceeds from Preferential allotment	<b>242.82</b>	51.51
<b>Net cash generated from financing activity</b>	<b>422.64</b>	<b>322.99</b>
Cash and cash equivalents (Opening Balance)	<b>121.99</b>	122.56
Net increase in Cash & Cash equivalents (A+B+C)	<b>12.47</b>	(0.57)
Cash and cash equivalents (Closing Balance)	<b>134.46</b>	121.99
<b>For C K S Associates</b>	<b>on behalf of the Board</b>	
<b>Chartered Accountants</b>		
Sd/-	Sd/-	Sd/-
<b>N V S Srikrishna</b>	<b>L P Sashikumar</b>	<b>Dr. M V S R Kamesam</b>
<b>Partner</b>	<b>Managing Director</b>	<b>Director</b>
<b>M No.25139</b>		
Place: Secunderabad		
Date : 21.08.2006		



**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	6
--	---	---	---	---	---	---

  
Date Month Year

**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 

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

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

**Sources of Funds:**

Total Liabilities 

6	1	0	7	.	3	9
---	---	---	---	---	---	---

 Total Assets 

6	1	0	7	.	3	9
---	---	---	---	---	---	---

  
 Paid-up Capital 

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

 Reserves and Surplus 

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

  
 Secured Loans 

	7	6	2	.	6	3
--	---	---	---	---	---	---

 Unsecured Loans 

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

  
 Deffered tax Liability 

	4	6	0	.	2	3
--	---	---	---	---	---	---

**Application of Funds:**

Net Fixed Assets 

2	6	5	1	.	9	6
---	---	---	---	---	---	---

 Investments 

	3	9	1	.	4	7
--	---	---	---	---	---	---

  
 Net Current Assets 

2	9	5	8	.	5	7
---	---	---	---	---	---	---

 Misc. Expenditure 

	1	0	5	.	3	9
--	---	---	---	---	---	---

  
 Accumulated Losses 

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

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

Turnover/Income 

3	6	8	2	.	8	5
---	---	---	---	---	---	---

 Total Expenditure 

2	8	3	2	.	4	7
---	---	---	---	---	---	---

  
 Profit before tax 

	8	5	0	.	3	8
--	---	---	---	---	---	---

 Profit after tax 

	6	5	9	.	9	9
--	---	---	---	---	---	---

  
 Earning per Share in Rs. 

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

 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



## **Auditors' Report**

To  
The Board of Directors  
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, 2006, 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. 644.80 lakhs as at March 31, 2006 and the group's share of total revenues of Rs. 343.52 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. 326.97 lakhs resulting in overstatement of profit for the year to that extent (Refer to Note No. 5 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, 2006;
- 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.

**Address:**  
87, Nagarjuna Road No. 3,  
Gaganmahal Colony, Domalguda  
Hyderabad – 500 029.

**Date: 21.08.2006**

For C K S ASSOCIATES  
Chartered Accountants

Sd/-  
**N. V. S. SRIKRISHNA**  
Partner (M. No. 25139)



**CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2006**

		<b>SCHEDULE</b>	<b>As at 31.03.2006</b>	<b>As at 31.03.2005</b>
			Rs.	Rs.
<b>SOURCES OF FUNDS</b>				
<b>SHAREHOLDERS FUNDS:</b>				
Share Capital	1	<b>8,40,93,220</b>	5,46,60,600	
Reserves and Surplus	2	<b>35,86,30,468</b>	27,06,38,246	
Preferential Share Warrants money		-	51,50,709	
		<b>44,27,23,688</b>	<b>33,04,49,555</b>	
<b>Minority Interest</b>	3	<b>3,02,325</b>	2,87,582	
<b>LOAN FUNDS:</b>				
Secured Loans	4	<b>8,16,96,798</b>	9,07,72,099	
Unsecured Loans	5	<b>5,56,77,435</b>	4,63,89,722	
		<b>13,73,74,233</b>	<b>13,71,61,821</b>	
<b>DEFERRED TAX LIABILITY</b>				
		<b>4,85,53,528</b>	<b>4,30,41,942</b>	
	<b>Total</b>	<b>62,89,53,774</b>	<b>51,09,40,900</b>	
<b>APPLICATION OF FUNDS</b>				
<b>FIXED ASSETS:</b>				
Gross Block	6	<b>33,53,23,842</b>	30,02,49,976	
Less: Depreciation		<b>12,68,24,882</b>	10,26,05,981	
Net Block		<b>20,84,98,960</b>	<b>19,76,43,995</b>	
Work in progress		<b>6,74,24,720</b>	5,33,28,951	
		<b>27,59,23,680</b>	<b>25,09,72,946</b>	
<b>INVESTMENTS</b>	7	<b>2,62,735</b>	2,88,35,542	
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>				
Inventories	8	<b>1,84,82,481</b>	2,95,18,868	
Sundry Debtors	9	<b>19,05,01,736</b>	21,14,51,308	
Cash and Bank Balances	10	<b>2,26,83,182</b>	1,60,35,743	
Loans and Advances	11	<b>19,59,70,049</b>	7,85,77,075	
		<b>42,76,37,448</b>	<b>33,55,82,994</b>	
<b>CURRENT LIABILITIES &amp; PROVISIONS</b>				
Current liabilities	12	<b>7,06,45,220</b>	10,55,75,427	
Provisions	13	<b>1,49,11,978</b>	46,57,597	
		<b>8,55,57,198</b>	<b>11,02,33,024</b>	
<b>Net Current Assets</b>		<b>34,20,80,250</b>	<b>22,53,49,970</b>	
<b>Miscellaneous Expenditure</b>	14	<b>1,06,87,109</b>	57,82,442	
	<b>Total</b>	<b>62,89,53,774</b>	<b>51,09,40,900</b>	
Notes to Accounts	23			
<b>per our report attached</b>		<b>on behalf of the Board</b>		
<b>for C K S Associates</b>				
<b>Chartered Accountants</b>				
<b>Sd/-</b>	<b>Sd/-</b>	<b>Sd/-</b>		
<b>N V S Srikrishna</b>	<b>LP Sashikumar</b>	<b>Dr. M. V. S. R. Kamesam</b>		
<b>Partner ( M No. 25139)</b>	<b>Managing Director</b>	<b>Director</b>		
Place: Secunderabad				
Date :21.08.2006				





## Goldstone Teleservices Limited

### CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2006

	SCHEDULE	For the year ended 31.03.2006	For the year ended 31.03.2005
<b>INCOME</b>		Rs.	Rs.
Sales	15	<b>34,03,91,623</b>	21,37,84,608
Less: Excise Duty		<b>1,44,96,892</b>	64,79,114
		<b>32,58,94,731</b>	20,73,05,494
Other Income	16	<b>7,44,67,943</b>	97,52,082
<b>Total</b>		<b>40,03,62,674</b>	<b>21,70,57,576</b>
<b>EXPENDITURE</b>			
Material Consumption	17	<b>17,68,80,694</b>	8,72,62,547
Personnel Expenditure	18	<b>2,77,38,810</b>	2,18,91,836
Manufacturing Expenses	19	<b>94,46,509</b>	53,63,122
Administrative and Selling Expenses	20	<b>6,20,04,653</b>	4,46,28,154
Financial Expenses	21	<b>1,66,04,383</b>	1,45,83,964
Depreciation		<b>2,42,18,902</b>	2,36,67,103
Miscellaneous Expenses Written off		<b>22,08,316</b>	7,75,935
<b>Total</b>		<b>31,91,02,267</b>	<b>19,81,72,661</b>
<b>Accretion / ( Decretion ) to stocks</b>	22	<b>36,97,897</b>	<b>(1,10,64,341)</b>
Profit before Taxation		<b>8,49,58,304</b>	<b>78,20,574</b>
Provision for taxation			
- Current		<b>1,26,50,000</b>	15,50,000
- Deferred		<b>55,11,586</b>	43,39,064
- Fringe Benefit Tax		<b>7,11,978</b>	0
Profit after taxation		<b>6,60,84,740</b>	<b>19,31,510</b>
Prior period adjustments		<b>(12,80,893)</b>	22,98,027
<b>Net Profit</b>		<b>6,48,03,847</b>	<b>42,29,537</b>
Minority Interest (+)		<b>14,743</b>	45,498
Profit brought forward from previous year		<b>4,58,40,471</b>	4,15,65,436
Amount available for appropriation		<b>11,06,29,575</b>	<b>4,58,40,471</b>
<b>APPROPRIATIONS</b>			
Proposed Dividend		-	-
Provision for Dividend tax		-	-
Transfer to General Reserve		<b>4,01,89,112</b>	-
Balance Profit Transferred to Balance Sheet		<b>7,04,40,463</b>	<b>4,58,40,471</b>
Earnings per share ( Basic/diluted)		<b>3.08</b>	0.31
(Nominal Value of Share of Rs. 4/- each)			
No. of Shares used in computing Earnings per share		<b>2,10,23,305</b>	<b>1,36,65,150</b>
Notes to Accounts	23		
<b>per our report attached for C K S Associates Chartered Accountants</b>		<b>On behalf of the Board</b>	
Sd/- <b>N V S Srikrishna</b> Partner (M.No: 25139)	Sd/- <b>LP Sashikumar</b> Managing Director	Sd/- <b>Dr.M.V.S.R.Kamesam</b> Director	
Place: Secunderabad Date : 21.08.2006			



**SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS**

**SCHEDULE :1**

**SHARE CAPITAL**

	As at 31.03.2006	As at 31.03.2005
<b>Authorised:</b> 4,25,00,000 Equity Shares of Rs.4/- each,	Rs. <b>17,00,00,000</b>	Rs. 10,00,00,000
<b>Issued,Subscribed and Paid up:</b> 2,10,23,305 ( Previous Year 1,36,65,150) Equity Shares of Rs. 4/- each fully Paid - Up	<b>8,40,93,220</b>	5,46,60,600
<b>Total</b>	<b>8,40,93,220</b>	<b>5,46,60,600</b>

**SCHEDULE :2**

**RESERVES AND SURPLUS**

Share Premium	<b>15,65,13,494</b>	13,44,39,028
Grant received from DSIR	14382736	
Less: Amount transfer to P & L A/c	<u>254084</u>	1,30,00,000
General Reserve	<b>10,04,26,579</b>	6,02,37,467
Capital Reduction Account	<b>1,71,21,280</b>	1,71,21,280
Surplus	<b>7,04,40,463</b>	4,58,40,471
<b>Total</b>	<b>35,86,30,468</b>	<b>27,06,38,246</b>

**SCHEDULE :3**

**MINORITY INTEREST**

As at the commencement of the year	<b>2,87,582</b>	3,33,080
Current Year Profit / ( Loss)	<b>14,743</b>	(45,498)
<b>Total</b>	<b>3,02,325</b>	<b>2,87,582</b>

**SCHEDULE :4**

**SECURED LOANS**

From State Bank of Hyderabad		
- Term Loans	<b>4,14,97,945</b>	5,34,98,425
-Working Capital	<b>3,47,64,880</b>	3,72,73,674
From State Bank of India		
- Working Capital	<b>54,33,973</b>	-
<b>Total</b>	<b>8,16,96,798</b>	<b>9,07,72,099</b>

**SCHEDULE :5**

**UNSECURED LOANS**

Sales Tax Deferment	<b>5,56,77,435</b>	4,63,89,722
<b>Total</b>	<b>5,56,77,435</b>	<b>4,63,89,722</b>



**SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS**

**SCHEDULES : 6**

**FIXED ASSETS:**

Description	GROSS BLOCK		DEPRECIATION		NET BLOCK				
	Cost as at 01.04.2005	Additions during the year	Deductions during the year	Cost as at 31.03.2006	For the year	Adjustments / Deductions	Upto 31.03.2006	As at 31.03.2006	As at 31.03.2005
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Goodwill	54,59,330	-	-	54,59,330	-	-	-	54,59,330	54,59,330
Land	16,06,095	-	-	16,06,095	-	-	-	16,06,095	16,06,095
Buildings	1,43,05,777	-	-	1,43,05,777	4,77,813	-	47,32,182	95,73,595	1,00,51,408
Plant & Machinery	14,60,55,706	3,33,03,396	-	17,93,59,102	72,18,192	-	5,44,59,811	12,48,99,291	9,88,14,087
Furniture & Fixtures	73,35,984	-	-	73,35,984	4,40,639	-	28,26,347	45,09,637	49,50,276
Lab Tools & Equipment	50,21,651	37,292	-	50,58,943	2,39,400	-	15,84,332	34,74,611	36,76,719
Electrical Equipment /Installation	92,51,951	5,21,056	-	97,73,007	10,94,998	-	46,55,661	51,17,346	56,91,288
Vehicles	1,29,38,084	9,73,720	-	1,39,11,804	59,29,892	-	71,86,349	67,25,455	70,08,192
Computer system	5,77,66,666	42,000	-	5,78,08,666	2,64,29,469	-	3,57,94,764	2,20,13,902	3,13,37,197
Office equipment	41,54,380	1,70,902	-	43,25,282	10,63,923	-	12,64,974	30,60,308	30,90,457
Generator	47,74,177	-	-	47,74,177	2,26,773	-	18,92,306	28,81,871	31,08,644
Leasehold improvements	60,60,777	-	-	60,60,777	6,14,584	-	8,17,014	52,43,763	54,46,193
Air Conditioners	20,65,385	25,500	-	20,90,885	2,92,305	-	3,90,610	17,00,275	17,73,080
Network Equipments	2,00,28,922	-	-	2,00,28,922	32,46,688	-	1,07,38,694	92,90,228	1,25,36,916
Electronic Equipments & UPS	25,69,680	-	-	25,69,680	2,80,955	-	4,03,015	21,66,665	22,88,725
Tools & Spares	16,414	-	-	16,414	6,830	-	7,610	8,804	9,584
Temporary Sheds	8,38,997	-	-	8,38,997	43,192	-	71,213	7,67,784	7,95,805
<b>Total</b>	<b>30,02,49,976</b>	<b>3,50,73,866</b>	<b>-</b>	<b>33,53,23,842</b>	<b>2,42,18,902</b>	<b>-</b>	<b>12,68,24,882</b>	<b>20,84,98,960</b>	<b>19,76,43,996</b>
<b>Previous year</b>	<b>28,35,14,436</b>	<b>1,89,54,427</b>	<b>22,18,887</b>	<b>30,02,49,976</b>	<b>2,36,67,103</b>	<b>6,62,405</b>	<b>10,26,05,980</b>	<b>19,76,43,996</b>	<b>20,39,13,154</b>



**SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS**

**SCHEDULE :7**

**INVESTMENTS**

	<b>As at 31.03.2006</b>	As at 31.03.2005
	<b>Rs.</b>	Rs.
<b>Long - Term Investments - Quoted</b>		
9,700 Equity Shares of 10/- each, in GTCL Mobile Technology Ltd fully Paid - Up	<b>97,000</b>	97,000
- ( Previous year 31,31,577 ) Equity Shares of Rs. 10/- each in G R Cables Limited, Fully Paid	-	2,85,72,807
3,683 Equity Shares of 10/- each in Bharti Televenture Ltd fully Paid - Up	<b>1,65,735</b>	1,65,735
<b>Total</b>	<b>2,62,735</b>	<b>2,88,35,542</b>
Market value of Quoted Shares	<b>15,20,527</b>	<b>2,54,61,451</b>

**SCHEDULE :8**

**INVENTORIES**

(As per the inventories taken and certified by the Management)		
Rawmaterials and Components	<b>1,19,20,818</b>	<b>2,55,45,798</b>
Work - in - Process	<b>65,61,663</b>	<b>39,73,070</b>
<b>Total</b>	<b>1,84,82,481</b>	<b>2,95,18,868</b>

**SCHEDULE :9**

**SUNDRY DEBTORS**

Unsecured, considered good, for which the Company holds no security other than the debtors personal security		
Debts outstanding for a period exceeding six months	<b>8,57,67,717</b>	2,10,12,748
Other Debts	<b>10,47,34,019</b>	19,04,38,560
<b>Total</b>	<b>19,05,01,736</b>	<b>21,14,51,308</b>



## SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

### SCHEDULE :10

#### CASH AND BANK BALANCES

	As at 31.03.2006	As at 31.03.2005
	Rs.	Rs.
Cash on hand	55,462	89,591
Balances with Scheduled Banks in:		
- Current Accounts	44,64,077	46,96,091
- Fixed Deposits	50,00,000	-
- Margin Money Deposits	1,31,63,643	1,12,50,061
<b>Total</b>	<b>2,26,83,182</b>	<b>1,60,35,743</b>

### SCHEDULE :11

#### LOANS AND ADVANCES

<b>Unsecured , considered good</b>		
Advances recoverable in cash or kind or for value to be received	17,08,18,419	7,06,92,791
Advances to Subsidiary companies	-	-
Advances to Staff	51,119	1,81,620
Balance with Govt. departments	1,50,19,704	5,32,606
Prepaid Expenses	5,48,410	5,50,616
Deposits	51,44,602	40,07,102
Advances to suppliers	3,29,079	2,03,279
Prepaid Taxes	40,58,716	24,09,061
<b>Total</b>	<b>19,59,70,049</b>	<b>7,85,77,075</b>

### SCHEDULE :12

#### CURRENT LIABILITIES

Sundry Creditors		
- Dues of Small Scale Industrial Undertakings	-	3,59,575
- Others	2,57,24,608	7,85,52,331
Advances Against Sales	30,11,526	-
Statutory Liabilities	46,57,604	53,83,113
Other Creditors / Liabilities	3,72,51,482	2,23,88,005
<b>Total</b>	<b>7,06,45,220</b>	<b>10,66,83,024</b>



**SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS**

**SCHEDULE :13  
PROVISIONS**

	<b>As at 31.03.2006</b>	As at 31.03.2005
	<b>Rs.</b>	Rs.
Provision for Taxation	<b>1,42,00,000</b>	35,50,000
Provision for Fringe Benefit Tax	<b>7,11,978</b>	-
<b>Total</b>	<b>1,49,11,978</b>	<b>35,50,000</b>

**SCHEDULE :14  
MISCELLANEOUS EXPENDITURE**

<b>(To the extent not written off or adjusted)</b>		
Scientific Research Expenditure	<b>71,12,983</b>	-
Less: Amount written off during the year	<b>14,22,596</b>	-
	<b>56,90,387</b>	-
Miscellaneous Expenditure	<b>51,77,719</b>	58,24,934
Less: Amount written off during the year	<b>6,47,215</b>	6,47,215
	<b>45,30,504</b>	51,77,719
Preliminary Expenses	<b>6,04,723</b>	7,33,443
Less: Written off during the year	<b>1,38,505</b>	1,28,720
	<b>4,66,218</b>	6,04,723
<b>Total</b>	<b>1,06,87,109</b>	<b>57,82,442</b>

**SCHEDULE : 15  
SALES AND SERVICES**

<b>Telecom &amp; Insulator Divisions</b>		
- Domestic Turnover	<b>28,98,90,887</b>	15,39,61,198
- Exports Turnover	<b>2,29,721</b>	2,55,029
<b>BPO Division</b>	<b>5,02,71,015</b>	5,95,68,381
<b>Total</b>	<b>34,03,91,623</b>	<b>21,37,84,608</b>



## SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

### SCHEDULE : 16 OTHER INCOME

	For the Year ended 31.03.2006	For the year ended 31.03.2005
	Rs.	Rs.
Interest received ( including tax of Rs. 3,37,954/- deducted at Source)	11,52,335	18,91,413
Commission received( including tax of Rs.23,77,370/- deducted at Source)	4,59,77,370	-
Interest on Excise Refund	1,40,22,022	69,72,293
Profit on Sale of Investments	22,06,696	-
Miscellaneous Income	1,08,55,436	8,88,376
Amount Transfer from DSIR Grant Received	2,54,084	-
<b>Total</b>	<b>7,44,67,943</b>	<b>97,52,082</b>

### SCHEDULE : 17 MATERIAL CONSUMPTION

Opening Stock	2,66,55,102	1,29,90,844
Add: Purchase of materials	15,92,82,081	9,99,24,148
Expenses related to Purchases	28,64,329	10,02,657
	18,88,01,512	11,39,17,649
Less: Closing Stock	1,19,20,818	2,66,55,102
<b>Total</b>	<b>17,68,80,694</b>	<b>8,72,62,547</b>

### SCHEDULE : 18 PERSONNEL EXPENDITURE

Salaries, Wages	2,54,43,245	2,03,64,448
Contribution to Provident Fund & ESI	7,10,751	7,33,107
Staff Welfare	15,84,814	7,94,281
<b>Total</b>	<b>2,77,38,810</b>	<b>2,18,91,836</b>

### SCHEDULE : 19 MANUFACTURING EXPENSES

Power and fuel	37,16,772	29,85,210
Consumables	12,66,928	5,41,119
Job Work Charges	29,98,813	8,01,982
Testing & Inspection charges	6,78,073	3,04,008
Repairs and Maintenance - Buildings	70,222	57,349
Repairs and Maintenance - Plant and Machinery	7,15,701	6,73,454
<b>Total</b>	<b>94,46,509</b>	<b>53,63,122</b>



**SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS**

**SCHEDULE :20  
ADMINISTRATIVE AND SELLING EXPENSES**

	<b>For the year ended 31.03.2006</b>	<b>For the year ended 31.03.2005</b>
	<b>Rs.</b>	<b>Rs.</b>
Rent	<b>7,46,100</b>	24,07,885
Rates and Taxes	<b>14,22,397</b>	5,83,313
Office Electricity	<b>21,92,382</b>	13,11,053
Insurance Charges	<b>12,13,363</b>	8,86,920
Printing and Stationery	<b>10,15,097</b>	4,57,309
Communication Expenses	<b>82,55,493</b>	1,09,52,529
Travelling Expenses	<b>66,16,074</b>	46,86,783
Conveyance	<b>9,05,928</b>	13,64,989
Vehicle Maintenance	<b>13,13,211</b>	14,61,580
Gifts and Donations	<b>35,981</b>	40,725
Advertisement	<b>1,61,479</b>	1,21,558
Business Promotion	<b>13,37,525</b>	9,12,687
Leads Purchases	<b>32,52,500</b>	23,20,500
Carriage Outward	<b>41,26,720</b>	27,89,313
Sales Tax	<b>1,52,46,641</b>	28,68,865
Liquidated Damages	<b>26,21,713</b>	3,28,143
Directors Remuneration	<b>16,17,695</b>	19,24,415
Legal Fees	<b>3,09,550</b>	7,09,863
Professional and Consultancy	<b>17,06,691</b>	11,81,134
Auditors Remuneration	<b>2,70,000</b>	2,55,000
Office Maintenance	<b>6,75,612</b>	7,14,262
Miscellaneous expenses	<b>25,43,849</b>	30,02,071
Repairs and Maintenance - Others	<b>17,46,296</b>	18,32,402
Listing Fees	<b>1,28,800</b>	50,649
Security Charges	<b>4,21,442</b>	8,39,392
Wealth Tax	<b>65,919</b>	92,836
Rights Issue Expenses	<b>75,000</b>	-
Loss on sale of Investments	<b>19,81,195</b>	5,31,978
<b>Total</b>	<b>6,20,04,653</b>	<b>4,46,28,154</b>

**SCHEDULE :21  
FINANCIAL EXPENSES**

Interest on Term Loans	<b>70,02,309</b>	78,48,389
Interest on Working Capital	<b>65,49,763</b>	39,88,748
Bank Charges & Commission	<b>21,73,568</b>	21,87,591
Other Finance Charges	<b>8,78,743</b>	5,59,236
<b>Total</b>	<b>1,66,04,383</b>	<b>1,45,83,964</b>





**SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS**

**SCHEDULE :22  
ACCRETION / ( DECRETION ) TO STOCKS**

	<b>For the Year ended 31.03.2006</b>	<b>For the year ended 31.03.2005</b>
<b>Closing Stock as on March 31,2006</b>	<b>Rs.</b>	<b>Rs.</b>
Working- in - Process	<b>65,61,663</b>	28,63,766
	<b>65,61,663</b>	28,63,766
<b>Less : Opening Stock as on April 01,2005</b>		
Working - In - Process	<b>28,63,766</b>	1,39,28,107
	<b>28,63,766</b>	1,39,28,107
<b>Total</b>	<b>36,97,897</b>	<b>(1,10,64,341)</b>

**SCHEDULE :23  
Accounting Policies & Notes to Accounts**

**Accounting Policies :**

**Description of Business**

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

**Basis of Consolidation**

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

**2.0 Significant Accounting Policies**

**2.1 Preparation of financial statements**

The financial statements have been prepared under the historical cost convention, in accordance with normally accepted accounting principles and comply with the applicable accounting standards issued by the Institute of Chartered Accountants of India and all the relevant provisions of Companies Act, 1956.

**2.2 Method of Accounting**

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

**2.3 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



## SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

relatable 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.

### **2.4 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

### **2.5 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 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.

### **2.6 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.

### **2.7 Research and Development**

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.

### **2.8 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.

### **2.9 Retirement Benefits**

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

### **2.10 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.

### **2.11 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.



## SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

### 2.12 Foreign Currency Transactions

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.

### 2.13 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.

### 2.14 Impairment of assets

An asset is treated as impaired when the carrying cost of assets 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.

### 2.15 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.

### 2.16 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.

### 2.17 Claims

Claims made are recognized to the extent recoverable. Claims against the group, including liquidated damages, are recognized only on acceptance basis.

## SCHEDULE : 23

### NOTES TO ACCOUNTS:

1.0 The group has issued 73,58,155 Equity shares during the year by way of preferential allotment at a premium of Rs. 3/- per share.

### 2.0 Secured Loans

2.1 The term loans from State Bank of Hyderabad are secured by Equitable Mortgage of immovable land and buildings, second charge on the current assets of the company including receivables of BPO division, Corporate Guarantees of Goldstone Exports Limited and Goldstone Technologies Limited and on the personal guarantee of a promoter-Director of the Company.

2.2 The term loans outstanding include overdue installments of Rs. 10.00 lakhs and interest of Rs. 10.63 lakhs.

2.3 The working capital borrowings are secured by way of hypothecation of inventories and book debts, equitable mortgage of land and buildings of Goldstone Exports Limited, second charge on the fixed assets of the Company, Corporate Guarantees of Goldstone Exports Limited and Goldstone Technologies Limited and on



## SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

the personal guarantee of a promoter-Director of the Company.

considered as good.

**3.0** The group has availed Sales tax deferment of Rs. 92,87,713/- during the year and the repayment of deferment commences from April 2010.

**6.0** The group has carried out a general review to find out whether there is any indication that any asset or group of assets is impaired. In the absence of any such indication of potential impairment loss, no formal estimate of recoverable amount is made and no provision for impairment is made during the year.

**4.0** The group has sent letters of confirmation of balance to Sundry debtors and Creditors and these balances are subject to reconciliation for variations noticed subsequently, if any.

**7.0 Deferred taxation:**

The group has made additional provision of Rs.55,11,586/- during the year towards Deferred tax liability while recognizing the timing differences between the book profits and tax profits in accordance with Accounting Standard (AS 22) on "Accounting for taxes on Income"

**5.0** The group has initiated legal proceedings against Sundry Debtors of 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

**8.0 Segment Reporting**

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

	Telecom	BPO	Insulator	Consolidated
Revenue	1686.50	502.71	1223.32	<b>3412.53</b>
Other Income	740.07	0.00	4.61	<b>744.68</b>
Segment Revenue	2426.57	502.71	1227.93	<b>4157.21</b>
Segment Results	811.67	113.05	90.93	<b>1015.65</b>
Less: Financial Exp.	90.02	44.72	31.32	<b>166.06</b>
Profit before Taxation	721.65	68.33	59.61	<b>849.59</b>
Provision for Taxation	76.50	25.00	25.00	<b>126.50</b>
Pro. for Deferred Tax	(62.07)	(14.78)	131.97	<b>55.12</b>
Pro. for Fringe Benefit Tax	7.12	0.00	0.00	<b>7.12</b>
Profit after taxation	700.10	58.11	(97.36)	<b>660.85</b>
Prior period adjust.	(1.21)	1.80	(13.40)	<b>(12.81)</b>
Net Profit	698.89	59.91	(110.76)	<b>648.04</b>
Segment Assets	4164.75	1676.65	1196.84	<b>7038.24</b>
Segment Liabilities	680.95	9.05	165.57	<b>855.57</b>
Capital employed	3483.80	1667.60	1031.27	<b>6182.67</b>



## Goldstone Teleservices Limited

### SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS

#### 9.0 Related Party Disclosures

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

Newtech Stewing Telecom Limited (NSTL) subsidiary company to Goldstone Teleservices Limited (GTSL). (GTSL holds 14,59,067 Equity shares i.e., 97.59% of the Equity Share Capital as at 31.03.2006)

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

Details of transactions:

(Rs. in lacs)

	2005-2006		2004-2005	
	NSTL	SSTL	NSTL	SSTL
Sale of finished goods	8.61	0.00	7.72	0.90
Receipt towards share of common (allocated) expenses	39.70	0.00	7.39	0.00

**Transactions with Key Management Personnel :** Nil

#### 10.0 Managerial Remuneration:

(Rs. In Lakhs)

	Year ended 31.03.2006	Year ended 31.03.2005
<b>L P Sashikumar , Managing Director</b>		
Salary	12.00	12.00
Reimbursement of Expenses	0.16	0.14

#### 11.0 Earnings Per Share:

Calculation of EPS

(Rs. In Lakhs)

	2005-06	2004-05
Total No. of Shares outstanding (Nos.)	2,10,23,305	1,36,65,150
Profit after taxes before Exceptional items	660.85	19.32
Profit after taxes after Exceptional items	648.04	42.30
EPS before Non-recurring and Exceptional items	3.14	0.31
EPS after Non-recurring and Exceptional items	3.08	0.14



**SCHEDULES FORMING PART OF THE CONSOLIDATED ACCOUNTS**

**12.0 Contingent Liabilities**

(Amounts in Rs.lakhs)

	31-03-2006	31-03-2005
A Unexpired letters of credit (net of margin money deposits)	64.37	232.56
B Bank guarantees outstanding (net of margin money deposits)	252.96	226.41
C Commitments on capital contracts remaining to be executed	47.07	21.20
D Corporate guarantee given by the Company for sanction of working capital to its subsidiary company, viz., Newtech Stewing Telecom Private Limited	470.00	320.00
E Corporate guarantee given by the Company for sanction of working capital to its subsidiary company, viz., Shree Shree Telecom Private Limited	-	95.00
F First charge on fixed assets created in favour of Industrial Development Bank of India for sanction of term loan to Goldstone Technologies Private Limited	180.00	405.00

13.0 Figures have been rounded off to the nearest rupee.

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

**As per our Report of even date**

**On behalf of the Board**

**For C K S Associates  
Chartered Accountants**

Sd/-  
**NVS Srikrishna**  
**Partner**  
**MNo. 25139**

Sd/-  
**L P Sashikumar**  
**Managing Director**

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

Place: Secunderabad  
Date : 21.08.2006.



## Goldstone Teleservices Limited

### Statement of Consolidated Cash Flows for the year ended 31.03.2006 (Rs. In lacs)

	31.03.2006	31.03.2005
<b>A Cash Flow from operating activities</b>		
Net Profit before tax	849.58	78.20
<b>Adjustments for:</b>		
Depreciation	242.19	230.05
Miscellaneous expenditure written off	22.08	7.76
Provision for Gratuity & Earned Leave	0.00	(4.20)
Loss on sale of assets	0.00	8.51
Loss on sale of investments	0.00	5.32
Other Income	(744.68)	(97.52)
Operating Profit before working capital changes	369.17	228.12
<b>Adjustments for:</b>		
Trade and other receivables	209.50	(897.21)
Inventories	110.36	(26.00)
Trade Advances	(1173.92)	(58.59)
Trade Payable	(349.30)	720.42
<b>Cash generated from operations</b>	(834.19)	(33.26)
Direct Taxes paid	(31.09)	(5.62)
Cash Flow before extraordinary items	(865.28)	(38.88)
Extraordinary items	(12.81)	22.98
<b>Cash flow after extraordinary items</b>	(878.09)	(15.90)
<b>B Cash Flow from Investing Activities</b>		
Purchase of fixed assets	(350.74)	(167.36)
CWP	(140.96)	(395.19)
(Purchase)/Sale of Investments	285.73	126.99
Miscellaneous Expenditure	(71.13)	0.00
Interest received on Fixed Deposits	11.52	18.91
Commission received	459.77	0.00
Interest on Excise refund	140.22	69.72
Loss on sale of assets	0.00	(8.51)
Loss on Sale of investments	0.00	(5.32)
Other income	133.17	8.89
<b>Net Cash used for investing activities</b>	467.58	(351.87)
<b>C Cash Flow from financing activities</b>		
Repayment of Working Capital Loan (SBH)	(25.09)	124.28
Repayment of Working Capital Loan (SBI)	54.34	(20.07)
Term Loan from State Bank of Hyderabad	(120.00)	(15.00)
Deferred Sales Tax Loan	92.88	32.21
Repayment of Unsecured Loan	0.00	(4.20)
Premium Received from Preferential Allotment	220.74	0.00
Grant received from DSIR	11.29	130.00
Proceeds from Preferential Allotment	242.82	51.51
<b>Net cash generated from financing activity</b>	476.98	298.73
<b>Net increase in Cash &amp; Cash equivalents (A+B+C)</b>	66.47	(69.04)
Cash & Cash equivalents (Opening Balance)	160.36	229.40
Cash & Cash equivalents (Closing Balance)	226.83	160.36
<b>for C K S Associates</b>		
<b>Chartered Accountants</b>		
Sd/-	on behalf of the Board	
N V S Srikrishna	Sd/-	Sd/-
Partner (M.No : 25139)	L P Sashikumar	Dr. M V S R Kamesam
Place: Secunderabad	Managing Director	Director
Date:21.08.2006		