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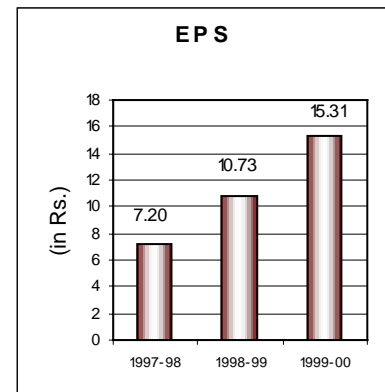
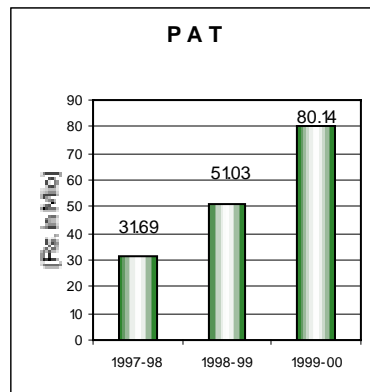
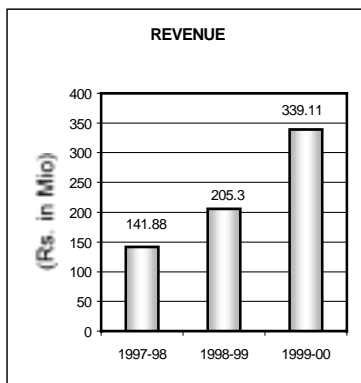
Geometric Software Solutions is a leading provider of innovative software applications, component technology, and development services to CAD/CAM/CAE/PDM vendors worldwide. GEOMETRIC offers expertise in solid and surface modeling, feature recognition, data exchange, ACIS and Parasolid geometry kernels, PDM, nesting, and machining. GEOMETRIC employs more than 250 professionals with business development, sales and marketing headquarters in Nashua, NH, USA, sales offices in Germany and Japan, and development centers in India. For more information about GEOMETRIC, visit the web site at www.geometricsoftware.com. GEOMETRIC is traded in India on the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE).

HIGHLIGHTS

- Geometric's IPO met with overwhelming response with more than 2,50,000 applicants of which around 15,000 was successful.
- The overseas marketing and support presence has been successfully strengthened by the addition of a number of employees including Mr. Richard C. Miller, Chief Executive Officer, Geometric Software Solutions, Inc. and stationing our staff in Japan.
- Facility at Hinjwadi was substantially complete and commenced operations in March 2000.

FINANCIAL HIGHLIGHTS

Year ended March 31, 2000, 1999, 1998



- Notes:**
1. Revenue and PAT has been shown without considering extra-ordinary net income
 2. EPS has been arrived at on the following basis:
 - i. Shares outstanding include fresh issue of 3,10,000 equity shares
 - ii. 1997-98 and 1998-99 are adjusted for stock split
 - iii. 1999-00 earnings do not take into account extra-ordinary income arising out of IPO



GEOMETRIC SOFTWARE SOLUTIONS COMPANY LTD

(Incorporated with limited liability in India on 25th March, 1994 under the Companies Act, 1956)

Sixth Annual Report & Accounts for the year ended 31st March 2000

Board of Directors

J. N. GODREJ
Chairman

MANU PARPIA
Managing Director

K. A. PALIA

FRANK PERNA

MARC DULUDE

A.J.V. JAYACHANDER
Nominee of ICICI Venture Funds Management Co. Ltd.

ABHAY HAVALDAR

ANITA RAMACHANDRAN

Company Secretary & General Counsel

B. P. BHARGAWE

Auditors

KALYANIWALLA & MISTRY
Chartered Accountants

Registrars & Share Transfer Agents

INTIME SPECTRUM REGISTRY PVT. LTD.
260, Shanti Industrial Estate, Sarojini Naidu Road
Mulund (West), Mumbai – 400 080, INDIA
Tel. Nos.: 564 7731, 567 2716, 568 4590

Registered Office

Plant 14, Pirojshanagar, Vikhroli (E),
Mumbai – 400 079, INDIA
Telephone: +91-22-518 1101
Fax: +91-22-517 2239



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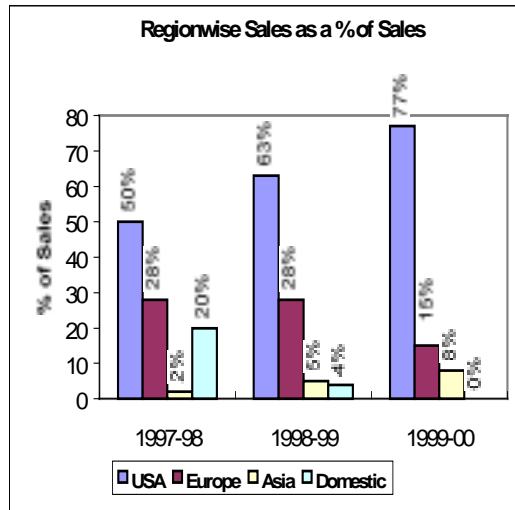
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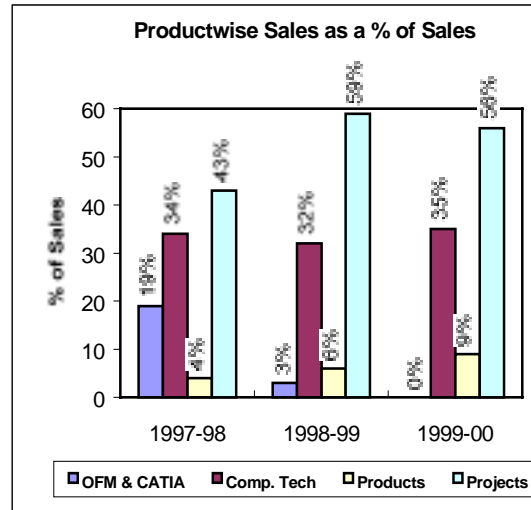
Managing Director's Report

The year that went by was clearly a watershed in your Company's history-after a great deal of effort and energy the shares of the Company were listed on the National and Bombay stock exchanges. I take this opportunity to welcome on board the over 15,000 new shareholders.

As in the past I propose to use the report to lay out key aspects of our strategy – both in terms of business and good governance, but first a brief analysis of the year results.



Sales Mix by region-last 3 years



Sales mix by product-last 3 years

Sales growth accelerated from 45% to just over 60% year on year and profit growth was sustained at over 60%. Your Company faced an increase in costs arising from borrowings due to delays in its IPO, as well as increased investment in marketing and continued investment in new product development. As was the case in the past all such costs have been expensed in the year they were incurred. The geographic spread of sales showed an increased dependence on the US market – the significant growth in revenues from Japan was overshadowed by a less robust performance in Europe. I am however pleased to report that Licensing revenues as a percentage of revenues continued to grow – indicating our investments in technologies are bearing fruit.

The strategy for the year ahead can be summarised as follows:

- Expand the addressable market
- Increase realisation per person
- Improve predictability of revenues

I will try and show, in brief, how we plan to achieve this.

Industrial Customers: While we continue to seek to add to the number of CAD/CAM software companies we serve, we recognise that this is a narrow market focus. On the other hand, it has provided us an impeccable set of credentials, which our competitors find difficult to match – a competitive advantage we intend to exploit. Most engineering companies face a variety of problems with their CAD/CAM solutions and data. These range from difficulties in exchanging information between systems to improving productivity by customising the standard CAD/CAM solutions. Your Company has positioned itself as possessing expertise as well as technologies and therefore the ability to provide total solutions to a sophisticated customer's specific problems. The relationships that your company has built with CAD vendors gives it an added advantage and credibility.

This approach has already been successfully applied in a project in North America. The positioning not only expands the market but as we are providing total solutions, we have the possibility of improving realisation per person thus adding to both growth and profitability.



Framework/Toolkit: Your company has observed that software houses with whom we compete typically have a set of technologies with which they have built a toolkit. The toolkit is used as a framework to provide solutions to industrial customers or other CAD vendors. The toolkit allows the company to re-use technologies on one hand while providing a direction to its in house technical development team on the other. The company has selected all matters relating to problems in data transfer as the underlying basis of its toolkit. This has the advantage of allowing the company to re-use and extend the life of a number of investments made to date. Work in “productising” this framework has also commenced. The approach will have a positive impact on improving the realisation per person and expanding the market.

Product Data Management (PDM): PDM is one of the fastest growing segment in the CAD market space. A report by Daratech indicates that PDM market is around \$ 1.2 billion and is growing at around 40% per annum. Last year the company successfully undertook a number of projects for PDM software companies and it has taken steps to add to the number of relationships in this year. We expect our efforts to bear fruit in the near future. This will also help us with industrial customers who seek better integration between CAD and PDM software. The steps here will help us expand the market.

Expansion geographically: We are heavily dependent on the North American market. While North American market is the largest single market for CAD/CAM, the Japanese and European markets are individually almost as big. We have taken concrete steps by adding our presence in Europe and establishing an office in Japan. Furthermore, our senior officers including myself are spending a great deal of time and effort in establishing relationships in these markets, which we believe will help us make a break through and thus expand our market.

Plug-in/OEM Applications: Your company has over a period of time developed a number of applications which work with our partner’s products. These applications such as FeatureWorks, CAMWorks, have already established a name in the market place and others such as Geometric Tools are just being released in the market. In all of these instances we have taken our existing technologies, made enhancements and customisations so as to meet applications’ specific needs. They serve as excellent way of highlighting the technologies available from the Company while at the same time bringing in revenues. Moreover, as these products are sold through our partners distribution channels, it not only helps to improve realisation per person but also helps to improve predictability of the earning stream.

Expand Alliances: One of the strengths of your company is its ability to build alliances with global leaders. This not only helps in expanding the market but also improving predictability of its earnings as distribution channels get established. Over the last 12-18 months, the company entered into arrangements for exclusive supply of translator products with both Spatial Technology and Unigraphics Solutions for their ACIS and Parasolid kernels respectively. In this year, the company plans to expand relationships with its key customers like SDRC and MSC.Software among others. Our objective is to bring in a revenue stream from technologies / products thereby improving realisation per person and predictability to the earning stream.

This in brief constitutes the essence of our business strategy.

The other element, which is equally important, is your Company’s commitment to good governance. This annual report already includes a statement of compliance with both the SEBI and the Confederation of Indian Industries (CII) guidelines on corporate governance. Further the Company has established and documented a policy governing transactions in its own shares, which requires all employees to refrain from trading in certain sensitive periods. Further, key employees have to provide information pertaining to transactions during the “open window”. When declaring its results the Company made it a point to highlight (a) extra-ordinary income; (b) Losses incurred by its marketing subsidiary, so as to enable investors and shareholders a clearer picture on the true profitability of its business. This year the company has decided to increase its rate of depreciation on computers from 40% to 50%. The write off process remains wdv. There are no other material changes in accounting policies.

In closing, I would like to thank all our shareholders prior to the IPO, especially the larger ones, whose co-operation and support made the IPO possible. I also thank the Board of Directors for their understanding and support through what was for me a very turbulent period. I look forward to continued support from both our old and new shareholders.

Thanking you,

A handwritten signature in black ink, appearing to read 'Manu M Parpia', written over a light-colored background.

Manu M Parpia
Managing Director



THE YEAR AT A GLANCE

(in millions except earnings per share {in unit Rs. & \$} and percentages)

	March 31, 2000		March 31, 1999	
	Rs.	US \$	Rs.	US\$
For the year				
Total Income	333.06	7.64	205.30	4.83
Exports	318.75	7.31	193.72	4.56
Operating Profit (PBIDT)	104.17	2.39	65.12	1.53
Profit After Tax (PAT) from ordinary activities	80.14	1.84	51.03	1.20
PBIDT as a percentage of total revenue	31.28%	31.28%	31.72%	31.72%
PAT as a percentage of total revenue	24.06%	24.06%	24.86%	24.86%
Earnings Per Share	15.31	0.36	26.86	0.63
Dividend Percentage	3.00%	3.00%	3.00%	3.00%
Dividend amount (incl. Div. Tax)	1.92	0.05	0.62	0.01
Average net worth	279.76	6.42	102.67	2.42
PAT as a percentage of average net worth	28.65%	28.65%	49.70%	49.70%
At the end of the year				
Total assets	475.96	10.91	128.56	3.02
Fixed assets (net)	201.10	4.61	55.83	1.31
Working capital	126.73	2.91	55.55	1.31
Total Debt	45.00	1.03	0.00	0.00
Net worth	430.96	9.88	128.56	3.02
Equity	52.35	1.20	19.00	0.45
Market capitalisation	4,209.46	96.53	765.45	18.01
(assuming PE of 15 for 98-99 and closing market price on NSE for 99-00)				

Exchange Rate \$ 1= Rs.

43.61

42.5



DIRECTORS' REPORT TO THE MEMBERS

The Directors have pleasure in presenting their report on the business and operations of the Company for the year ended 31st March 2000.

1. FINANCIAL RESULTS:

The Company's operating performance during the year ended 31st March, 2000 as compared to the previous year, is summarised below:

	<u>Rupees</u>	<u>Previous Year Rupees</u>
Sales and Other Income	333,062,251	205,302,417
Operating Profit	104,168,140	65,128,402
Interest & Finance Charges	489,996	63,917
Gross Profit before Depreciation	103,678,144	65,064,485
Depreciation	23,139,352	14,031,309
Profit before IPO extraordinary income	80,538,792	51,033,176
Initial Public Offer extraordinary income (net of expenses)	213,277,178	Nil
Profit before Taxes	293,815,970	51,033,176
Provision for Taxes	91,600,000	Nil
Profit After Taxes	202,215,970	51,033,176
Taxes for previous years	Nil	46,413
Balance brought forward	103,001,277	52,626,956
Disposable Profit	305,217,247	103,613,719
Appropriations:		
Proposed Dividend @ Rs.0.30 per Equity share of Rs. 10 each	1,570,500	556,765
Corporate tax on Dividend	345,510	55,677
Issue of Fully paid Bonus Shares	28,500,000	Nil
Surplus carried forward	274,801,237	103,001,277

2. DIVIDEND:

The Directors are pleased to recommend payment of dividend, for the year ended 31st March, 2000 at the rate of Rs. 0.30 per Equity Share of Rs. 10 each. The dividend, if approved by the members at the Annual General Meeting, will absorb a sum of Rs. 1,570,500/-. Corporate Dividend Tax to be borne by the Company will be Rs. 345,510/-.

3. BUSINESS PROSPECTS:

In view of the encouraging performance during the year under review, and in terms of the ambitious goals set for the current year, the Directors are hopeful of achieving higher sales and profits in the current year.

4. DIRECTORS:

Ms. Anita Ramachandran was appointed as an Additional Director of the Company with effect from 27.03.2000. She shall hold office upto the ensuing Annual General Meeting.

Mr. Frank Perna and Dr. K. A. Palia, Directors of the Company, retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

5. DISCLOSURE UNDER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956:

In terms of Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, the Directors furnish hereinbelow the required additional information:

- a) Conservation of Energy: The nature of the Company's operations entail a very low level of energy consumption.
- b) Research & Development (R&D): The Company is actively involved in the software development activities
- c) Technology Absorption: The Company has not imported any technology during the year under review.
- d) Foreign Exchange Earnings and Outgo: The Company's foreign exchange earnings and outgo during the year under review amount to Rs. 318,750,919/- and Rs. 64,898,538/- respectively, details of which have been given in the Notes forming part of the Accounts (Notes 12, 13, 14, 15 of Schedule "O").

6. INITIAL PUBLIC OFFER OF 3,10,000 NEW EQUITY SHARES AND OFFER FOR SALE OF 1,000,000 EQUITY SHARES:

The Company came out with a public issue of 310,000 new equity shares of Rs. 10/- each for cash at a premium of Rs. 290/- per share aggregating to Rs. 9.30 crores and simultaneously made an offer for sale of 1,000,000 equity shares of Rs. 10/- each at a premium of Rs. 290/- aggregating to Rs. 30 Crores. The Board has pleasure to inform you that the issue was oversubscribed 105.26 times. The Company successfully completed the allotment on 29th February 2000. The equity shares of the Company are listed at the National Stock Exchange and Stock Exchange, Mumbai.

7. THE FACILITIES AT HINJWADI NEAR PUNE FOR SOFTWARE DEVELOPMENT:

The Board of Directors has pleasure to inform you that the Company has taken possession of land admeasuring 14,105 sq. ft. at the Pune Information Technology Park, Hinjwadi, from Maharashtra Industrial Development Corporation for the development of software facilities. The Company has built a state-of-the-art, well equipped software development facilities comprising Development Centre, R&D Centre, Recreation Centre, Training Centre, etc., which are now operational.

8. REPAYMENT OF EXIM BANK LOAN:

The Company was sanctioned a term loan of Rs. 8 Crores by Export-Import Bank of India. The Company has fully repaid the drawn amount of Rs. 4.5 Crores out of the extraordinary income resulted from Initial Public Offer. Therefore, as on the date of this report, there are no outstanding loans against the Company.

9. A comparison between projected and actual profitability for the year ended 31st March, 2000 is as follows:-

(Rs. In Lacs)				
	Actuals **	Projections as per Offer Document	For the year ended 31 st March 2000	
			Variance in (%) [1 vis-à-vis 2]	Actuals with Extra-ordinary Income
	(1)	(2)	(3)	(4)
Total Income	3,330.62	3,421.25	-2.65%	5,699.36
Profit After Tax	801.39	695.00	15.31%	2,022.16

** Without considering extraordinary income.

10. PARTICULARS OF EMPLOYEES:

The information required under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, is given in Annexure, forming part of this report.

On behalf of the Board of Directors

Mumbai,
28th April, 2000

J. N. GODREJ
Chairman

MANU PARPIA
Managing Director



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956, and Generally Accepted Accounting Principles (GAAP) in India. The management of Geometric Software Solutions Company Limited accepts responsibility for the integrity and objectivity of those financial statements, as well as for various estimates and judgements used in preparing the financial statements. In addition to the historic information contained herein, the following discussion includes forward looking statements which involves risks and uncertainties, including, but not limited to, risks inherent in the Company's growth strategy, dependence on certain clients, dependence on certain technologies and dependence on availability of qualified technical personnel and other factors discussed in this report.

A FINANCIAL CONDITION

1. Share Capital

The Company has, at present, only one class of shares namely equity shares. The face value of equity shares is Rs. 10/- per shares. During the year, authorised capital of the company was increased from Rs. 25,000,000/- to Rs. 70,000,000/- and out of the increased authorised capital 3,335,000 shares were issued. Out of these, 2,850,000 shares were issued to the erstwhile shareholders as bonus shares by capitalisation of surplus in profit & loss account brought forward. 175,000 shares were issued to the managing director at a premium of Rs. 42/- per share in lieu of employee stock options and 310,000 shares were issued to the public at a premium of Rs. 290/- per share as part of the initial public offer (IPO). The said shares issued to the managing director are subject to a lock-in period of three years from the date of allotment.

2. Reserves and Surplus

During the year, the company carried forward the surplus profit of Rs. 200,299,960 in the Profit & Loss Account after providing for a dividend payment of Rs. 1,570,500 and dividend tax of Rs. 345,510. Out of the past profits brought forward, an amount of Rs. 28,500,000/- was utilised for issue of fully paid bonus shares. The share premium account had an addition of Rs. 97,250,000/- on account of newly issued shares during the year.

During the previous year, the Company had carried forward surplus profit of Rs. 50,374,321 in the Profit & Loss Account after providing for a dividend payment of Rs. 556,765 and dividend tax of Rs. 55,677.

3. Secured Loans

The Company was sanctioned an assistance of Rs. 8 crores by EXIM Bank for its project at Hinjwadi out of which Rs. 4.5 crores was drawn during the year ended March 31,2000. In view of surplus funds with the Company the said drawn amount of loan was fully repaid and the balance cancelled in April 2000.

4. Fixed Assets

During the year, the Company added Rs. 156,395,843 to its gross block, including investment in technology assets of Rs. 25,039,570. During the previous year, the Company had added Rs. 31,015,194/- to its gross block, including investment in technology assets of Rs. 18,985,217.

5. Investments

Company has made Short term investments in units of various debt-based and dividend paying mutual funds aggregating Rs. 146,089,400 during the year which represent surplus funds of the Company parked with these mutual fund schemes which can be recalled at very short notice. According to the information of the Company, these funds are safe investments with good yields and are liquid to meet any sudden needs of the Company. The Company had made such short term investments of Rs. 15,138,642 during the previous year.



6. **Sundry Debtors**

Sundry debtors amount to Rs. 81,275,115 (net of provisions for bad and doubtful debts) as at March 31, 2000 as compared with Rs. 41,928,365 as at March 31, 1999. These debtors are considered good and realizable, and provision has been made for all debtors considered as doubtful. The debtors as a percentage of total software revenue is 25.48% for the year ended March 31, 2000 as compared with 21.03% for the year ended March 31, 1999. The age profile of outstanding receivables is as given below :

Period in days	March 31, 2000	March 31, 1999
0 - 30	74.84	60.61
31 - 60	17.84	20.83
61 - 90	2.23	13.64
More than 90	5.09	4.92
Total	100.00 %	100.00 %

7. **Cash and bank balances**

The balance in current account include Rs. 11,690 and Rs. 4,460 in the unclaimed dividend accounts for the years ended March 31, 2000 and March 31, 1999. The bank balance in current accounts also includes the Exchange Earners Foreign Currency (EEFC) account as at March 31, 2000 of US\$ (Rs. 1,883,243) and DM (Rs. 316,147). The bank balances in EEFC accounts are to meet the expenditure of overseas branches in USA and other countries and to meet project related expenditure overseas. The fixed deposit accounts are short term funds placed with banks and also deposits kept as margins against guarantees issued on behalf of the Company. Balances of cash credit account are in fact bank balances in current accounts with scheduled banks, which accounts have a cash credit drawal facility.

8. **Loans and Advances**

Advances recoverable in cash or in kind or for value to be received are primarily towards amounts paid in advance for value and services to be received in future. Advance & provisional payment of taxes represents payments made towards tax liability for the past years and tax deducted at source and also advance tax for the year ended March 31, 2000 and so also refunds due for previous years. The Company's liability towards income tax has been fully provided. Sundry deposits represents deposit towards telephone, rent, electricity and other deposits. Inter-corporate deposits represents amounts kept with various companies for short period of 30 to 90 days. The Company's treasury policy calls for investing only in highly rated companies for short maturities with a limit for individual companies. Loans to employees are made to enable the purchase of technology assets by employees and to meet any emergency requirements.

9. **Current liabilities**

Sundry creditors for goods represent the amount payable to vendors for the supply of goods and services. Unclaimed dividends represent dividend paid, but not encashed by shareholders. Other current liabilities include accrued salaries and benefits payable to the staff, towards the Company's liability for leave encashment, amounts accrued for various other operational expenses and advances received from clients denote monies received for the delivery of future services and supplies.

10. **Provisions**

Provision for taxation represents estimated income tax liability for the current and previous years. Provision for dividend represents proposed dividend recommended to the shareholders by the Board and would be paid after the Annual General Meeting upon approval by the shareholders. Provision for tax on dividend is @ 20% of proposed dividend as per the existing tax rates.

B FINANCIAL REVIEW

1. **Income**

The Company derives its income from software services and the sale of software products. Approximately 99.94% of the Company's income is derived from export activities (prior year 97.19%). During the year, the income from exports increased by more than 65% (prior year 71%). The increase in export income is due to an all-round growth in various segments of the business.

Other income is from gains on foreign exchange fluctuations, against export realisation, income from investment of surplus funds and export incentive received from EXIM bank of Rs. 2,260,000.



An amount of Rs. 308,729 and Rs. 1,975,664 is included in the Profit and Loss Account during the years ended March 31, 2000 and 1999 representing the realized and unrealized exchange gains due to currency fluctuation. This represents 0.09% and 0.9% of the total income for the years ended March 31, 2000 and 1999.

The total income of the Company grew by 62 % during the year, as compared with 45% during the previous year. Details of the geographical segmentation and business segmentation of income are given below:

(A) Geographical Segmentation of total income

	1999-2000	
	Rs.	Percentage
U.S.A.	243,885,549	73.23%
Europe	47,460,133	14.25%
Asia-Pacific	27,040,884	8.12%
Domestic (Incl. Other Income)	14,675,684	4.40%
Total	333,062,250	100.00%

(B) Business segmentation of total income

	Rs.	Percentage
Exports		
Projects	176,690,564	53.05%
Products	28,891,688	8.67%
Component Technologies	112,804,314	33.87%
Domestic		
Sale of Software	525,347	0.16%
Project Services	44,800	0.01%
Other Income	14,105,537	4.24 %
Total	333,062,250	100.00 %

2. Expenditure

2.1 Operating and other Expenses

Employee cost constitutes around 36% of the total sales for the years ended March 31, 2000 and 1999. The travelling expenses mainly representing cost of travel abroad for software development and marketing constitutes approximately 8.24% and 8.64% of the total sales for the years ended March 31, 2000 and 1999 respectively.

The Company spent a sum of Rs. 10,710,779 and Rs. 6,713,986 towards the cost of software packages and tools procured for internal use, to enhance the quality of its services and also to meet the needs of software development for some of its clients. This has shown an increase of approximately 60% during the year, and is around 3% of the total income during the years ended March 31, 2000 and 1999. The Company's policy is to charge such purchases to revenue in the year of purchase.

Communication expenses mainly consisting of telephone, fax, FTP connection and E-mail were Rs.7,658,523 (Previous year Rs. 4,541,651) This represents approximately 2% of the total income during the years ended March 31, 2000 and 1999. The communication expenses are required as a major part of the Company's revenues comes from offshore software developments which requires apart from use of satellite connectivity being in constant touch with the customers on line.

The Sales and Marketing expenses amounted to Rs. 23,313,596 (Previous year Rs. 8,312,949). This represents approximately 7% of the total income during the year as compared to 4% during the previous year.

The other administration and other overhead expenses amounted to about 18% and 17% of its total income during the year ended March 31, 2000 and 1999. The rent expenses had increased by approximately 80% during the year. This was due to expansion of Pune and Mumbai development facilities. However from the current year ending 31st March, 2001 rent expenses are expected to come down substantially as Company's own software development facilities at Hinjwadi have become operational and its personnel hitherto operating from separate rented premises have



moved to the new owned premises. The increase in other expenses is primarily due to an increased level of business.

3. Operating Profits

During the year, the Company earned an operating profit (profit before interest, depreciation and tax) of Rs.1,041.68 Lacs representing 31.28% of total revenues as compared with Rs.651.20 Lacs representing 31.72% of total revenues during the previous year.

4. Interest

The Company incurred an expenditure of Rs. 489,996 during the year towards interest and financial charges mainly in respect of loan availed from Exim bank. During the previous year, interest expenditure had amounted to Rs. 63,917.

5. Depreciation

The Company provided a sum of Rs. 23,139,352 and Rs. 14,031,039 and towards depreciation for the years ended March 31, 2000 and 1999. This represents approximately 7% of the total income during the years ended March 31, 2000 and 1999.

6. Extraordinary Income

The company earned interest on Public Issue Funds amounting to Rs. 236,873,562 on funds received from its Initial Public Offer (IPO). The expenses incurred in respect of IPO amounted to Rs. 23,596,384 resulting in a net extraordinary income of Rs. 213,277,178.

7. Provision for tax

As the Company is mainly engaged in export of software and is having its facilities in Software Technology Park area both in Mumbai & Pune its profits are exempt under section 10 of Income Tax Act as 100% export oriented unit for a specified period. Therefore, for the year ended March 31, 2000, the Company has no tax liability on its operating income. The Company has estimated its tax liability as Rs. 4 Lacs and Rs. 912 Lacs on its ordinary other income and extraordinary other income respectively during the year March 31, 2000 (Rs. Nil during the previous year).

8. Net Profit

The net profit of the Company from ordinary activities amounted to Rs. 801.39 Lacs and Rs. 510.33 Lacs for the years ended March 31, 2000 and 1999. This represents 24.06% and 24.86% of the total income for the respective years.

9. Operations of the USA Subsidiary:

Geometric Software Solutions, Inc. (GSSI), the wholly owned subsidiary of the Company reported a total revenue of US \$ 834,877 (equivalent to about Rs. 363.10 Lacs) with a net loss US \$ 125,532 (equivalent to about Rs. 54.61 Lacs). After considering the said results of GSSI, the net profit (from ordinary activities) on a consolidated basis of the parent Company amounts to Rs. 747.00 Lacs (previous year Rs. 511 Lacs).



STATEMENT ON CORPORATE GOVERNANCE

(As per CII guidelines)

“ Corporate Governance deals with laws, procedures, practices and implicit rules that determine a company’s ability to take managerial decisions vis-à-vis its claimants – in particular, its shareholders, creditors, the State and employees. There is a global consensus about the objective of “good” corporate governance – maximizing long-term shareholder value. Since shareholders are residual claimants, this objective follows from a premise that, in well performing capital and financial markets, whatever maximizes shareholder value must necessarily maximize corporate value, and best satisfy the claims of creditors, employees and the State.”

-Desirable Corporate Governance – A Code: Confederation of Indian Industry (CII)

CII has taken the initiative to improve corporate governance by publishing a code of Corporate Governance. Your Company has been complying with most recommendations of the Code, for several years. Your Company supports this initiative and believes that this will considerably improve investor protection and governance. Your directors have thought it fit to submit a report on the matters mentioned in the Code, and the practices followed by your Company.

Corporate Governance

The CII Committee on corporate governance has made 17 specific recommendations. Your Company complies with all these recommendations except for the following:

1. CII has recommended a minimum of six board meetings, however *company held only four meetings.*
2. CII has recommended that no single person should hold directorship in more than 10 companies. *Two non-executive directors hold directorship in more than 10 companies.*
- 2 . CII has recommended that sufficient sitting fees should be paid to non-executive directors to induce serious effort by them. *The Company does not pay any sitting fees for attending Board meetings at present to any director.*

Board of Directors

Recommendation 1 – The full board should meet a minimum of six times a year, preferably at an interval of two months, and each meeting should have agenda items that require at least half a day’s discussion.

The Board of Directors had met four times during the year with a clearly defined agenda for each meeting.

Recommendation 2 – Any listed company with a turnover of Rs. 100 crore and above should have professionally competent and acclaimed non-executive directors, who should constitute at least 30% of the board if the Chairman of the company is a non-executive director, or at least 50% of the board if the Chairman and Managing Director is the same person.

The shares of the company are listed on National and Mumbai Stock Exchange. Even though the turnover of the Company is less than Rs. 100 Crores, the Company has professionally competent and acclaimed non-executive directors who constitute 86% of the Board at present as against the 30% limit recommended by CII. The non-executive directors are accomplished professionals in the corporate and business worlds.

Recommendation 3 – No single person should hold directorships in more than 10 companies. This ceiling excludes directorships in subsidiaries (where the group has over 50% equity stake) or associate companies (where the group has over 25% but no more than 50% equity stake).

Except for two of the non-executive directors, none of the other directors hold directorship in more than 10 companies.

Recommendation 4 – For non-executive directors to play an important role in maximizing long-term shareholder value, they need to become active participants in boards, not passive advisors; have clearly defined responsibilities within the board; and know how to read a balance sheet, profit and loss account, cash flow statements and financial ratios and have some knowledge of various laws. This, of course, excludes those who are invited to join boards as experts in other fields such as science and technology. Sufficient sitting fees should be paid to non-executive directors to induce serious effort by them.



Geometric has six non-executive directors on its Board. The non-executive directors play an active role in all the Board meetings. The number of Board meetings held during the year ended March 31, 2000, and the number attended by the non-executive directors during the year, is given below:

Director	No. of Meetings held	No. of Meetings attended
J.N. Godrej	4	4
K.A. Palia	4	3
Abhay Hawaldar	4	2
AJV Jayachander	4	1
Frank Perna	4	Nil *
Marc Dulude	4	Nil *

* These non-resident directors participated in two out of four meetings with the help of teleconferencing.

The non-executive directors are not paid any sitting fees for attending Board meetings at present.

Recommendation 5 – To secure better effort from non-executive directors, companies should pay a commission over and above the sitting fees for the use of the professional inputs. An appropriate mix of commission and stock option should be considered to align a non-executive director towards keeping an eye on short-term profits as well as longer-term shareholder value.

The Company has proposed for members' approval:

1. Stock Option scheme as "ESOP-DIRECTORS" for non-executive directors, and
2. Payment of commission out of net profits within the limits as per the terms mentioned in the notice of Annual General Meeting to be held on 14.07.2000 and explanatory statement annexed thereto.

Recommendation 6 – While re-appointing members of the board, companies should give the attendance record of the concerned directors. As a general practice, one should not re-appoint any non-executive director who has not had the time to attend even one half of the meetings.

Dr. K. A.Palia eligible for re-appointment has attended 3 meetings and Mr. Frank Perna eligible for re-appointment participated on teleconference in 2 board meetings.

Key information

Recommendation 7 – In the interest of good governance, certain key information must be placed before the board, and must form part of the agenda papers.

The required key information is being provided to the Board at regular intervals.

Audit Committee

Recommendation 8 – Listed companies with either a turnover of over Rs. 100 crore or a paid-up capital of Rs. 20 crore, whichever is less, should set up Audit Committees within two years. Audit Committees should consist of at least three members, all drawn from a company's non-executive directors, who should have adequate knowledge of finance, accounts and basic elements of company law.

Company has voluntarily set up an Audit Committee.

Disclosures

Recommendation 9 – Under "Additional Shareholder's Information", listed public companies should give data on high and low monthly averages of share prices in all the Stock Exchanges where the company is listed for the reporting year; statement on value added; and greater detail on business segments or division.



The information about share price for the month of March 2000 is as follows:

Particulars	High*	Low*
BSE	997	727
NSE	1000	736

* As per Economic Times dated 01.04.2000

Shares of the Company were allotted on 29.02.2000 after initial public offer.

Recommendation 10 – Consolidation of group accounts should be optional and subject to the financial institutions allowing companies to leverage on the basis of the group's assets and the income tax department using the group concept in assessing corporate income tax.

The audited consolidated financial statement of the company and its subsidiary, Geometric Software Solutions, Inc., U.S.A., is provided elsewhere in this report.

Recommendation 11 – Major Indian Stock Exchanges should gradually insist upon a compliance certificate, signed by the CEO and CFO.

The management statement on the integrity and preparation of the financial statements is provided elsewhere in this report.

Recommendation 12 – For all companies with a paid-up capital of Rs. 20 crore or more, the quality and quantity of disclosure that accompanies a GDR issue should be the norm for any domestic issue.

Not Applicable.

Capital market issues

Recommendation 13 – Government must allow far greater funding to the corporate sector against the security of shares and other paper.

Not applicable.

Creditor's rights

Recommendation 14 – It would be desirable for Financial Institutions as pure creditors to re-write their covenants to eliminate having nominee directors except in the event of serious and systematic debt default and in case of the debtor company not providing six-monthly or quarterly operational data to the concerned financial institutions.

Not applicable.

Recommendation 15 – In case of debt issues, the quality of information given to the Indian investing public should be at par with those disclosed in developed countries.

Not applicable.

Recommendation 16- Companies that default on fixed deposits should not be permitted to accept further deposits and make inter-corporate loans or investments until the default is made good and declare dividends until the default is made good.

Not applicable.

Recommendation 17 – Reduction in the number of companies where there are nominee directors.

Not applicable.



STATEMENT OF CORPORATE GOVERNANCE

(As per Securities and Exchange Board of India guidelines)

Securities and Exchange Board of India had constituted a committee on corporate governance under the chairmanship of Mr. Kumar Mangalam Birla, Member, SEBI Board. The Committee has submitted a report giving a number of recommendations on this issue. The stock exchanges have therefore decided to amend the different clauses and insert a new clause as Clause No. 49 to the listing agreements as regards corporate governance. The above provisions of the corporate governance are not applicable to the Company until the financial year ending 31st March 2002, considering the net worth of the Company. In spite of that, your directors have thought it fit to take steps to implement the various clauses of Clause No. 49 of the listing agreement and submit a report on the matters mentioned in the said clauses and practices followed by the Company.

1. Board of Directors:

The Company has an optimum combination of executive and non-executive directors with non-executive directors constituting 86% of the Board as against at least 30% prescribed in the said clause.

2. Audit Committee:

The Company has constituted an Audit Committee consisting of three non-executive directors to give their observations and recommendations on the internal audit reports, accounts, appointment and removal of external auditors, fixation of audit fees and payment for any other services of the auditors. All the members have financial & accounting knowledge.

The said Committee shall meet to transact the business on various items included in the said Clause 49.

3. Remuneration of Directors:

The remuneration of the non-executive directors is being decided by the Board of Directors and full disclosures will be made in the annual reports in this regard.

4. The Company has proposed for the approval of members:-

- (i) Payment of remuneration by way of commission to non-executive directors out of net profits of the Company.
- (ii) Stock Option Scheme as "ESOP-DIRECTORS" for Non-Executive Directors :-

Both the schemes are meant keeping the long term interests of the Company in mind to avail the valuable services of the directors during their tenure as directors which in turn will bring in long term value to the shareholders.

5. Board Procedures :

The Company regularly holds at least four Board meetings in a year and usually the gap between two meetings never exceeds four months. The Company shall collect the information about the membership of directors on the different committees and immediately point out in case it exceeds five committees.

During the year under consideration, the Company held four Board meetings.

The non-executive directors are accomplished professionals in the corporate and business world. It is the practice of the Company to give full information to the Board on all items to be discussed at the Board meeting.

6. Management :

In the Annual Report, a separate part on management discussion and analysis report to the shareholders is included



7. Shareholders :

The Company regularly gives quarterly results to the National Stock Exchange and the Stock Exchange, Mumbai on which the shares of the Company are listed.

The Company shall form a committee of non-executive directors to look into investor complaints and their redressal.

The Company has already delegated the power of share transfer to the officers of the Registrars and Share Transfer Agents to expedite the process of share transfers.

8. Report on Corporate Governance :

The Company has been providing a statement on corporate governance in the Annual Report of the Company since last year which includes information about all the items prescribed by the stock exchange.

The Company has constituted a committee called "Compensation Committee" to study and report on the Company's policy on specific remuneration for executives including superannuation benefits and any other compensation payments.

9. Compliance

As mentioned earlier, the SEBI guidelines on corporate governance are not applicable to the Company so far. However, as can be seen from the above, in most cases it is in almost full compliance.

As and when the guidelines become applicable, the Company shall obtain auditors' certificates regarding compliance and annex it to the Directors' Report.



AUDITORS' REPORT

TO THE MEMBERS OF GEOMETRIC SOFTWARE SOLUTIONS COMPANY LIMITED

We have audited the attached Balance Sheet of Geometric Software Solutions Company Limited as at 31st March, 2000 and the Profit and Loss Account of the Company for the year ended on that date annexed thereto and report that:

1. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
2. In our opinion, proper books of account, as required by law, have been kept by the Company so far as appears from our examination of the books.
3. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
4. In our opinion, the Profit and Loss Account and Balance Sheet comply with the accounting standards referred to in Sub-Section (3C) of Section 211 of the Companies Act, 1956.
5. In our opinion and to the best of our information and according to the explanations given to us, the accounts give the information required by the Companies Act, 1956, in the manner so required and, give a true and fair view:
 - in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2000, and
 - in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date.
6. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

For and on behalf of
KALYANIWALLA & MISTRY
CHARTERED ACCOUNTANTS

E. K IRANI
PARTNER

Place : Mumbai
Dated : April 28, 2000



ANNEXURE TO THE AUDITORS' REPORT

Referred to in paragraph (6) of our report of even date.

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. These assets have been physically verified by the management at reasonable intervals, and we are informed that no material discrepancies have been noticed on such verification.
2. The fixed assets have not been revalued during the year.
3. As explained to us, the Company did not have any stocks of finished goods, stores, spare parts and raw materials at any time during the year. Therefore, the question of physical verification and valuation of stocks does not arise.
4. 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 or from companies under same management within the meaning of Section 370(1B) of the Companies Act, 1956.
5. The Company has granted an unsecured loan to a subsidiary company listed in the register maintained under Section 301 of the Companies Act, 1956. The rate of interest and other terms and conditions of these loans are not prima facie prejudicial to the interest of the Company.
6. The parties and employees to whom loans or advances in the nature of loans, have been given, are repaying the principal amounts as stipulated and are also regular in payment of interest, where applicable.
7. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of software, plant and machinery, equipment and other assets, and for the sale of software and services.
8. In our opinion and according to the information and explanation given to us, the transactions for purchase of software and sale of software and services, made in pursuance of the contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000 or more in respect of each party, have been made at prices which are reasonable having regards to prevailing market prices for such goods, materials or services, or the prices at which transactions for similar goods, materials or services have been made/ could have been made with other parties.
9. The company does not hold any stock of stores, raw materials and finished goods and hence no comment is required to be made of the procedure for determining unserviceable and damaged stores, raw materials and finished goods.
10. The Company has not accepted any deposits from the public within the meaning of Section 58A of the Companies Act, 1956 and rules framed thereunder.
11. The company's operations do not result in generation of any by-products and scrap and hence no comment is required with respect to maintenance of records and reasonability thereof.
12. The Company has during the year appointed internal auditors. In our opinion and according to the information given to us the internal audit system is commensurate with its size and nature of its business.
13. The Central Government has not prescribed maintenance of cost records, under Section 209 (1)(d) of the Companies Act, 1956 for any of the Company's products.
14. As explained to us, the provisions of the Employees' Provident Fund Act, 1952 and the Employees' State Insurance Scheme are not applicable to the Company.



15. We have been informed by the management that there are no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty which have remained outstanding as at March 31, 2000 for a period of more than six months from the date they become payable.
16. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices, and on the basis of the explanations given to us, no personal expenses other than those covered by the service contracts/terms of appointment of the employees and those borne by the Company in accordance with the accepted business practice have been charged to the Profit and Loss Account.
17. The provisions of clause (o) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985, are not applicable to the Company.
18. The company has discontinued its resale activities, and hence no comment is required to be made in respect of determination of damaged goods and provision for loss in the accounts.
19. In respect of the service activities of the Company :
 - 19.1. As per the information & explanations made available to us, the Company's business does not require the allocation of man hours to relative jobs.
 - 19.2. Considering the nature of business of the Company, the question of commenting on the system of recording receipts, issues and consumption of stores, allocation of materials to relative jobs and the system of authorisation at proper levels with necessary control on the issue of stores does not arise.

For and on behalf of
KALYANIWALLA & MISTRY
Chartered Accountants

E. K IRANI
Partner

Place : Mumbai
Dated : April 28, 2000



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2000

	Schedule	Rupees	For the year ended 31-3- 2000 Rupees	For the year ended 31-3-1999 Rupees
INCOME				
Sales – Software Packages and Services			318,956,714	199,328,743
Other Income	K		14,105,538	5,973,674
			<u>333,062,252</u>	<u>205,302,417</u>
EXPENDITURE				
Purchase of Software Packages				902,688
Operating and Other Expenses	L	228,894,112		138,845,267
Interest & Financial Charges	M	489,996		63,917
		229,384,108		139,811,872
Add : Decrease in Stocks of Software Packages	N			426,060
			<u>229,384,108</u>	<u>140,237,932</u>
GROSS PROFIT BEFORE DEPRECIATION			103,678,144	65,064,485
Depreciation			23,139,352	14,031,309
PROFIT BEFORE EXTRAORDINARY ITEMS & TAXES			<u>80,538,792</u>	51,033,176
Extraordinary Items				
Interest earned on Public Issue funds (TDS Rs.52,112,185/-; previous year Rs. Nil)		236,873,562		
Less: Expenses relating to Public Issue		23,596,384	213,277,178	
PROFIT BEFORE TAXES			293,815,970	51,033,176
Provision for Taxes			91,600,000	
PROFIT AFTER TAXES			<u>202,215,970</u>	<u>51,033,176</u>
Less : Taxes for prior years				(46,413)
Balance Brought forward from previous year			103,001,277	52,626,956
PROFIT AVAILABLE FOR APPROPRIATION			<u>305,217,247</u>	<u>103,613,719</u>
APPROPRIATIONS				
Proposed Dividend			1,570,500	556,765
Corporate tax on dividend			345,510	55,677
Issue of fully paid Bonus Shares			28,500,000	
Balance carried to Balance Sheet			274,801,237	103,001,277
			<u>305,217,247</u>	<u>103,613,719</u>
NOTES (Forming part of the Accounts)	O			

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

As per our report of even date attached
Signatures to Profit and Loss Account and Schedules 'K' to 'O'

For and on behalf of
KALYANIWALLA & MISTRY
Chartered Accountants

For and on behalf of the Board

E K IRANI
Partner

J N GODREJ
Chairman

MANU PARPIA
Managing Director

K.A.PALIA
Director

Mumbai, April 28,2000.



SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2000

SCHEDULE 'A'

	As at 31-3-2000 Rupees	As at 31-3-1999 Rupees
SHARE CAPITAL		
1. AUTHORISED :		
7,000,000 (Previous Year: 2,500,000) Equity Shares of Rs. 10 each	<u>70,000,000</u>	<u>25,000,000</u>
2. ISSUED, SUBSCRIBED AND PAID -UP		
5,235,000 (Previous Year: 1,900,000) Equity Shares of Rs. 10 each fully paid up	<u>52,350,000</u>	<u>19,000,000</u>
TOTAL	<u>52,350,000</u>	<u>19,000,000</u>

Note: Of the above 2,850,000 Equity Shares have been allotted as fully paid up bonus shares by capitalisation of surplus in the Profit & Loss account.

SCHEDULE 'B'

RESERVES AND SURPLUS

GENERAL RESERVE :		
As per last Balance Sheet	160,000	160,000
SHARE PREMIUM ACCOUNT :		
As per last Balance Sheet	6,400,000	6,400,000
Received during the year	<u>97,250,000</u>	<u>—</u>
	103,650,000	6,400,000
PROFIT AND LOSS ACCOUNT :		
Surplus carried forward	<u>274,801,237</u>	<u>103,001,277</u>
TOTAL	<u>378,611,237</u>	<u>109,561,277</u>

SCHEDULE 'C'

SECURED LOANS

From a Bank	45,000,000	<u>—</u>
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(Secured by hypothecation of the Company's movable fixed assets, both present & future and mortgage to be created on land & other immovable properties both present & future)

TOTAL	<u>45,000,000</u>	<u>—</u>
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SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET AS AT 31ST MARCH, 2000

**SCHEDULE 'D'
FIXED ASSETS SCHEDULE**

	LEASEHOLD LAND	BUILDING	LEASEHOLD IMPROVEMENT	COMPUTERS	ELECTRICAL INSTALLATION	OFFICE EQUIPMENT	FURNITURE & FIXTURES	VEHICLES	TECHNIC AL KNOWHO W	TOTAL As at March 31, 2000 Rs.	TOTAL As at March 31, 1999 Rs.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.		
COST OF ASSETS											
Gross Block as at 1.4.1999	5,000,000	—	—	48,404,541	—	11,205,750	11,834,920	731,500	4,160,000	81,336,711	55,884,974
Additions during the year	2,052,500	62,099,149	2,191,291	25,039,570	29,228,787	3,884,238	31,890,914	9,395	—	156,395,843	31,015,194
Deductions during the year	—	—	1,237,817	253,500	—	778,705	8,235,799	—	—	10,505,821	5,563,457
Gross Block as at 31.3.2000	7,052,500	62,099,149	953,474	73,190,611	29,228,787	14,311,283	35,490,035	740,895	4,160,000	227,226,733	81,336,711
DEPRECIATION											
Depreciation upto 31.3.1999	8,418	—	—	23,073,362	—	2,463,780	3,080,612	318,047	3,466,670	32,410,889	21,778,625
Depreciation for the Year	55,909	517,493	854,769	15,821,880	338,810	1,702,901	3,037,825	16,435	693,330	23,139,352	14,031,310
Deductions during the year	—	—	536,948	189,184	—	463,331	327,537	—	—	1,517,000	3,399,046
Total depreciation upto 31.3.2000	64,327	517,493	317,821	38,706,058	338,810	3,703,350	5,790,900	434,482	4,160,000	54,033,241	32,410,889
Net Book Value as at 31.3.2000	6,988,173	61,581,656	635,653	34,484,553	28,889,977	10,607,933	29,699,135	306,413	—	173,193,492	48,925,822
Net Book Value as at 31.3.1999	4,991,582	—	—	25,331,179	—	8,741,970	8,754,308	413,453	693,330	48,925,822	



**SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET
AS AT 31ST MARCH, 2000**

	As at 31-3-2000 Rupees	As at 31-3-1999 Rupees
SCHEDULE 'E'		
INVESTMENTS		
Long Term (At Cost)		
Unquoted		
Trade		
50,000 (Previous Year 50,000) No Par Value Common Shares of US\$1 each in Geometric Software Solutions, Inc. - a wholly owned subsidiary company incorporated in the USA	2,041,500	2,041,500
	<hr/>	<hr/>
	2,041,500	2,041,500
Short Term (At lower of cost or market value)		
Quoted		
Non Trade		
Nil Units of Alliance Liquid Income Growth Plan (802,117 units sold during the year)	—	10,138,642
1,984,126 Units of Alliance Liquid Income Dividend Plan (Purchased during the year)	20,000,000	—
Nil Units of Birla Income Plus Growth Plan (342,333 units sold during the year)	—	5,000,000
1,982,160 Units of Birla Income Plus Dividend Plan (Purchased during the year)	19,425,173	—
1,464,128 Units of Kothari Pioneer Income Builder Account Monthly Dividend Plan (Purchased during the year)	19,926,794	—
1,805,054 Units of Prudential ICICI Income Plan Dividend Option (Purchased during the year)	18,393,502	—
1,834,862 Units of Sun F&C Money Value Fund Dividend Option (Purchased during the year)	18,403,670	—
930,371 Units of Tata Gilt Securities Fund Regular Income Option (Purchased during the year)	10,000,000	—
872,098 Units of Tata Liquid Fund Dividend Option (Purchased during the year)	9,940,261	—
1,974,138 Units of Kotak Mahindra K Bond Unit Scheme Wholesale Plan Dividend Option (Purchased during the year)	20,000,000	—
949,667 Units of Templeton India Income Fund Dividend Payout Option (Purchased during the year)	10,000,000	—
	<hr/>	<hr/>
	146,089,400	15,138,642
TOTAL	<u>148,130,900</u>	<u>17,180,142</u>
Market Value of Quoted investments		
Cost	146,089,400	15,138,642
Market Value	146,149,019	15,559,110



**SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET
AS AT 31ST MARCH, 2000**

	As at 31-3-2000 Rupees	As at 31-3-1999 Rupees
SCHEDULE 'F'		
SUNDRY DEBTORS		
(Unsecured - considered good)		
Debts outstanding for more than six months:		
Considered good	650,168	—
Considered Doubtful	551,019	1,086,582
	<hr/>	<hr/>
Other Debts - Considered good	1,201,187	1,086,582
	<hr/>	<hr/>
	80,624,947	41,928,365
	<hr/>	<hr/>
	81,826,134	43,014,947
Less: Provision for Doubtful Debts	551,019	1,086,582
	<hr/>	<hr/>
TOTAL	81,275,115	41,928,365
	<hr/> <hr/>	<hr/> <hr/>
SCHEDULE 'G'		
CASH AND BANK BALANCES		
Cash in hand	48,858	238,311
Balances with Scheduled Banks :		
On Current Accounts	8,207,235	6,646,193
On Cash Credit Accounts	22,877,265	10,789,416
On Fixed Deposit Account	20,476,291	950,633
	<hr/>	<hr/>
TOTAL	51,609,649	18,624,553
	<hr/> <hr/>	<hr/> <hr/>
SCHEDULE 'H'		
LOANS AND ADVANCES		
(Unsecured - considered good)		
Loan to Subsidiary	13,041,000	—
Advances recoverable in cash or in kind or for value to be received	17,608,672	5,355,666
Intercompany Deposits	20,000,000	12,500,000
Sundry Deposits	4,662,984	2,226,505
Advance & Provisional payment of taxes	96,933,657	2,476,884
	<hr/>	<hr/>
TOTAL	152,246,313	22,559,055
	<hr/> <hr/>	<hr/> <hr/>
SCHEDULE 'I'		
CURRENT LIABILITIES		
Sundry Creditors		
Dues to Small Scale Industrial Undertaking		
Others	18,738,046	3,965,346
Unclaimed Dividend	11,690	15,460
Other Current Liabilities	44,425,179	21,255,449
	<hr/>	<hr/>
TOTAL	63,174,915	25,236,255
	<hr/> <hr/>	<hr/> <hr/>
SCHEDULE 'J'		
PROVISIONS		
For Taxation	93,309,235	1,709,235
For Dividend	1,570,500	556,765
For Tax on Dividend	345,510	55,677
	<hr/>	<hr/>
TOTAL	95,225,245	2,321,677
	<hr/> <hr/>	<hr/> <hr/>



**SCHEDULES ANNEXED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH, 2000**

SCHEDULE 'K'

	Rupees	For the year ended 31-3-2000 Rupees	For the year ended 31-3-1999 Rupees
OTHER INCOME			
Consultancy Fees (TDS Rs. Nil) (Previous Year TDS Rs.141,116)		—	1,306,428
Gain on Exchange Fluctuations (Net)		308,729	1,975,664
Interest (Gross) (TDS Rs. 1,138,160) (Previous Year TDS Rs. 286,878)		5,201,512	1,775,228
Dividend from Mutual Funds		4,798,094	—
Profit on Sale of investments (Net)		—	480,911
Miscellaneous Income		1,537,203	435,443
Export Incentive		2,260,000	—
TOTAL		<u>14,105,538</u>	<u>5,973,674</u>

SCHEDULE " L "

OPERATING AND OTHER EXPENSES

Personnel Expenses :			
Salaries and Allowances		108,057,143	67,289,161
Staff Welfare Expenses		6,663,182	4,443,651
Consumption of Software Packages & Tools		10,710,779	6,713,986
Electricity Expenses		5,453,642	2,477,951
Rates and Taxes		861,510	234,368
Rent		10,220,679	5,667,644
Repairs & Maintenance :			
Computers		1,577,278	596,958
Others		1,496,825	857,998
Insurance		2,604,772	1,430,949
Travelling Expenses		26,270,102	17,218,947
Conveyance Expenses		3,899,864	4,395,286
Communication Expenses		7,658,523	4,541,651
Auditors Remuneration :			
For Audit	367,500		250,000
For Tax Audit	105,000		50,000
For Other Services	90,891		75,000
		563,391	375,000
Publicity & Sales Promotion		1,303,862	2,747,959
Staff Recruitment Expenses		2,537,470	1,555,773
Provision for Doubtful Debts		(535,563)	1,079,203
Bad Debts written off		175,296	58,200
Loss on Sale of Fixed Assets		39,296	218,318
Donation		210,966	1,421,687
Legal & Professional Charges		6,501,327	2,722,366
Sales & Marketing Expenses (Net of reimbursements)		23,313,596	8,312,949
Loss on Sale of Investments (Net)		3,532,540	—
Miscellaneous Expenses		5,777,633	4,485,262
TOTAL		<u>228,894,112</u>	<u>138,845,267</u>



SCHEDULE " M "		For the year ended	For the year ended
	Rupees	31-3- 2000	31-3-1999
INTEREST AND FINANCIAL CHARGES		Rupees	Rupees
Interest on Fixed Loans			
From Banks	294,263		—
From Others	—	294,263	—
Interest on Other Loans			
From Banks	8,573		20,162
From Others	—	8,573	43,755
Interest - Others		187,160	—
TOTAL		489,996	63,917

SCHEDULE " N "

DECREASE IN STOCKS OF SOFTWARE PACKAGES

Stocks at the beginning of the year		—	426,060
Less : Stocks at the end of the year		—	—
TOTAL		—	426,060



SCHEDULE " O "

NOTES FORMING PART OF THE ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

a. Accounting Conventions

These accounts are prepared under the historical cost convention and on the going concern basis with revenues recognized and expenses accounted on their accrual.

b. Revenue Recognition

Income is recognized on completion of contracts or at stages as per the applicable terms and conditions agreed with the customers and when the deliverables are dispatched to customers. Revenue from sale of traded software products and software upgradation fee is recognized when the sale has been completed with the passing of the title. Revenue from software upgradation fees on software developed by the company is recognized over the period for which it is received.

c. Fixed Assets and Depreciation

Fixed Assets are stated at the original cost of acquisition including taxes, duties, and other incidental expenses related to acquisition and installation of the concerned assets. Depreciation on the Fixed Assets has been provided under the Written Down Value Method at rates specified in schedule XIV to the Companies Act, 1956. Depreciation on assets acquired during the year is calculated on a pro rata basis from the month of such addition. Leasehold assets are amortized over the period of the lease.

d. Technical Know-how

Technical Know-how is written off over a period of six years.

e. Investments

Long term investments are carried at cost. Provision for diminution in the value of investments, other than temporary, is made in the accounts. Current investments intended to be held for less than one year are carried at the lower of their costs and market values.

f. Foreign Currency Transactions

Transactions in foreign exchange are accounted at the exchange rates prevailing on the date of the transaction. Gains and losses arising out of subsequent fluctuations are accounted for on actual payment/realization. Gains /Losses, if any at the year end on account of restatement of current assets and current liabilities at the year end rate, not covered by forward contracts, are accounted for. Premium in respect of forward contracts is accounted over the period of the contract. All exchange losses and gains arising out of fluctuations in the exchange rates are dealt with in the Profit and Loss Account except in the case of fixed assets where exchange differences arising in the settlement or translation of foreign currency liabilities on acquisition thereof are adjusted against the carrying cost of fixed assets.

g. Research and Development

Expenditure on in-house development of software is written off as incurred.

h. Software Tools Purchased

The cost of software purchased for use in software development is charged to revenue in the same year.

i. Income Tax

The provision for Income tax, if any, is made on taxable profits as determined under the provisions of the Income-tax Act, 1961.

j. Employee Retirement Benefits

The employees of the company do not come under the purview of the Employees' Provident Fund Act, 1952. The Company has maintained a Group Gratuity Assurance Scheme with the Life Insurance Corporation of India towards which it annually contributes a sum determined by the Life Insurance Corporation of India. The provision for superannuation is made on an actual liability basis. Provision for encashment of leave is made for all employees entitled for such encashment as per the Company's rules, under the Liquidation Method.

k. Warranty

The products sold by the company carry a specified warranty and the future costs that will be incurred in providing free service under warranty are estimated and accounted for on accrual basis.



2. CAPITAL COMMITMENTS

Estimated Amount of contracts remaining to be executed on Capital Account and not provided, for Rs. 4,381,921/- (as at March 31, 1999 : Rs. 57,449,594/-)

3. ASSETS ACQUIRED ON LEASE

Assets aggregating to Rs. Nil (as at March 31, 1999: Rs. 5,445,050/-) had been acquired on finance leases. The obligation for future lease rentals in respect of such assets aggregate to Rs. Nil (as at March 31, 1999: Rs.4,054,005/-) over the lease periods. Lease rentals of Rs.203,964/- (Previous year: Rs. 1,948,619/-) have been charged to revenue on an accrual basis in accordance with the terms and conditions of the respective lease agreements.

4. INVESTMENTS

During the year under review, the Company purchased and sold 3,751,036 units of Alliance Liquid Income – Regular Growth Fund, 454,545 units of Birla Income Plus Plan – Growth Fund and 119,789 units of Taurus Libra Leap Fund.

5. LOANS & ADVANCES

Loans and Advances include Rs. 24,365/- (Previous year Rs. Nil), being amount receivable from a director of the company. Maximum balance outstanding during the year Rs. 180,527/- (Previous year Rs. Nil).

6. UTILIZATION OF PROCEEDS OF THE INITIAL PUBLIC OFFER

During the year the Company issued 310,000 new equity shares of Rs. 10 each for cash at a premium of Rs. 290 per share aggregating to Rs. 93,000,000/-. This amount was entirely utilized for the establishment of software development facilities at Pune Information Technology Park, Hinjwadi, near Pune in Maharashtra and is shown under various heads under Fixed Assets under Schedule "D".

7. EMPLOYEE STOCK OPTIONS

The Company has reserved 442,500 Stock Options for grant to the employees of the Company and its Subsidiary. Of the above, 389,176 Stock Options have been granted by the Company. These options if exercised would result in the issue of 389,176 Equity Shares.

8. DUES FROM SMALL SCALE INDUSTRIAL UNDERTAKINGS

There are no parties which can be classified as Small Scale Industrial Undertakings to whom the Company owes any sum. The auditors have accepted the representation of the management in this matter in the absence of a database identifying the creditors that are small scale industrial undertakings

9. CONTINGENT LIABILITIES NOT PROVIDED FOR

Guarantees given by the company's bankers against counter-guarantee given by the company Rs. 82,05,791/- (as at March 31, 1999:Rs. 3,680,791/-).

10. SHARE WARRANTS FORFEITURE:

The Company had issued 100,000 (Previous Year 100,000) warrants to Solidworks Corporation, U.S.A in terms of Reserve Bank of India's approval dated November 4, 1997 which were convertible in equivalent number of shares at a price of US\$ 1.60 per share within a period of eighteen months or before May 3,1999 and against which an advance of US\$ 16,000 was received. During the year Solidworks Corporation have chosen not to exercise the option in terms of the above approval. The Reserve Bank of India has refused permission to remit the advance received and accordingly, the amount equivalent to Rs.578,720/- has been included under Miscellaneous Income under Schedule "K".



11. MANAGERIAL REMUNERATION

	Rupees	Previous Year Rupees
a. Remuneration of Managing Director (included under Salaries and Allowances Schedule 'M' item 1)		
1) Salaries & Allowances	11,94,101	544,272
2) Commission (Performance Bonus)	800,000	800,000
	<u>1,994,101</u>	<u>1,344,272</u>
b. Computation of Net Profit in accordance with Section 349 of the Companies' Act, 1956.		
Profit before Extraordinary Items & Taxes as per P & L Account	80,538,792	51,033,176
Add : Depreciation provided	23,139,352	14,031,309
Remuneration of Managing Director	1,994,101	1,344,272
Provision for doubtful debts	—	1,079,203
Loss on sale of investments	35,32,540	—
Loss on Sale of assets	39,296	—
	109,244,081	67,487,960
Less: Depreciation under Section 350 of the Companies Act, 1956	23,139,352	14,031,309
Profit on Sale of Investments	—	480,911
Provision for doubtful debts written back	535,563	—
	<u>85,569,166</u>	<u>52,975,740</u>
c. Maximum remuneration @ 5% of Eligible Profit as per Section 198 read with Schedule XIII of the Companies Act, 1956.	4,278,458	2,648,787
d. Commission to the Managing Director @ 5% of the Incremental net profits or 1% of total net profits whichever is higher (Previous year 5% of total net profits) Restricted to	1,629,671 800,000	2,648,787 800,000
12. EARNINGS IN FOREIGN EXCHANGE		
a) Income from Software Development and Sale of Software	307,763,130	188,607,432
b) Interest	364,353	—
c) Others	10,623,436	5,109,369
13. VALUE OF IMPORTS ON CIF BASIS		
a) Software Packages and Software Tools	8,467,658	2,817,806
b) Capital Goods	15,204,726	10,876,784
14. EXPENDITURE IN FOREIGN CURRENCY		
a) Travel Expenses	15,131,823	10,794,798
b) Professional Fees	1,608,081	1,817,547
c) Representative Offices abroad	6,161,176	8,634,041
d) Exhibition Expenses	870,989	1,296,484
e) Commission (Net of Recoveries)	17,305,285	—
15. REMITTANCE OF DIVIDEND		
A) Number of non-resident shareholders	3	3
B) Number of shares held (Equity shares of Rs.10 each)	496,000	496,000
C) Dividend remitted (Net of Corporate Dividend Tax)	148,800	98,910
16. In compliance with SEBI Press Release dated February 8, 2000 requiring all shares issued by Companies to be <i>pari-passu</i> in all respects, the Company has provided for dividend for the entire year, on shares issued during the year, instead of on pro-rata basis. This is not in conformity with the Offer Document issued by the Company for its Initial Public Offer.		
17. Previous year's figures have been regrouped & reclassified wherever necessary.		
18. Other information under Schedule VI Part II 4C and 4D of the Companies Act, 1956 to the extent not applicable has not been given.		



BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE:

The information required pursuant to Schedule VI (Part IV) to the Companies Act, 1956 is given below:

I. REGISTRATION DETAILS:

		Rupees (in thousand)
Registration No.	: 77342	
State (Maharashtra) Code	: 11	
Balance Sheet Date	: 31-03-2000	

II. CAPITAL RAISED DURING THE YEAR:

Public Issue	3,100
Rights Issue	Nil
Bonus Issue	28,500
Private Placement	1,750

III. POSITION OF MOBILISATION AND DEVELOPMENT OF FUNDS:

Total liabilities	475,961
Total Assets	475,961

Sources of Funds:

Paid-up Capital	52,350
Reserves & Surplus	378,611
Secured Loans	45,000
Unsecured Loans	Nil

Application of Funds:

Net Fixed Assets	201,099
Investments	148,130
Net Current Assets	126,730
Miscellaneous Expenditure	Nil
Accumulated Losses	Nil

IV. PERFORMANCE OF THE COMPANY: *

Turnover	333,062
Total Expenditure	252,523
Profit / (Loss) before Tax	80,539
Provision for taxation	400
Profit / (Loss) after Tax	80,139
Earnings per Share of Rs. 10 each (in Rs.)	15.31
Dividend Rate	3%

V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS / SERVICES OF THE COMPANY:

*

Item Code No: (ITC Code)	85249904.10
Product description	Computer Software

* These figures are without considering net extra-ordinary income of Rs. 213,277 and provision for tax of Rs. 91,200 thereon.



CASHFLOW STATEMENT

	For the Year ended 31-3-2000 Rupees	For the Year ended 31-3- 1999 Rupees
[A] CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before tax & extraordinary items	80,538,792	51,033,176
Adjustments for		
1. Depreciation	23,139,352	14,031,309
2. Unrealised Foreign Exchange Loss (Net)	111,808	93,237
3. Interest paid	489,996	63,917
4. Interest received	(5,201,512)	(1,775,228)
5. Loss on Sale of Fixed Assets	39,296	218,318
6. Donation of Computers	—	1,421,687
7. Loss/(Profit) on sale of Investments	3,532,540	(480,911)
8. Dividend Received	4,798,094	—
Operating Profit before Working Capital changes	97,852,177	64,605,505
Adjustments for		
1. Trade Receivables	(51,802,302)	7,260,550
2. Inventories	—	426,060
3. Trade Payables	37,949,022	(7,091,199)
Cash Generated from Operations	83,998,898	65,200,916
Direct taxes paid	(3,256,773)	(757,230)
Net Cash from operating activities	80,742,125	64,443,686
[B] CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(177,400,499)	(37,093,204)
Sale of Fixed Assets	8,949,525	524,406
Purchase of Investments	(215,000,000)	(53,902,000)
Sale of Investments	80,516,702	38,398,269
Loan to Subsidiary	(13,071,500)	—
Intercorporate and Other Deposits Placed	(9,936,479)	1,587,152
Interest Received	5,201,512	1,775,228
Dividend Received	4,798,094	—
Interest Received on deployment of Public Issue Collections	236,873,562	—
Direct taxes paid thereon	(91,200,000)	—
Net cash used in Investing Activities	(170,269,083)	(48,710,149)
[C] CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of Share Capital	102,100,000	1,400,000
Expenses on Issue of Share Capital	(23,596,384)	—
Proceeds from Borrowings	45,000,000	—
Repayment of Borrowings	—	(502,600)
Interest Paid	(489,996)	(63,917)
Dividend Paid	(560,535)	(341,140)
Dividend Tax Paid	(55,677)	(35,171)
Net cash raised from Financing Activities	122,397,409	457,172



[D] Net Increase in Cash & Cash Equivalents	32,870,450	16,190,709
Cash & Cash Equivalents at the beginning of the year	18,624,553	2,317,380
Cash & Cash Equivalents at the end of the year	51,495,003	18,508,089
Add: Unrealised Foreign Exchange restatement in Cash & Cash Equivalents	114,646	116,464
Cash & Cash Equivalents at the end of the year as per Accounts	51,609,649	18,624,553

Note: The Company had undrawn borrowing facilities of Rs. 55,000,000/- as at March 31, 2000.

We have examined the attached Cash Flow Statement of Geometric Software Solutions Company Limited for the year ended 31st March 2000. The Statement has been prepared by the Company in accordance with the listing agreements of the Stock Exchanges and is based on and in agreement with the corresponding Profit and Loss Account and Balance Sheet covered by our report of April 28, 2000 to the members of the Company.

For and on behalf of
KALYANIWALLA & MISTRY
Chartered Accountants

E. K. IRANI
Partner

Place : Mumbai
Dated : April 28, 2000



**Statement pursuant to Section 212 of the Companies Act, 1956, relating to the Wholly-owned
Subsidiary Company**

1. Name of the Subsidiary : Geometric Software Solutions, Inc.
2. "Financial Year" of the Subsidiary ended on : 31st March, 2000
3. The Company's interest in the Subsidiary on the
aforesaid date
- a) Shares held : The Company held the entire Common Stock of the
aggregate value of US\$ 50,000
- b) Extent of holding : 100%
4. The net loss for the year : US \$ 125,532

For and on behalf of the Board

J. N. GODREJ
Chairman

MANU PARPIA
Managing Director

K. A. PALIA
Director



RATIO ANALYSIS FOR THE YEAR ENDED MARCH 31, 2000

Ratios – Financial Performance	2000	1999
Export turnover / Total turnover (%)	95.70	94.36
Domestic turnover / Total turnover (%)	0.06	2.73
Other Income / Total turnover (%)	4.24	2.91
Manpower costs / total turnover (%)	34.44	34.94
Administration expenses / Total turnover (%)	24.93	21.38
Operating expenses / Total turnover (%)	68.72	67.63
Interest / Total turnover (%)	0.15	0.03
Depreciation/ Total turnover (%)	6.95	6.83
PAT from ordinary activities/ Total turnover (%)	24.06	24.86
PAT from ordinary activities / Average net worth (%)	28.65	49.70
ROCE (PBIT / Average capital employed) (%)	26.81	49.64
Capital output ratio	1.10	1.99
Value-added / Total turnover (%)	58.86	60.75
Ratios – Balance Sheet		
Debt-Equity Ratio	0.10	—
Debtors turnover (Days)	93	77
Current Ratio	1.80	3.02
Cash and equivalents / Total assets (%)	10.84	14.49
Depreciation for the year / Average gross block (%)	13.48	19.36
Ratios – Growth		
Growth in export turnover (%)	64.54	71.15
Growth in total turnover (%)	62.23	44.70
Operating expenses growth (%)	0.65	60.44
Operating profit growth (%)	59.96	54.39
Net profit from ordinary activities growth (%)	57.04	61.03
Per – Share data		
Earnings (from ordinary activities) Rs.	15.31	26.86
Cash earnings (from ordinary activities) Rs.	19.73	34.24
Dividend (%)	3.00	3.00
Dividend per share (Rs.)	0.30	0.30
Book value (Rs.)	82.32	67.66
Dividend payout (%)	2.39	1.20
EPS growth (%)	(43.01)	49.15



HUMAN RESOURCES ACCOUNTING

The dichotomy in accounting between human and non-human capital is fundamental. The latter is recognised as an asset and is therefore recorded in the books and reported in the financial statements, whereas, the former is totally ignored by accountants. The definition of wealth as a source of income inevitably leads to the recognition of human capital as one of several forms of wealth such as money, securities and physical capital.

The Lev & Schwartz model has been used herein to compute the value of the human resources as at March 31, 2000. The evaluation is based on the present value of the future earnings of the employees and on the following assumptions:

1. Employees compensation includes all direct and indirect benefits earned in India and abroad.
2. The incremental earnings based only on age are considered
3. The future earnings have been discounted at 15% assumed to be the cost of capital.

	As of March 31, 2000		As of March 31, 1999	
	No. of employees	Value of Human Resources (Rs. In Mio)	No. of employees	Value of Human Resources (Rs. In Mio)
Production	231		198	
Support – Technical	8		8	
- Others	32		22	
Total number of employees	271		228	
Value of human resources		986.05		578.38
Total turnover		333.06		205.30
Software revenue		318.96		199.33
Employee cost		114.72		71.73
Value-added		196.03		124.72
Net profit excluding extraordinary income		80.14		51.03
-Total turnover/human resources value (ratio)		0.34		0.35
-Value-added / human resources value (ratio)		0.20		0.22
HRV per employee		3.64		2.54
Employee cost / human resources value (%)		0.12		0.12
Return on human resources value (%)		0.08		0.09
Value – added statement				
Year ended March 31 (Rs. In Millions)		2000		1999
Total income		333.06		205.30
Less: Cost of imported software packages sold		—		1.33
Software development expenses (other than employee cost)		53.99		35.35
Administration expenses (other than provisions)		83.04		43.90
Loss on sale of investments		—		—
Subtotal		137.03		80.58
Total value – added		196.03		124.72
Applied to meet				
Employee costs		114.72		71.73
Provisions for doubtful debts		(0.54)		1.08
Other provisions		0.82		0.82
Dividends (incl. Tax)		1.92		0.61
Provision for tax		0.40		—
Interest payments		0.49		0.06
Retained in business		78.22		50.42
Total		196.03		124.72

* Note: Extraordinary income during the year and tax thereon has not been considered for the above purpose.



GEOMETRIC SOFTWARE SOLUTIONS, INC.

ANNUAL REPORT FOR THE YEAR ENDED 31ST MARCH 2000

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DIRECTORS' REPORT

TO THE MEMBERS

The Directors hereby present the Third Annual Report of the Company

1. OPERATIONS

During the year, the Company's operations have grown considerably. Apart from providing a few project consultancy services, it has been mainly engaged in providing sales and marketing services to its parent company, Geometric Software Solutions Co. Ltd. The Company registered total sales of USD 834,877 which resulted in a net loss of USD 125,532.

2. SHARE CAPITAL

During the year, the share capital of the Company remained unchanged at US\$ 50,000.

3. NOTE LOAN

During the year, the Company received a note loan of USD 300,000 from its parent company for meeting urgent cash requirements to fund its growing operations.

4. DIVIDENDS

In view of the loss incurred during the year, the Directors' express their inability to recommend any dividend.

5. CHANGE OF AUDITORS

During the year, there has been a change in the auditors of the Company and Miller Wachman & Co., Certified Public Accountants have carried out the audits of the accounts for the year.

6. FUTURE OUTLOOK

The Company's operations have grown in line with the overall group operational plan. During the year, the Company expects to do better in providing world class sales and marketing service for the parent company and add substantial value to the shareholders.

The Directors are confident that the Company will add substantial value to the shareholders with its full scale operations.

April 28, 2000

By order of the Board

Manu Parpia

Miller, Wachman & Co.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholder
Geometric Software Solutions, Inc.
Lowell, Massachusetts

We have audited the accompanying balance sheet of Geometric Software Solutions, Inc. (a wholly owned subsidiary of Geometric Software Solutions Co. Ltd.) as of March 31, 2000 and the related statements of operations and accumulated deficit and cash flows for the year then ended. These financial statements are the responsibility of the management of Geometric Software Solutions, Inc. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Geometric Software Solutions, Inc. as of March 31, 2000 and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Boston, Massachusetts
April 28, 2000

Miller, Wachman & Co.
Certified Public Accountants



BALANCE SHEET AS OF 31ST MARCH, 2000

ASSETS	\$
Current Assets	
Cash	146,541
Accounts receivable, trade	42,009
Due from parent company	94,581
Loans to employees	19,332
Prepaid expenses	<u>2,774</u>
Total Current Assets	<u>305,237</u>
Property, Plant and Equipment	
Equipment	13,857
Less: Accumulated Depreciation	<u>2,079</u>
Total Property, Plant and Equipment	<u>11,778</u>
Other Assets	
Security Deposit	<u>2,774</u>
Total Assets	<u><u>319,789</u></u>
LIABILITIES AND STOCKHOLDER'S EQUITY	\$
Current Liabilities	
Accounts payable and accrued expenses	12,877
Accrued wages and payroll taxes	80,036
Net payable to parent company	<u>300,000</u>
Total Current liabilities	<u>392,913</u>
Commitments	
Stockholders' Deficiency	
Common stock, no par value, 50000 shares authorised, issued and outstanding	50,000 (123,124)
Accumulated deficit	
Total Stockholders' deficiency	<u>(73,124)</u>
Total Liabilities and Stockholders' Equity	<u><u>319,789</u></u>

The accompanying notes are an integral part of these financial statements



**STATEMENT OF OPERATIONS AND ACCUMULATED DEFICIT FOR THE YEAR ENDED
31ST MARCH, 2000**

SALES	\$
Commissions received from parent company	\$ 695,768
Other consulting services	139,109
Total Sales	<u>834,877</u>
EXPENSES	
Salaries	457,654
Payroll taxes	31,975
Medical Insurance	23,601
Professional fees	57,974
State excise tax and other filing fees	576
Licenses, permits and registrations	425
Depreciation	2,079
Bank service charges	193
Dues and subscriptions	808
Other Insurance	928
Other supplies	3,649
Interest expense-parent company	8,370
Miscellaneous	359
Conferences and meetings	1,379
Printing	2,760
Telephone and data services	16,555
Vehicle mileage reimbursement	3,245
Travel	50,081
Entertainment	481
Overhead expenses charged by parent company	297,317
Total expenses	<u>960,409</u>
Net Loss	(125,532)
Retained Earnings, Beginning of Year	2,408
Accumulated Deficit, End of Year	<u>(123,124)</u>

The accompanying notes are an integral part of these financial statements



STATEMENT OF CASH FLOWS FOR YEAR ENDED 31ST MARCH, 2000

Cash flows from operating activities:

	\$
Net Loss	(125,532)
Adjustments to reconcile net loss to net cash used for operating activities:	
Depreciation	2,079
(Increase) decrease in accounts receivable	19,183
(Increase) decrease in balance due from parent company	(94,581)
(Increase) decrease in prepaid expenses and deposits	(5,548)
Increase (decrease) in accounts payable and accrued expenses	7,686
Increase(decrease) in accrued wages	<u>74,782</u>
Net cash used for operating activities	<u>(121,931)</u>
 Cash Flows from Investing Activities	
Acquisition of property, plant and equipment	(13,857)
Loans to employees	(19,332)
Net cash used for investing activities	<u>(33,189)</u>
 Cash Flows from Financing Activities	
Borrowed from parent company	<u>300,000</u>
 Increase in Cash	144,880
 Cash at the Beginning of Year	<u>1,661</u>
 Cash at the End of Year	<u><u>146,541</u></u>
 Supplemental Disclosures of Cash Flow Information	
Cash paid for income taxes	<u><u>882</u></u>

The accompanying notes are an integral part of these financial statements.



GEOMETRIC SOFTWARE SOLUTIONS, INC.
(A wholly owned subsidiary of Geometric Software Solutions Co. Ltd.)

Notes to Financial Statements as of March 31,2000

Note A- Nature of Business and Organization

Geometric Software Solutions, Inc.(the "Company") was incorporated on August 18, 1997 as a Massachusetts Corporation and is a wholly owned subsidiary of Geometric Software Solutions Co. Ltd. (the "Parent"), an Indian corporation. The Company was formed to design and sell computer software programs and to provide computer consulting services.

Note B-summary of Significant Accounting Policies

This summary of significant accounting policies of the Company is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and are consistently applied in the preparations of the financial statements.

Basis of Accounting

This accompanying financial statements were prepared on accrual basis, under which sales revenue is recorded when services are performed or title to goods sold is transferred, and expenses or cost of assets are recorded when liability for payment is incurred.

Uses of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses during the reporting period. Actual results could differ from the estimates that were assumed in preparing the financial statements.

Bad Debt Policy

The company uses the direct write off method to adjust accounts receivable and has determined that historically this method is not materially different from maintaining an allowance for doubtful accounts.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided using accelerated methods over an estimated five years useful life. Expenditures for maintenance and repairs are charged to expense as incurred.

Concentration of Credit Risks

The Company's revenue is earned from sales throughout North America and is subject to the general economic risks related thereto. The Company's cash accounts are maintained at high credit quality financial institutions. At March 31,2000, the Company's cash balance exceeded federally insured amounts.

Note C- Note payable to Parent Company

The Company has a loan agreement with its parent company, which provides for upto \$300,000 in loans. Interest is calculated at 1% over the three month London InterBank Overnight interest rate prevailing as of the end of every calendar quarter. There are no specific repayment terms, but the entire amount is payable by June 30,2001. At March 31,2000, \$300,000 is owed to the parent company. Interest expense for the year was \$8,370 and is credited to the amount due from its parent company.

Note D – Major Customers

During the year ended March 31,2000, the company derived the majority of its revenue from commissions resulting from sales of the parent company's software. Commissions earned from the parent company in the year amounted to \$695,768. Consulting services for the year totalling \$139,107 was received from two customers; the largest of which was \$104,937.

Note E- Lease Commitment

The Company entered into a non-cancelable lease for office space in Nashua, New Hampshire, commencing May 1, 2000 for three years ending April 30, 2003 with an option for an additional three year period. The base rate is \$2,774 per month. The lease also contains provisions for additional charges for operating expenses.



Future minimum lease payments are as follows:

Year Ended March 31	Amount (\$)
2001	30,514
2002	33,288
2003	33,288
2004	<u>2,774</u>
	99,864

Note F-Income Taxes

The Company has operating loss carry forwards of approximately \$125,000 expiring in the year 2015. These operating losses may reduce income taxes in future years. No deferred tax assets have been reflected in the financial statements because of the uncertainty of their realization.



**CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
AND AS OF 31ST MARCH 1999,2000
PREPARED IN ACCORDANCE WITH**

**UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES
(US GAAP)**

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REPORT OF THE MANAGEMENT

The management is responsible for preparing the Company's financial statements and related information that appears in this annual report for the years ended March 31, 2000 and March 31, 1999. The management believes that the financial statements fairly reflect the form and substance of transactions, and reasonably present the Company's financial condition and results of operations in conformity with United States Generally Accepted Accounting Principles except for the disclosure requirements regarding the results of its operations and its cash flows for the year ended March 31, 1998. The management has included, in the Company's financial statements, amounts that are based on estimates and judgments, which it believes are reasonable under the circumstances.

The Company maintains a system of internal procedures and controls intended to provide reasonable assurance, at appropriate cost, that transactions are executed in accordance with Company authorization and are properly recorded and reported in the financial statements, and that assets are adequately safeguarded.

Kalyaniwalla & Mistry audits the Company's financial statements in accordance with the generally accepted auditing standards and provides an objective, independent review of the Company's internal controls and the fairness of its reported financial condition and results of operations.

J. N. Godrej
Chairman

Manu Parpia
Managing Director

K. A. Palia
Director

Place : Mumbai
Dated : April 28, 2000

INDEPENDENT AUDITORS' REPORT

**To the Board of Directors and Stockholders
Geometric Software Solutions Company Limited**

We have audited the accompanying balance sheets of Geometric Software Solutions Company Limited (the Company) as of March 31, 2000 and March 31, 1999, and the related statements of income, stockholders' equity and cash flows for each of the years in the two-year period ended March 31, 2000. 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 audits.

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

The report on accounts of the Geometric Software Solutions Company Limited's wholly owned subsidiary, Geometric Software Solutions Inc. audited by other auditors has been produced before us and the same has been considered in preparing our report. The accounts of the Subsidiary have been consolidated with the accounts of the Company.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Geometric Software Solutions Company Limited as of March 31, 2000 and March 31, 1999, and the results of its operations and its cash flows for each of the years in the two year period ended March 31, 2000, in conformity with accounting principles generally accepted in the United States except for the disclosure requirements regarding the results of its operations and its cash flows for the year ended March 31, 1998.

KALYANIWALLA & MISTRY
Chartered Accountants

Place : Mumbai
Dated : April 28, 2000



BALANCE SHEET AS OF 31ST MARCH, 2000

in \$

	31-3-2000	31-3-1999
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	1,327,540	439,680
Trade accounts receivable, net of allowances	1,901,851	1,047,278
Prepaid expenses and other current assets	881,137	419,936
Prepaid income taxes	2,218,161	58,252
Inventories	—	—
Total current assets	6,328,690	1,965,145
Property, plant and equipment - net	4,613,595	1,312,961
Deferred tax assets	(3,569)	(3,569)
Investments (market value)	3,344,371	365,925
Other assets	109,478	52,365
TOTAL ASSETS	<u>14,392,566</u>	<u>3,692,826</u>
 LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	441,665	97,957
Borrowings - Short Term	1,029,748	—
Other accrued liabilities	1,037,988	518,241
Unclaimed Dividend	268	364
Income taxes payable	2,143,654	45,461
Total current liabilities	4,653,323	662,023
 STOCKHOLDERS' EQUITY		
Equity shares, \$0.23 par value :		
7,000,000 shares authorised (as of 1999 - 2,500,000)		
Issued and outstanding - 5,235,000 (as of 1999 - 1,900,000)	1,258,852	477,595
Additional paid-in-capital	2,387,098	161,698
Accumulated other comprehensive income	(250,940)	(135,448)
Retained Earnings	6,344,233	2,526,958
Total stockholders' equity	9,739,243	3,030,803
 TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	 <u>14,392,566</u>	 <u>3,692,826</u>



STATEMENTS OF INCOME FOR THE YEAR ENDED 31ST MARCH, 2000

(in \$)

	March 31, 2000	March 31, 1999
REVENUE		
Revenue	7,492,065	4,896,503
Cost of revenue	3,438,342	2,099,024
Gross profit	4,053,723	2,797,479
OPERATING EXPENSES		
Selling, general and administrative expenses	2,005,214	1,273,410
Depreciation	534,998	332,653
Total operating expenses	2,540,212	1,606,063
Operating income	1,513,511	1,191,416
Other income, net	215,835	23,415
Income before income taxes	1,729,346	1,214,831
Provision for income taxes	9,212	7,126
Profit after tax before Extraordinary items	1,720,133	1,207,705
Extraordinary items		
Interest earned on Public Issue Funds	5,455,402	—
Less : Expenses relating to Public Issue	(543,445)	—
Provision for Tax on Extraordinary items	2,100,415	—
Profit after tax & extraordinary items	4,531,676	1,207,705
Taxes for prior years	—	1,100
Corporate tax on dividend	7,957	1,320
Net income	4,523,719	1,205,285
EARNINGS PER EQUITY SHARE		
Basic		
On Income before extraordinary items	0.47	0.65
On extraordinary items	0.76	—
Net Income per share	1.23	0.65
Assuming Dilution		
On Income before extraordinary items	0.47	0.65
On extraordinary items	0.76	—
Net Income per share	1.23	0.65
Weighted equity shares used in computing earnings per equity share		
Basic		1,865,000
	3,690,417	
Diluted	3,690,417 *	1,865,000

* Refer Note 10 & 13



Statements of Stockholders' Equity

in \$

	Equity shares		Additional paid-in capital	Comprehensive income	Accumulated other comprehensive income	Retained Earnings	Total stockholders' equity
	Shares	Par value					
Balance as of March 31, 1998	1,760,000	444,669	161,698		(204)	1,334,873	1,941,036
Cash dividends declared	—	—	—	—	—	(13,200)	(13,200)
Common stock issued	140,000	32,926	—	—	—	—	32,926
Net income	—	—	—	1,205,285	—	1,205,285	1,205,285
Other comprehensive income							
Unrealized holding gains	—	—	—	6,428	—	—	—
Foreign currency translation	—	—	—	(141,672)	—	—	—
	—	—	—	(135,244)	(135,244)	—	(135,244)
Comprehensive income	—	—	—	1,070,040	—	—	—
Balance as of March 31, 1999	1,900,000	477,595	161,698	—	(135,448)	2,526,958	3,030,803
Cash dividends declared	—	—	—	—	—	(36,170)	(36,170)
Utilized for issue of fully paid Bonus Shares	—	—	—	—	—	(670,273)	(670,273)
Common stock issued (including Bonus Shares)	3,335,000	781,257	2,225,400	—	—	—	3,006,657
Net income	—	—	—	4,523,719	—	4,523,719	4,523,719
Other comprehensive income							
Unrealized holding gains	—	—	—	(5,415)	—	—	—
Foreign currency translation	—	—	—	(110,077)	—	—	—
	—	—	—	(115,492)	115,492	—	(115,492)
Comprehensive income	—	—	—	4,408,227	—	—	—
Balance as of March 31, 2000	5,235,000	1,258,852	2,387,098	—	(250,940)	6,344,233	9,739,243



STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST MARCH, 2000

	2000	1999
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	4,523,719	1,205,285
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	534,998	332,653
Loss on sale of fixed assets	905	5,176
Donation of computers	—	33,705
Loss / (Gain) on sale of Short Term Investments	81,357	(11,401)
Dividend received	(110,504)	
Deferred Tax Benefit	—	6,634
Extraordinary items (Net of tax thereon)	(2,811,542)	—
Changes in assets and liabilities		
Trade Accounts Receivable (Net)	(854,574)	244,916
Prepaid Expenses & Other Current Assets	(461,202)	36,348
Prepaid Income Taxes (net)	(61,716)	(12,678)
Inventory	—	10,765
Other Assets	(57,114)	(6,542)
Accounts Payable	343,708	(359,331)
Other Accrued Liabilities	496,668	145,776
Net cash provided by operating activities	<u>1,624,704</u>	<u>1,631,305</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditure on property plant & equipment	(4,041,332)	(814,321)
Proceeds from sale of property plant & equipment	204,795	12,333
Purchase of other current (short term) investments	(4,916,798)	(1,251,250)
Proceeds from sale of short term investments	1,851,580	903,154
Dividend received	110,504	—
Interest received on deployment of common stock funds	5,455,402	—
Direct Taxes paid thereon	(2,100,415)	—
Net cash (used in) investing activities	<u>(3,436,264)</u>	<u>(1,150,084)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from sale of common stock	2,336,384	32,926
Expenditure on issue of common stock	(543,445)	—
Proceeds from borrowings	1,029,748	—
Repayment of borrowings	—	(12,698)
Dividends paid	(13,190)	(8,646)
Net cash provided by financing activities	<u>2,809,497</u>	<u>11,582</u>
Effect of exchange rate changes	(110,077)	(141,672)
Net increase in cash and cash equivalents during the year	887,860	351,130
Cash and cash equivalents at the beginning of the year	<u>439,680</u>	<u>88,549</u>
Cash and cash equivalents at the end of the year	<u>1,327,540</u>	<u>439,680</u>



NOTES TO FINANCIAL STATEMENTS

1. Significant accounting policies

a. The company

Geometric Software Solutions Company Limited (the “company”) is a leading company providing innovative software technology and development services to CAD/CAM/CAE/PDM vendors worldwide. It has development centers in Mumbai and Pune, with marketing headquarters in Massachusetts, USA and marketing branch in Aachen, Germany. The company specializes in supplying off-the-shelf libraries, toolkits, with expertise in solid and surface modeling, feature recognition, data translators, ACIS and Parasolid geometry kernels, Product Data Management (PDM), nesting and machining.

b. Basis of preparation of financial statements

The financial statements have been prepared in accordance with United States Generally Accepted Accounting Principles (“USGAAP”). All amounts are stated in US Dollars.

c. Principles of Consolidation

The accounts of its wholly owned subsidiary, Geometric Software Services Inc are consolidated with the financial statements of the Company. Geometric Software Services Inc. was incorporated in the United States on August 18, 1997 to design and sell computer software programs and to provide computer services.

d. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates include provision for expenses, bad and doubtful debts, future obligations under employee benefit plans, employee ex-gratia, profit linked bonus, useful lives of property plant and equipment & assumptions for determining the fair value of warrants for the purposes of SFAS 123. Actual results could differ from those estimates.

e. Property, plant and equipment

Property, plant and equipment are stated at cost. The company depreciates all property, plant and equipment using the written down method or the declining method. The estimated useful lives of the asset are as follows

Computers	6 years
Furniture & Fixtures	15 years
Office Equipment	20 years
Vehicles	14 years

Leasehold land is amortised over the period of lease.

Technical Know-how is written off over a period of six years.

Capital work in progress consists of cost of capital projects not completed and not put to use.

The cost of software purchased for use in software development and services is charged to the cost of revenues at the time of acquisition. This is contrary to the Statement of Position (SOP) 98-1, “Accounting for the Costs of Computer Software Developed or Obtained for Internal Use” issued by the American Institute of Certified Public Accountants. The Company estimates that all software acquired for internal use has a relatively short useful life. Accordingly, the Company believes that non –adoption of SOP 98-1 will not have a significant impact on its financial statements.

f. Impairment of long-lived assets

The company evaluates the recoverability of its long lived assets and certain identifiable intangibles, if any, whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable.



g. Investments

The accounts of its wholly owned subsidiary, Geometric Software Services Inc are consolidated with the financial statements of the Company. Investment securities in which the company controls less than 20% voting interest are currently classified as “available for sale” securities. These are carried at fair value based on quoted market prices with unrealized gains and losses, net of deferred income taxes, reported as a separate component of stockholders equity. Realized gains and losses and declines in value judged to be other than temporary on available for sale securities are included in the statements of income.

h. Cash and cash equivalents

The company considers Cash and cash equivalents to include cash in hand and balances in current account and deposit accounts (with maturity of three months or less) with banks.

i. Income Taxes

Income taxes are accounted for using the asset and liability method. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities, and their respective tax bases and operating loss carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of changes in tax rates on deferred tax assets and liabilities is recognized as income in the period that includes the enactment date. The measurement of deferred tax assets is reduced, if necessary, by a valuation allowance for any tax benefits of which future realization is uncertain.

j. Fair value of financial instruments

The carrying amounts of cash, cash equivalents, accounts receivable and accounts payable approximate their respective fair values due to short maturities of these instruments.

k. Revenue Recognition

The Company derives its revenue primarily from software services & from licensing of software products. Income is recognized on completion of contracts or at stages as per the applicable terms and conditions agreed with the customers and when the deliverables are dispatched to customers. Revenue from sale of traded software products and software upgradation fee is recognized when the sale has been completed with the passing of the title. Revenue from software upgradation fees on software developed by the company is recognized over the period for which it is received.

l. Earnings per share

The basic earnings per share is computed using the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of common and dilutive common equivalent shares outstanding during the period, using the treasury stock method for options and warrants, except where the results would be anti-dilutive.

m. Research and Development

Research and Development costs are expensed as incurred. Software product development costs are expensed as incurred until technological feasibility is achieved. Software product development costs incurred subsequent to the achievement of technological feasibility have not been significant and have been expensed as incurred.

n. Retirement benefits to employees

i. Gratuity

The Company provides for all employees covered statutorily under gratuity a defined retirement benefit plan. The company annually contributes a certain percentage of each employee’s salary towards a Group Gratuity Assurance Scheme maintained by the Life Insurance Corporation of India.

ii. Superannuation

The Company has set up a non-contributory superannuation scheme for providing pension benefits to its senior management cadre employees. The Company annually contributes certain percentage of employee’s salary towards a Superannuation Scheme fund maintained by the Life Insurance Corporation of India.



o. Foreign currency translation

The financial statements are reported in US dollars. The functional currency of the company is the Indian rupee. The balance sheet accounts are translated using the exchange rate in effect at the balance sheet date and revenue and expense items are stated at an average of the monthly simple averages for twelve months. The gains or losses arising due to such conversion are reported as other comprehensive income, separately under Stockholders' equity.

p. Foreign currency transactions

The company records income and expenditure in foreign currency at the exchange rates prevailing at the time of transactions. All exchange losses and gains arising out of fluctuations in the exchange rates are dealt with in the Profit and Loss Account.

q. Concentration of risk

Financial instruments that potentially subject the company to concentrations of credit risk consist principally of cash equivalents and trade receivables. The Company's cash resources are invested with corporations and banks with high investment grade credit ratings. Limitations have been established by the company by the company as to the maximum amount of cash that may be invested with any such single entity. To reduce its credit risk, the company performs ongoing credit evaluations of clients.

r. Stock based Compensation

The Company uses the intrinsic value-based method of Accounting Principles Board ("APB") Opinion No. 25 to account for its employee stock based compensation plan. The Company has therefore adopted the pro forma disclosure provisions of SFAS No. 123, "Accounting for Stock-Based Compensation" to the extent applicable.

2. Property, plant & equipment – net

	2000	1999
Land	\$161,384	\$117,592
Buildings	1,421,033	—
Leasehold Improvements	21,819	—
Computers	1,688,699	1,138,395
Electrical Installations	668,851	—
Office Equipment	327,489	263,541
Furniture & Fixtures	812,129	278,338
Vehicles	16,954	17,204
Technical Knowhow	95,195	97,836
Capital work-in-progress & Capital Advances	638,580	162,305
	5,852,133	2,075,212
Accumulated Depreciation	1,238,538	762,250
	4,613,595	1,312,961

Depreciation expenses amounted to \$534,998 and \$332,653, for the financial years 2000 and 1999 respectively.

3. Assets acquired on Capital Lease

As per SFAS 13, assets under capital leases are required to be capitalized and depreciated by lessees, with the corresponding recognition of the lease obligation. Lease rentals are recognized as payments of the lease obligation and interest thereon. However, as the Company has cancelled all capital leases early in the current fiscal, the assets were neither capitalized nor depreciated, for the purpose of preparation of accounts as per US GAAP. The impact on the financial statements due to this contrary approach is not material.



4. Cash & cash equivalents

The cost & fair values for cash and cash equivalents as of March 31, 2000 and 1999 are as follows

	Cost & fair value	
	2000	1999
Cash on hand	\$147,659	\$ 7,266
Balance with Bank on Current & Deposit accounts	1,179,881	432,414
	1,327,540	439,680

5. Accounts Receivable

The accounts receivable as of March 31, 2000 amounted to \$1,914,460 net of allowance for doubtful debts of \$12,609. The accounts receivable as of March 31, 1999 amounted to \$1,072,833 net of allowance for doubtful debts of \$25,555. The age profile is as given below :

Period in days	in %	
	2000	1999
0 – 30	74.84	60.60
31 – 60	17.84	20.84
61 – 90	2.23	13.81
More than 90	5.09	4.75
	100.00	100.00

6. Prepaid expenses and other current assets

Prepaid expenses and other current assets consist of the following:

	2000	1999
Deposits with Corporates	\$457,666	\$293,979
Loans to employees	36,157	20,004
Prepaid expenses	109,754	42,820
Other loans and advances	277,560	63,133
	881,137	419,836

Other loans and advances represent payments to vendors for supply of goods and services

7. Other Assets

Other assets represent the non-current portion of deposits placed.

8. Related Parties

The Company grants loans to employees for leased housing deposits and for acquiring assets such as vehicles and computers. Such loans are repayable over fixed periods ranging from 10 to 12 months. Interest is charged @ 12% on vehicle loans. No interest is charged on leased housing deposits and computer loans.

The estimated fair value of the related party receivables amounts to \$36,157 as at March 31, 2000 and \$20,004 as at March 31, 1999.

9. Stockholders' Equity

The Company has only one class of capital stock referred to herein as equity shares. The Company has issued 485,000 equity shares and 2,850,000 Bonus shares during the current fiscal and 1,400,000 equity shares during fiscal 1999.



Voting

Each holder of equity shares is entitled to one vote per share.

Dividends

Dividends will be paid, as & when declared, in Indian Rupees. As per the guidelines issued by the Securities & Exchange Board of India, shares issued by Companies are to rank *pari-passu* in all respects. Accordingly, the Company has provided for dividend for the entire year, even on shares issued during the year, instead of on pro-rata basis. This is neither in conformity with the Offer Document issued by the Company for its Initial Public Offer nor the practice adopted in earlier years.

The Company has declared a cash dividend of \$36,170 and \$13,200 for fiscal 2000 and fiscal 1999 respectively.

Liquidation

In the event of liquidation of the Company, the holders of the Common Stock shall be entitled to receive the remaining assets of the Company, after distribution of all preferential amounts, if any. Such amounts will be in proportion to the number of equity shares held by the shareholders.

Stock Options

There are no voting, dividend or liquidation rights to the holders of warrants issued under the Company's Stock Option plan.

10. Employee Stock Option Plan

- The members of the Company, vide a Special Resolution at the Company's Extra-ordinary General Meeting held on June 4, 1999 approved the grant of 57,000 stock options to the Chief Executive Officer of Geometric Software Solutions Inc., USA, the wholly owned subsidiary of the Company. Each equity warrant shall be entitled to one equity share of par value \$0.23 each at a price of \$3 per share payable at the time of exercise of the option. The warrants shall vest into shares subject to him being in employment of Geometric Software Solutions Inc., USA at the time of vesting. Pursuant to the Bonus issue by the Company in the current fiscal, the entitlement of shares under those warrants has become 142,500 shares at a price of \$1.2 each. One fourth of these options for equity shares under these warrants vested on May 1, 2000 and the balance would vest in 12 equal installments at the end of every quarter thereafter, ending on May 1, 2003. In the event of any rights, bonus issue of equity shares, prior to conversion; the entitlement of shares shall be suitably revised. In the event of a bonus issue, the number of shares shall be increased proportionately and the price revised downwards.
- The members of the Company, vide a special resolution at the Company's Annual General Meeting held on September 21, 1999, approved the issue of 300,000 options to the employees of the Company. Each equity warrant shall be entitled to one equity share. These warrants can be issued in not more than 4 tranches between October 1999 and April 2001. The warrants vest in the employees to whom they are granted subject to the employee being in employment of the Company and his/her performance in that year. The warrants issue shall vest into options in 4 equal annual installments beginning one year after the date of issue. The conversion price of the options will be at Rs. 150/- (\$3.43 - at March 31, 2000 rates). The equity shares resulting from conversion of the warrants would not be subject to any lock-in period. The warrants would be entitled to rights / bonus issues.

Of the above, 389,176 Stock Options have been granted by the Company. These options if exercised would result in the issue of 389,176 Equity Shares.

The Company has elected to use the intrinsic value-based method of APB Opinion No. 25 to account for its Stock Option Plan. During the year ended March 31, 2000 (the year in which the options have been granted) the Company has not recorded any deferred compensation for the difference, on the grant date, between the exercise price and the fair value as determined by the intrinsic value of the Company's shares most recently available at that point of time as the intrinsic value of the Company's shares was greater than the exercise price. Consequently, the result on Earnings per share would be *anti-dilutive*. As at March 31, 2000, however, the quoted market price of the common stock underlying the warrants was \$18.40.



The Company has adopted the pro forma disclosure provisions of SFAS No 123. Had compensation cost for the Company's Stock Option Plan been determined in a manner consistent with the fair value approach described in SFAS No. 123, the Company's net income and basic earnings per share as reported would have been reduced to the pro forma amounts indicated below :

	2000	1999
Net income		
As reported	\$4,523,719	\$1,205,285
Adjusted pro forma	4,415,201	1,205,285
Basic earnings per share		
As reported	1.23	0.65
Adjusted pro forma	1.20	0.65

The fair value of each warrant is estimated on the date of grant using an option pricing model which takes into consideration the following assumptions :

	2000	1999
Dividend yield (on par value)	15%	-
Expected life	4 years	-
Risk free interest rates	10%	-
Volatility	90 %	-

11. Other accrued liabilities & Unclaimed Dividend

	2000	1999
Accrued compensation to staff	\$80,036	\$5,254
Post Retirement Benefits	57,096	56,626
Accrued & Unclaimed dividends	36,206	13,458
Provision for free service under product warranties	17,803	17,417
Advances from Customers	6,197	2,398
Other liabilities	840,918	423,452
	1,038,256	518,605

12. Employee post-retirement benefits

a. Gratuity

In fiscal 2000 & 1999, the Company contributed \$30,727 & \$23,019 respectively to the gratuity plan managed by the Life Insurance Corporation of India.

b. Superannuation Benefits

The Company contributed \$50,834 to the superannuation plan in fiscal 2000.



13. Earnings per share

The following is a reconciliation of the equity shares used in the computation of basic and diluted earnings per equity share :

	2000	1999
Basic earnings per equity share - weighted average number of common shares outstanding	3,690,417	1,865,000
Effect of dilutive common equity shares – stock options outstanding	— *	—
Diluted earnings per equity share – weighted average number of common shares and common equivalent shares outstanding	3,690,417	1,865,000

* As referred to in Note 10, as the intrinsic value of the shares is greater than the exercise price of the warrants issued, the effect on the Earnings per Share is *anti-dilutive*.

14. Segment Reporting

Revenue by geographic area

	2000	1999
United States of America	\$5,763,111	\$3,076,120
Europe	1,093,048	1,392,161
Asia - Pacific	622,775	24,629
India	13,131	187,593
	7,492,065	4,896,503

Significant Clients

	2000	1999
Client 1 % of revenue	16.91%	14.03%
Receivable as at year end	\$349,658	\$154,196
Client 2 % of revenue	13.59%	11.20%
Receivable as at year end	\$119,190	\$125,763
Client 3 % of revenue	12.81%	10.56%
Receivable as at year end	\$181,522	\$81,269

15. Other Income – Net

Other income, net, consists of the following :

	2000	1999
Interest income	\$111,425	42,087
Dividend Income	110,504	—
Gain / (Loss) on sale of Investments	(81,357)	11,401
Gain / (Loss) on sale of Fixed Assets	(905)	(38,881)
Other Income	87,453	10,323
Interest expenses	(11,285)	(1,515)
	215,835	23,415



16. Research & Development

The cost incurred on account of Research & Development in fiscal 2000 and 1999 has been apportioned to the respective heads of expense.

17. Income Taxes

The provision for Income Taxes is composed of :

	2000	1999
Current Taxes		
Domestic Taxes	\$2,117,584	\$2,420
Foreign Taxes	—	492
	2,117,584	2,912
Deferred Taxes		
Domestic Taxes	—	6,634
Foreign Taxes	—	—
	—	6,634
Aggregate Taxes	2,117,584	9,546

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities and a description of the financial statement items that created these differences are :

	2000	1999
Deferred Tax Assets		
Property, plant & equipment	—	\$18,955
Net Operating Loss in GSS Inc.	\$125,532	4,449
	125,532	23,404
Less : Valuation allowance	(125,532)	(4,449)
Net deferred tax assets	—	18,955

18. Lines of Credit

The Company has a line of credit from its bankers for the establishment of software development facilities at Hinjwadi, near Pune in Maharashtra (bearing interest at 13% plus interest tax) and for working capital requirements (bearing interest at prime lending rates as applicable from time to time) amounting to \$2,288,330 including undrawn facilities of \$1,258,582. This facility is secured by hypothecation of the Company's movable fixed assets and mortgage to be created on land & other immovable properties.

19. Commitments & Contingencies

The Company has entered into Capital Contracts with various vendors. The estimated amount remaining to be executed as at March 31, 2000 and March 31, 1999 are \$100,273 and \$1,351,120 respectively.

20. Litigation

There are neither any claims against the Company which have not been acknowledged as debts nor are there any pending litigations.