

F.C. 019373
BE 003560

W/M

BOARD OF DIRECTORS

P Gangi Reddy, *Chairman*
Sarath Sura, *Managing Director*
G Yeshwanth Reddy, *Executive Director*
Raju Reddy, *Director*

BANKERS

State Bank of India
(S.I.B) Saifabad Branch
Hyderabad - 500 004

AUDITORS

M/s Ravi Shankar & Co.
Chartered Accountants
31, Pancom Chambers, 6-3-1090/1/A
Raj Bhavan Road, Hyderabad - 500 082

SHARE TRANSFER AGENTS

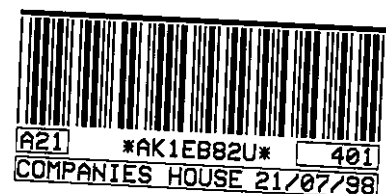
M/s Ikon Visions Private Limited
33, Sanali Heavens, 8-3-948,
Ameerpet, Hyderabad - 500 073

REGISTERED OFFICE

503, Software Technology Park
HUDA Complex
Ameerpet, Hyderabad - 500 038

CORPORATE OFFICE

SVR Towers
8-2-1/B/1, Punjagutta,
Hyderabad - 500 082



DIRECTORS REPORT

The Directors have pleasure in presenting the 6th Annual Report on the business and operations of the company for the 12-month period ended March 31, 1998.

FINANCIAL RESULTS

| | 1997-98 | 1996-97 |
|------------------------------|------------|---------------|
| | | <i>in Rs.</i> |
| Gross Revenue | 91,066,168 | 46,846,345 |
| Profit before Depreciation | 28,414,652 | 18,371,992 |
| Less : Depreciation | 4,354,527 | 2,816,994 |
| Profit before Tax | 24,060,124 | 15,554,998 |
| Less: Provision for Tax | 700,000 | 300,000 |
| Net Profit after Tax | 23,360,124 | 15,254,998 |
| Appropriation | | |
| Proposed Dividend | 4,950,000 | 3,300,000 |
| Transfer to General Reserves | 10,000,000 | 11,954,998 |

DIVIDEND

The Board of Directors has recommended payment of dividend at the rate of 15%. The payment of dividend, if approved, will absorb Rs. 49.50 lacs for the current year.

OPERATIONS

The company has reported a healthy increase in turnover to Rs.910.66 Lacs for the year 1997-98 as against Rs.458.37 for the previous year. The PAT grew from Rs.152.55 Lacs during 1996-97 to Rs. 233.60 Lacs during 1997-98.

Effective May 4th, 1998 the scrip has been promoted to the B-1 category on the Mumbai Stock Exchange.

PROJECTIONS versus PERFORMANCE

Attached is the information regarding the projections made in the public issue document versus performance for this financial year.

| | Projections | <i>Rs. in lacs</i> Performance |
|------------------|-------------|-----------------------------------|
| Net Sales | 450.00 | 910.66 |
| Profit after Tax | 189.06 | 233.60 |

For SIERRA OPTIMA LIMITED


Sarath Suresh
Managing Director

QUALITY

Sierra Optima Limited is committed to provide its customers with assured and sustained quality of software products and services at all times.

At Sierra Optima, quality extends to every aspect of the company's operations. Such a commitment requires dedication and means that quality must be designed in into everything done at the company from development to interacting with its customers, vendors and stakeholders.

INFRASTRUCTURE

During the year, the company has purchased 3500 square feet of the facilities that it has been utilising. It is imperative to have good infrastructure facilities, more so as business increases. The plans for the future include investment in increasing the office space and computing equipment to cater to the expansion and new recruitment envisaged.

In addition to the existing shared 512 KBPS data communication satellite link, a dedicated 64 KBPS data communication satellite link to US has been established to cater to the growing business and market needs.

TRAINING

We believe that a well rounded individual is what the world of today and the future will demand. It is our endeavour through a process of internal training to hone individual skills in not only technical areas but also in business, project management and managerial skills. Training division of the company regularly conducts training programs for our people at all levels. Training is coupled through the usage of external consultants reputed in their field of activity as well as internal managers with the requisite experience.

RECRUITMENT

The software engineering recruitment marketplace is increasingly becoming more competitive. Recruitment has been identified as a focus area in the company. With a senior manager spearheading a company awareness drive among the software engineering circles, getting the right people is given complete importance. This coupled with excellent career growth options, technology advantage, good working environment, employee stock option plans and quality of work & exposure will allow us not only to attract the right talent but also enable us to quickly respond to the needs of customer projects, either offshore or onsite.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars as prescribed under sub section (1)(e) of Section 217 of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are set out in the annexure included in this report.

PARTICULARS OF EMPLOYEES

As required under the provisions of section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of employees are set out in the annexure included in this report.

FIXED DEPOSITS

The Company has not accepted any deposits and, as such no amount of principal or interest was outstanding on the date of the Balance Sheet.

DIRECTORS

Moti Jiandani resigned during the year on account of his personal preoccupation. The Board wishes to place on record their appreciation for the guidance and support extended by him during his tenure.

AUDITORS

The Auditors, M/s Ravi Shankar & Co., retire at the forthcoming Annual General Meeting and have confirmed their willingness to accept the office, if re-appointed.

ACKNOWLEDGEMENTS

The Directors gratefully acknowledge the exemplary role played by our people in our success.

The Directors wish to acknowledge the continued support from Software Technology Park, Hyderabad, The Reserve Bank of India, State Bank of India - Saifabad Branch & Yellareddyguda Branch, Hyderabad, and ICICI. The Directors also like to thank its auditors, customers, vendors and other state and central Government agencies.

On behalf of the Board of Directors

Sarath Sura
Managing Director

Hyderabad
May 5, 1998

ANNEXURES TO DIRECTORS REPORT

a) Particulars pursuant to Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988

1. Conservation of Energy

Software operations do not require high-energy consumption. However, adequate measures are taken to conserve energy wherever possible.

2. Technology Absorption

a) Specific area in which R&D work has been done by the company

Your Company believes in investment in research and development towards improving its processes and increasing productivity. This includes the development of tools & utilities for internal use, R & D in emerging technologies as an investment for the future, investment in improving the quality system & processes and the development of new products. For example, a Web based Global Bug Tracking System developed and implemented by us has been well appreciated by our customers while being a great productivity improvement tool.

b) Benefits expected from the R&D work

Your Company believes that tools/utilities and better systems will allow us to not only increase productivity, but also decrease costs - towards our aim to provide a better quality of services to our customers. Exploring & working on emerging technologies and products will help your Company plan for a better future.

c) Future plan of action

Your company plans to continue its investment in improving systems & process, in emerging technologies like the Internet and to spend more efforts and money to increase the business opportunities.

d) Expenditure on R&D

The expenditure on research and development amounted to about 3.5% of the software development revenues during the year.

e) Technology absorption, adaptation and innovation

Your company believes that the future lies in moving in pace with changing technology. This is reflected in the technology infrastructure, latest software tools & techniques,

Your company has a strong focus on technology and this emphasis has helped us to work on the latest software tools & technologies in our area but also to provide timely solutions to our customers.

On the computing side this is reflected in the latest Pentium workstations and the high-end UNIX and Windows NT servers present. The offices are interconnected through high-speed links and the computer systems are connected on a high speed structured cabling network.

The addition of a dedicated satellite data communication link, in addition to the existing satellite channels, has helped the company to provide better services to its clients.

The communication & networking investments have helped the company to share information better within the company, using Intranets and by facilitating working electronically, in groups.

3. Foreign exchange earnings and outgo

| | |
|---------------------------|----------------|
| Foreign exchange earnings | Rs.782.45 Lacs |
| Foreign exchange outgo | Rs.286.27 Lacs |

On behalf of the Board of Directors

Sarath Sura
Managing Director

Hyderabad
May 5, 1998

AUDITORS REPORT

To,
The Members,
Sierra Optima Limited.

We have audited the attached Balance Sheet of Sierra Optima Limited, as at 31st March, 1998 and the Profit and Loss account for the period ended on that date annexed thereto and report that:

- i. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government, in terms of Section 227 (4A) of the Companies Act, 1956 we annexe hereto, a statement on the matters specified in paragraph 4 & 5 of the said order.
- ii. Further to our comments in the annexure referred to in paragraph above, we state that:
 - 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 accounts as required by law have been kept by the Company so far as appears from our examination of such books.
 - c) The Balance Sheet and Profit and Loss Account referred to in the report are in agreement with the books of account.
 - d) In our opinion and to the best of our information and according to the explanations given to us, the said Accounts read together with the notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view :
 - i) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 1998
and
 - ii) In the case of Profit and Loss Account, of the Profit of the Company for the period ended on that date.

For Ravi Shankar & Co.
Chartered Accountants

Hyderabad
Date: May 5, 1998

R Radhakrishnan
Partner

ANNEXURE TO THE AUDITORS REPORT

Referred to as in paragraph 1 of our report of even date.

1. As explained and informed to us the company has been maintaining proper records showing full particulars including quantitative details and situation of all its fixed assets. The fixed assets have been physically verified by the management during the period and no material discrepancies have come to notice on such physical verification .
2. As explained and informed to us none of the fixed assets have been revalued during the period.
3. The Company has not taken any loans from companies, firms or other parties listed in the register maintained under Section 301, 370(1)C of the Companies Act, 1956.
4. The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 & 370(1C) of the Companies Act, 1956.
5. The Company has not given any loans or advances in the nature of loans during the period except staff advances, which are being recovered as per stipulation.
6. In our opinion, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of Stores, Raw Materials including Components, Plant and Machinery, Equipment and other assets and for sale of goods.
7. According to the information and explanations given to us there are no purchase of stores or components in excess of Rs.50,000/- in value of each type from concerns in which Directors are interested.
8. As explained and informed to us, the Company has not accepted any deposits from the Public to which the provisions of Section 58-A of the Companies Act, 1956 and the rules made thereunder apply.
9. In our opinion, the Company's present internal audit system is commensurate with its size and nature of business.
10. According to the records of the Company, the Provident Fund dues, wherever applicable, have been regularly deposited during the period with the appropriate authorities.
11. There are no undisputed amounts payable outstanding more than six months in respect of Income-Tax, Wealth-Tax, Sales-Tax, Customs Duty and Excise Duty as at 31st March, 1998.
12. In our opinion and according to the information and explanations given to us and as certified by the Managing Director, Personal Expenses have not been charged to revenue account of the Company.
13. The Company is not a Sick Industrial Company within the meaning of Section 3(1) (o) of the Sick Industrial Companies (Special Provisions) Act, 1985 (1 of 1986).
14. In respect of the trading activities, there are no damaged goods in the possession of the Company at the end of the year.
15. Provision of Clauses A(iii, iv, v, vi, xii, xiv, xvi) are not applicable to the company.

For Ravi Shankar & Co.
Chartered Accountants

R Radhakrishnan
Partner

Hyderabad
Date: May 5, 1998

Sierra Optima Limited
#503, Software Technology Park, Maitrivanam, Ameerpet, Hyderabad.
Balance Sheet as on 31st March 1998

| I. SOURCES OF FUNDS: | Sch.Ref. | 31 Mar 1998 (Rs.) | 31 Mar 1997 (Rs.) |
|--|-----------------|------------------------------|------------------------------|
| 1. Shareholders Funds | | | |
| (a) Share Capital | 1 | 33000000 | 33000000 |
| (b) Reserves & Surplus | 2 | 37329221 | 70329221 |
| | | | 19414097 |
| 2. Loan Funds | | | |
| (a) Secured Loans | 3 | 2274450 | 2186622 |
| (b) Unsecured Loans | 4 | 5589315 | 7863765 |
| | | | 9000000 |
| Total | | 78192986 | 63600719 |
| II. APPLICATION OF FUNDS: | | | |
| 1.Fixed Assets | 5 | | |
| (a) Gross Block | | 36938922 | 27286962 |
| (b) Depreciation | | 8647615 | 4402849 |
| (c) Net Block | | 28291307 | 22884113 |
| (d) Capital Work in Progress | | 1624220 | 29915527 |
| | | | 0 |
| 2.Current Assets, Loans & Advances | | | |
| Inventories | 6 | 2977311 | 4043544 |
| Receivables | 7 | 34129838 | 18142803 |
| Cash & Bank Balances | 8 | 10726582 | 16229696 |
| Loans & Advances | 9 | 5656680 | 1869468 |
| | | 53490410 | 40285511 |
| Less: | | | |
| Current Liab. | 10 | 5595369 | 3160951 |
| Provisions | 11 | 5650000 | 3300000 |
| Net Current Assets | | 42245042 | 33824560 |
| 3.Miscellaneous Expenditure (To the extent not Written off) | 12 | 6032417 | 6892046 |
| Total | | 78192986 | 63600719 |

For SIERRA OPTIMA LIMITED


Sarath Sura
Managing Director

Sierra Optima Limited
#503, Software Technology Park, Maitrivanam, Ameerpet, Hyderabad.
Profit & Loss Account for the 12 Months Ended 31st March 1998

| | Sch.Ref. | 01/04/97 to 31/03/98 (Rs.) | 01/04/96 to 31/03/97 (Rs.) |
|--|----------|----------------------------------|----------------------------------|
| INCOME | | | |
| Software Development Income | | | |
| Overseas | | 78245571 | 32448260 |
| Domestic | | 4523914 | 8858807 |
| Sale of Imported Software packages | | 8296683 | 4324447 |
| Other Income | 1 | 225597 | 1009231 |
| Increase/(Decrease) in Projects in Process | | (350000) | 205600 |
| Total Income | | 90941764 | 46846345 |
| EXPENDITURE | | | |
| Cost of Imported Software sold | | 4450762 | 1656273 |
| Software Development Expenses | 2 | 43220030 | 14469019 |
| Administration & other expenses | 3 | 12068913 | 10381783 |
| Total expenditure | | 59739705 | 26507075 |
| Operating Profit | | 31202060 | 20339270 |
| Amortisation of Misc.Expenditure | | 859629 | 859629 |
| Interest | 4 | 1927780 | 1107650 |
| Depreciation | 5 | 4354527 | 2816994 |
| Profit before Tax | | 24060124 | 15554998 |
| Provision for Tax | | 700000 | 300000 |
| Profit after Tax | | 23360124 | 15254998 |
| Proposed Dividend (Rs.1.50 per share) | | 4950000 | 3300000 |
| Tax on Distributed Profits | | 495000 | |
| Transfer to General reserve | | 10000000 | 11954998 |
| Balance carried Forward | | 7915124 | |

Significant Accounting Policies
and Notes to Account

Schedules to the Balance Sheet

1. CAPITAL

AUTHORISED

35,00,000 Equity Shares of Rs.10 each.

35000000

35000000

ISSUED AND SUBSCRIBED

33,00,000 Equity Shares of Rs.10 each.

33000000

33000000

(Of the above 4,20,000 shares of Rs.10 each fully paid up have been issued as bonus shares by capitalisation of general reserves.

Total

33000000

33000000

2. RESERVES AND SURPLUS

General Reserve

As at the commencement of the year.

19414097

7459099

Transfer during the year (From P & L)

10000000

11954998

Total Revenue Reserves

29414097

19414097

Profit and Loss Account balance

7915124

0

Total

37329221

19414097

3. SECURED LOANS

State Bank of India - Working Capital

1933107

1699388

Vehicle Loans (Secured by Hypthecation of Vehicles)

341343

487234

Total

2274450

2186622

4. UNSECURED LOANS

Industrial Credit & Investment Corp. of India (Under the Sponsored Research & Development Programme)

5589315

9000000

6. INVENTORIES

(at Landed cost or below.)

Projects in Process

943100

1293100

Stock of Imported Software

2034211

2977311

2750444

4043544

7. SUNDRY DEBTORS

(Considered good)

(Not over Six months old

34129838

18142803

Over Six months old

0

34129838

0

18142803

8. CASH AND BANK BALANCES

Balances with Scheduled Banks

In Current Accounts

3378359

5085675

In Deposit Accounts

6804799

11118165

Cash, Cheques on hand

543424

10726582

25855

16229696

9. LOANS AND ADVANCES

(Considered good)

| | | | | |
|---|---------|---------|---------|---------|
| - Advances recoverable in cash or kind or for value to be recieved | 4374706 | | 779842 | |
| - Deposits | 1281974 | 5656680 | 1089626 | 1869468 |

10. LIABILITIES

| | | | | |
|-------------------|---------|---------|---------|---------|
| Sundry Creditors | 3155694 | | 1638702 | |
| Unclaimed refunds | 115892 | | 115892 | |
| Other Liabilities | 2323783 | 5595369 | 1406357 | 3160951 |

11. PROVISIONS

| | | | | |
|----------------------------|---------|---------|---------|---------|
| Taxation Less Payments/TDS | 700000 | | 0 | |
| Proposed Dividend | 4950000 | | 3300000 | |
| Other Provision | 0 | 5650000 | 0 | 3300000 |

12. MISCELLANEOUS EXPENDITURE

| | | | | |
|--|---------|---------|---------|---------|
| Preliminary Expenses and Deferred Revenue Expenditure | 6892046 | | 7751675 | |
| Less: Written Off | 859629 | 6032417 | 859629 | 6892046 |

SIERRA OPTIMA LIMITED
Statement of Depreciation and Fixed Assets as on 31-03-1998

Schedule 5.

| Asset | GROSS BLOCK | | | DEPRECIATION | | | | NET BLOCK | | |
|----------------------|-------------|-----------|----------|--------------|----------|-----------|----------|-----------|----------|----------|
| | Op.Bal | Additions | Deletion | Total | Upto | This Year | Deletion | Upto | As on | As on |
| | | | | 31/03/98 | 31/03/97 | | | 31/03/98 | 31/03/98 | 31/03/97 |
| Buildings | 0 | 2043271 | | 2043271 | 0 | 30112 | | 30112 | 2013159 | 0 |
| Vehicles | 2585651 | 900660 | 456229 | 3030082 | 405337 | 280776 | 109761 | 576352 | 2453730 | 2180314 |
| Furniture & Fixtures | 5005640 | 588359 | | 5593999 | 401065 | 339099 | | 740164 | 4853835 | 4604575 |
| Electrical Fixtures | 138951 | 14563 | | 153514 | 26519 | 9516 | | 36035 | 117479 | 112432 |
| Air Conditioner | 908691 | 77700 | | 986391 | 96801 | 58472 | | 155273 | 831118 | 811890 |
| Hardware | 16105198 | 5313116 | | 21418314 | 3311975 | 3467205 | | 6779180 | 14639134 | 12793223 |
| Office Equipment | 2537331 | 1152131 | | 3689462 | 161152 | 169349 | | 330501 | 3358961 | 2376179 |
| Total | 27281462 | 10089800 | 456229 | 36915033 | 4402849 | 4354527 | 109761 | 8647615 | 28267418 | 22878613 |
| Previous Year | 17794375 | 9492587 | 0 | 27286962 | 1585855 | 2816994 | 0 | 4402849 | 22884113 | 16208520 |

SCHEDULES TO THE PROFIT AND LOSS A/C**1. OTHER INCOME**

| | | | | |
|--|--------|--------|--------|---------|
| Interest received on deposits with Banks and others. | 90067 | | 664129 | |
| Misc.Income | 135530 | 225597 | 345102 | 1009231 |

2. SOFTWARE DEVELOPMENT EXPENSES

| | | | | |
|------------------------------------|----------|----------|----------|----------|
| Salaries and Bonus & Manpower exp. | 37734771 | | 10372333 | |
| Satellite Communication Expenses | 405000 | | 444232 | |
| Travel Expenses | 3019555 | | 2012029 | |
| Staff Welfare | 644801 | | 389475 | |
| Consultancy | 1415904 | 43220030 | 1250951 | 14469019 |

3. ADMINISTRATIVE & OTHER EXPENSES

| | | | | |
|--|---------|----------|---------|----------|
| Salaries,Bonus & Other Benefits | 2012466 | | 1861294 | |
| Rents | 1164362 | | 1167361 | |
| Rates & Taxes | 2745 | | 44432 | |
| Insurance | 251753 | | 185617 | |
| Travelling & Conveyance | 966716 | | 1764680 | |
| Telephones | 1358624 | | 975915 | |
| Printing & Stationery | 271588 | | 327305 | |
| Advertisements | 476881 | | 468636 | |
| Office Maintenance | 328743 | | 474631 | |
| Electricity Charges | 805471 | | 628865 | |
| Donations | 19500 | | 19950 | |
| Auditors Remuneration - Audit Fees | 35000 | | 25000 | |
| - Tax Audit | 15000 | | 5000 | |
| Bank Charges | 201042 | | 137723 | |
| Miscellaneous Expenses | 1442423 | | 753710 | |
| Conferences & Seminar | 400000 | | 0 | |
| Support Fee & Annual Maintenance Charges | 525480 | | 66520 | |
| Books & Periodicals | 73550 | | 133000 | |
| Postage & Telegram | 162689 | | 142754 | |
| Consumables | 734977 | | 745034 | |
| Business & Sales Promotion | 819905 | 12068913 | 454357 | 10381783 |

4. INTEREST

| | | | | |
|------------------------|---------|---------|--------|---------|
| Interest on Borrowings | 1840489 | | 955603 | |
| Interest on Car Loan | 87291 | 1927780 | 152047 | 1107650 |

SCHEDULES TO THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

17. SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

1. ACCOUNTING ASSUMPTIONS

These accounts have been prepared under the historical cost convention on the basis of a going concern, with revenue recognized and expenses accounted on their accrual including provisions/adjustments for committed obligations and amounts determined as payable or receivable during the period.

2. FIXED ASSETS

Fixed Assets are accounted at cost of acquisition inclusive of inward freight, duties and taxes and incidentals related to acquisitions. Assets under installation as at the Balance Sheet date are shown as Capital Work-in-progress.

3. DEPRECIATION

Fixed Assets are accounted on Cost plus incidental expenses incurred in connection with the installation of Fixed Assets. Depreciation on Fixed Assets has been provided on Straight Line method as per the rates prescribed under Schedule XIV of the Companies Act, 1956.

4. INVENTORIES

- Stock of imported software at landed cost or market value whichever is lower.
- Projects in process at direct cost.

5. DEFERRED REVENUE EXPENDITURE

All expenditure, the benefit of which is spread over a number of years are grouped under miscellaneous expenditure and will be amortised over a period of 10 years.

6. FOREIGN EXCHANGE CONVERSION

The Income and Expenditure in Foreign Currency has been accounted at the Exchange Rate prevailing on the date of the transaction. Gain or Loss arising out of fluctuations in the Exchange rate are accounted for on realisation.

7. RETIREMENT BENEFITS

The future liability of gratuity in respect of employees is not provided for in the books. However the same will be taken into account as and when they become due.

8. TAXATION

Provision for taxation is made based on the profits for the 12 months period from 1.4.97 to 31.3.98 relevant to the assessment year 1998-99.

9. NOTES ON ACCOUNTS

- a) Claims against the Company not acknowledged as Debts : Nil.
- b) Contingent Liabilities:
 - i) Bank Guarantees Outstanding: Rs.7.89 lacs
 - ii) Letters of Credit for Capital Equipment: Rs. 10.28 lacs
 - iii) Letters of Credit for Software Imports : Nil
- c) Estimated amount of Contracts remaining to be executed on capital accounts not provided for : Nil
- d) Capital Work in Progress includes advances paid on account of purchase of Fixed Assets.
- e) Comparative figures of the previous year, where necessary, have been regrouped to conform with those of the current year.
- f) Directors Remuneration

| | 1998 Rs. | 1997 Rs. |
|--|-------------|-------------|
| Included in Schedules are: | | |
| Directors Remuneration | 1,200,000 | 708,000 |
| Commission to Directors | 406,726 | 250,086 |
| Computation of Net Profit under Section 349 of the Companies Act, 1956 | | |
| Profit before taxation | 2,406,123 | 15,554,998 |
| Add: | | |
| Depreciation | 4,354,529 | 2,816,994 |
| Directors Remuneration | 1,200,000 | 708,000 |
| Directors Commission | 203,363 | 250,086 |
| Total | 29,817,881 | 19,330,078 |
| Less: | | |
| Depreciation calculated under Sec. 350 of the Companies Act, 1956. | 9,481,589 | 6,825,778 |
| Profit for the purposes of Directors Remuneration | 20,336,292 | 12,504,300 |
| Commission payable to Managing Director @1%, | 203,363 | 125,043 |
| Commission payable to Executive Director @1% | 203,363 | 125,043 |

h) Quantitative Details

The Company is engaged in the business of development of computer software. The production and sale of such software is not capable of being expressed in any generic unit. Hence it is not possible to give the quantitative details of such sale and the information required under paragraphs 3,4C and 4D of part II of Schedule VI of the Companies Act, 1956.

| Particulars in respect of traded items (imported software packages) | 1998 | | 1997 | |
|--|------|-----------|------|-----------|
| | Nos. | Rs. | Nos. | Rs. |
| Opening Stock | 132 | 2,750,444 | 63 | 970,432 |
| Purchases | 115 | 3,297,237 | 201 | 2,845,913 |
| Closing Stock | 42 | 2,034,211 | 132 | 2,750,444 |
| Sales | 205 | 8,296,683 | 132 | 4,324,447 |

i) Earnings in Foreign Exchange during the period

| | 1998 | 1997 |
|---------------------------------|------------|---------------|
| | | <i>in Rs.</i> |
| Export of Software | 78,245,571 | 32,448,260 |
| Value of Imports | | |
| Capital Goods | 2,833,833 | 5,044,252 |
| Imported Software Packages | 3,297,237 | 2,692,216 |
| Expenditure in Foreign Currency | | |
| Travelling Expenses | 1,545,353 | 296,225 |
| Others | 20,950,524 | 4,234,710 |

For Ravi Shankar & Co.
Chartered Accountants

R Radhakrishnan
Partner

For and on behalf of the Board

P Gangi Reddy
Chairman

Sarath Sura
Managing Director

G Yeshwanth Reddy
Executive Director

Hyderabad
May 5, 1998

CASH FLOW STATEMENT FOR THE 12 MONTH PERIOD ENDED 31.03.98

| | Rs in lacs | |
|---|-----------------|-----------------|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net Profit before Tax and Extraordinary Items | 240.60 | |
| Adjustment for : | | |
| Amortisation | 8.60 | |
| Depreciation | 43.22 | |
| Investment Income (Int.on deposits) | (2.25) | |
| Interest/Dividend | 19.28 | |
| Operating Profit before Working capital changes | 309.45 | |
| Adjusted for : | | |
| Trade and other receivables | (159.86) | |
| Inventories | 10.66 | |
| Trade payables | 21.95 | |
| Cash generated from operations | 182.20 | |
| Interest Paid | (19.28) | |
| Direct Taxes Paid | - | |
| Cash Flow before extra-ordinary Items | 162.92 | |
| Extraordinary Items | - | |
| NET CASH FLOW OPERATING ACTIVITIES | 162.92 | 162.92 |
| B.CASH FLOW FROM INVESTING ACTIVITIES | | |
| Purchase of Fixed Assets | (112.76) | |
| Sale of Fixed Assets | 4.56 | |
| Decrease in Misc.Expenditure | 8.60 | |
| Interest Received | 2.25 | |
| Increase in Loans & Advances | (37.88) | |
| NET CASH USED IN INVESTING ACTIVITIES | (135.23) | (135.23) |
| B.CASH FLOW FROM FINANCING ACTIVITIES | | |
| Proceeds from issue of share Capital | - | |
| Reduction in Long term borrowings | (33.23) | |
| Dividend Paid | (49.50) | |
| NET CASH FROM FINANCING ACTIVITIES | (82.73) | (82.73) |
| Net Increase/ (decrease) in cash and cash equivalents | | (55.04) |
| Cash and Cash equivalents as at April 1, 1997 | | |
| (Opening Balance) | | 162.30 |
| Cash and Cash equivalents as at March 31, 1998 | | |
| (Closing Balance) | | 107.26 |

Certified that the above statement is in accordance with the requirement prescribed in Clause 32 of the Listing Agreements with Stock Exchanges.

For Ravi Shankar & Co.
Chartered Accountants

For & on behalf of the Board

P.Radhakrishnan
Partner
Hyderabad
May 5,1998

Sarath Sura
Managing Director

I. Registration Details

| | | | | | | |
|-----------------|--|---|---|---|---|---|
| Registration No | | 1 | 4 | 3 | 4 | 7 |
|-----------------|--|---|---|---|---|---|

| State Code | 0 | 1 |
|------------|---|---|
|------------|---|---|

| | | | | | | |
|--------------------|---|---|---|---|---|---|
| Balance Sheet Date | 3 | 1 | 0 | 3 | 9 | 8 |
|--------------------|---|---|---|---|---|---|

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

| Public Issue | | | | | | |
|--------------|--|--|--|--|---|-----|
| | | | | | N | I L |

| Bonus Issue | | | | | | |
|-------------|--|--|--|--|---|-----|
| | | | | | N | I L |

| Rights Issue | | | | | | | |
|-------------------|---|---|--|--|--|--|--|
| N | I | L | | | | | |
| Private Placement | | | | | | | |
| N | I | L | | | | | |

III. Position of Mobilisation and Development of Funds (Amount in Rs. Thousands)

| | | | | | | | | | | |
|-----------------------------|----------|----------|--|--|---------------------------|-------------------------|---|---|---|---|
| | | | | | Total Liabilities | | | | | |
| | | | | | 7 | 8 | 6 | 8 | 8 | |
| Sources of Funds | | | | | | Paid-Up Capital | | | | |
| | | | | | | 3 | 3 | 0 | 0 | 0 |
| | | | | | Secured Loans | | | | | |
| | | | | | | 2 | 2 | 7 | 4 | |
| Application of funds | | | | | | Net Fixed Assets | | | | |
| | | | | | | 2 | 9 | 9 | 1 | 5 |
| | | | | | Net Current Assets | | | | | |
| | | | | | 4 | 2 | 7 | 4 | 0 | |
| | | | | | Accumulated Loss | | | | | |
| N | I | L | | | | | | | | |

| | | | | | | | |
|--------------------|---|---|---|---|---|---|---|
| Total Assets | | | | | | | |
| | | | 7 | 8 | 6 | 8 | 8 |
| Reserves & Surplus | | | | | | | |
| | | | 3 | 7 | 8 | 2 | 4 |
| Unsecured Loans | | | | | | | |
| | | | | 5 | 5 | 8 | 9 |
| Investments | | | | | | | |
| N | I | L | | | | | |
| Misc. Expenditure | | | | | | | |
| | | | | 6 | 0 | 3 | 2 |

IV. Performance of Company (Amount In Rs. Thousands)

| | | | | | | |
|--------------------------|--|--|---|---|---|-----|
| Turnover (Gross Revenue) | | | | | | |
| | | | 9 | 0 | 9 | 4 1 |
| Profit/Loss Before Tax | | | | | | |
| | | | 2 | 4 | 0 | 6 0 |
| Earnings per Share Rs. | | | | | | |
| | | | 7 | . | 0 | 8 |

* Before deducting extraordinary tax payment

| | | | | | | | |
|---------------------------|--|--|---|---|---|---|---|
| Total Expenditure | | | | | | | |
| | | | 6 | 6 | 8 | 8 | 1 |
| Profit & Loss after Tax * | | | | | | | |
| | | | 2 | 3 | 3 | 6 | 0 |
| Dividend Rate % | | | | | | | |
| | | | | | | 1 | 5 |

VI. Generic Name of Three Principal Products/Services of Company
(as per monetary terms)

| | | | | | | | | | | | |
|-------------------------|---|---|---|---|---|---|---|---|---|---|---|
| Item Code No (ITC Code) | 8 | 5 | 2 | 4 | 5 | 3 | 0 | 9 | . | 1 | 0 |
|-------------------------|---|---|---|---|---|---|---|---|---|---|---|

| | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|--|---|---|---|---|
| D | E | V | E | L | O | P | M | E | N | T | | O | F | | C | O | M | P |
| U | T | E | R | | S | O | F | T | W | A | R | E | | | | | | |

| | | | | | | |
|-------------------------|--|--|--|--|--|--|
| Item Code No (ITC Code) | | | | | | |
|-------------------------|--|--|--|--|--|--|

[illegible]