



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

Seventh Annual Report & Accounts For the Year Ended March 31, 2001

Board of Directors

J. N. GODREJ
Chairman

MANU PARPIA
Managing Director

K. A. PALIA

FRANK PERNA

MARC DULUDE

RENUKA RAMNATH
*Nominee of ICICI Venture Funds
Management Co. Ltd.
(From 20.02.2001)*

A.J.V. JAYACHANDER
*Nominee of ICICI Venture Funds
Management Co. Ltd.
(Upto 20.02.2001)*

ABHAY HAVALDAR

ANITA RAMACHANDRAN

Company Secretary &
General Counsel

B. P. BHARGAWA

Auditors

KALYANIWALLA & MISTRY
Chartered Accountants

Registrars & Share Transfer
Agents

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REGISTRY PVT. LTD.
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Registered Office

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Managing Director's Report

Last year was a landmark year for the Company. We addressed serious challenges and more importantly, evolved a business model, which we believe will be our vehicle for growth in the years to come. In this context, let me recall our strategy as laid down in the last year's report:

- a) Expand the addressable markets
- b) Increase realization per person
- c) Improve predictability of revenues

We did not make adequate progress on these fronts. So, we must re-confirm our strategic goals and work even more diligently to achieve our objectives.

General Strategy and Business Approach:

The past success of the Company has been based on its exceptional knowledge and depth in a specialized field, reflected both in terms of its high quality services and product offerings, including numerous groundbreaking technologies. As we seek to further expand our target markets, the Management's objective is to ensure we do not lose this vital differentiator.

We believe we are successfully addressing the implementation issue through four initiatives:

1. Creation of business units
2. Expanding the management team
3. Bringing focus on technologies
4. Alliances

Creation of Business Units:

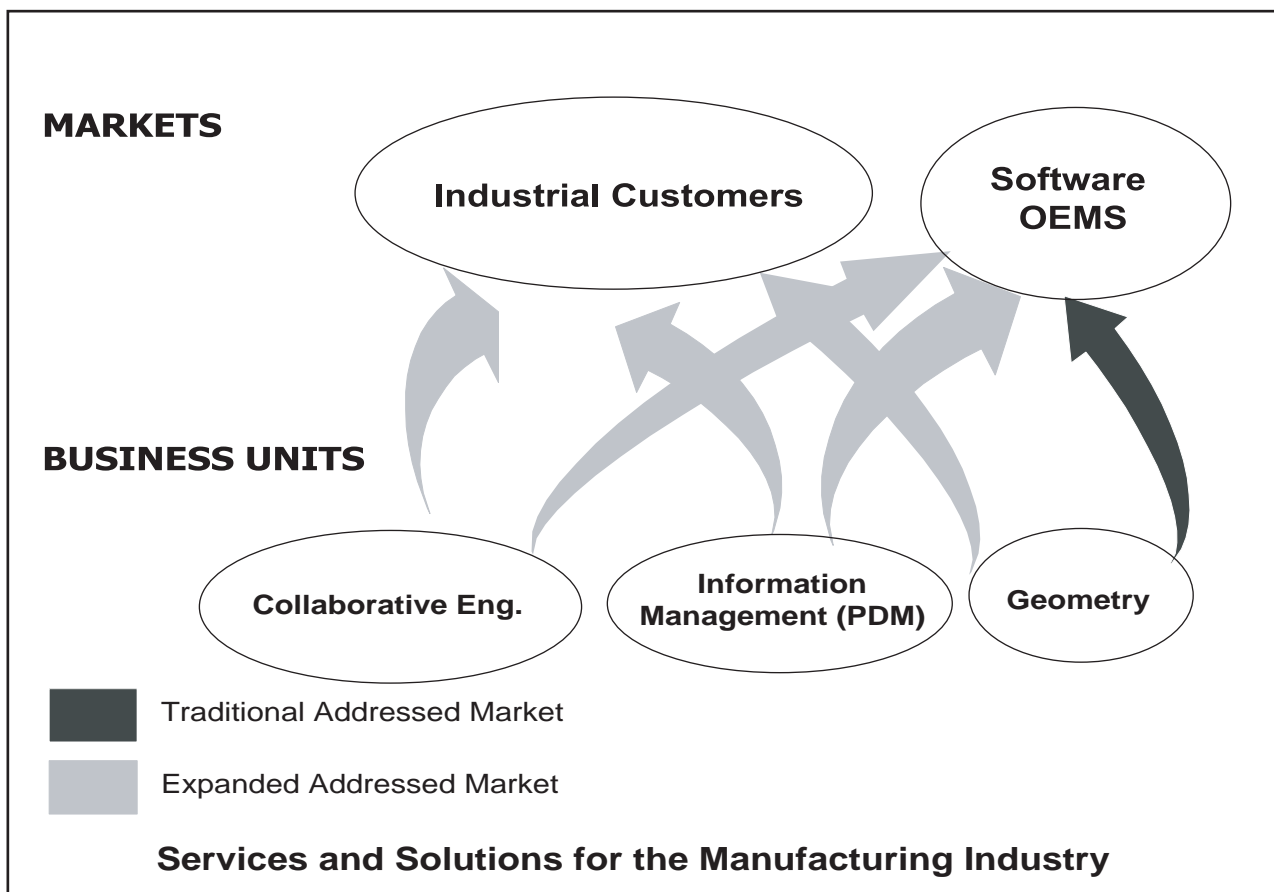
The Company is well established in the field of Geometry, where its leadership is widely acknowledged. While continuing our efforts in this business, we decided to address additional markets viz. Information Management, in the form of Product Data Management (PDM) and Collaborative Engineering.

Briefly, *PDM* is about databases that enable enterprises to create and control processes involving various aspects of product design such as revision control, approvals and the like. The Information Management Business Unit seeks to serve this market, by offering software development capabilities to software suppliers and assisting industrial customers in implementation and integration.

Collaborative Engineering is a term, which reflects the desire of engineering companies to benefit from the use of the internet, in cutting down both the cost and time for the development of new products. Companies want to do this, by allowing multiple users across organizations to work on geometry and related data simultaneously and in a seamless manner. The Collaborative Engineering Business Unit will develop technologies and provide services to industrial customers to help them build "web friendly" solutions. In addition, the unit will cater to the needs of software developers of Business-to-Business (B2B) software such as exchanges.

Both these new business units are logical extensions of our traditional strength in Geometry and indeed, leverage our knowledge base and skillset. This ability to offer a wider range of solutions and services makes Geometric a more attractive supplier, to both its existing OEM customers and potential industrial customers.

The diagram below pictorially depicts Geometric's offerings to its customers.



Building a Better Team:

With the formation of the business units, we took the opportunity to expand the management structure, to cater to the larger addressable market. We also decided to locate the business unit heads in the US, so as to be closer to the customers, with a view to improving both market penetration, as well as product quality. We created more opportunities for growth internally. Previously, the top management consisted of the CEO, Head of Sales and Marketing and the Head of Delivery. We have now extended this group to include ten people, allowing for greater participation and management growth. I believe these steps will help build management depth by distributing knowledge, helping us to better sustain the Company's growth in the future.

Focus on Technologies:

We have modified internal processes to broaden the role of the Chief Technology Officer (CTO). The CTO now has a dual role viz.:

- a) To ensure that technologies being developed within each business unit can be leveraged by other business units, and that there is sufficient interoperability and coordination
- b) To identify and promote exploration in new discretionary areas.

In order to further strengthen the role that technology can play, the Board of Directors has recently recommended to shareholders, the approval of a scheme, whereby the Company can offer stock options to professors, who assist the Company in nurturing and creating technologies. We believe this to be the first for an Indian Company.

Alliances:

The Company identified that the market for translator components had changed dramatically, due to consolidation in the industry and other trends. In light of this, we entered into a major transaction with Spatial Corp., a wholly owned subsidiary of Dassault Systems, for our translator technology.

The Information Management Business Unit has also partnered with Matrix One to be a global alliance partner and has won the first order for software development. The Collaborative Engineering Business Unit has started winning business from B2B exchanges and software development companies, addressing the Collaborative Engineering workspace.

Another purpose of alliances is to leverage relationships. The Company has an enviable base of customers, in the form of leading CAD/ CAM software suppliers (OEMs). Up to now, its focus has been to serve its OEM customers by providing technologies and services. Our OEMs' customers, large end-users in their own right, have significant needs to build proprietary applications on software purchased from OEMs.

These OEM software vendors themselves, are keen to help their customers use their software more productively. The fact that we, as software development partners, have a deep knowledge of the OEM software, makes it easier to ensure the applications work well with OEM products on the one hand, and reassures the end-users of the quality and comprehensiveness of the solutions, on the other.

Our OEM customers are leading software suppliers in the space in which the Company operates i.e. they cover most of the leading automotive and aerospace companies. The close working relationship with industry leaders such as Dassault Systemes, SDRC and Autodesk, we believe, will enable the Company to continue to grow by providing services and technologies to leading OEMs, while at the same time, helping their customers develop complex application specific software, in partnership with the OEM vendors.

These four steps, we believe, are assisting us in unlocking the potential of achieving and sustaining above average growth in both sales and profits. The new businesses will help us expand the market. Alliances will enable a quicker ramp up. Expanding the management team will help us sustain the drive, and the focus on technology, will help us retain the key differentiator. This differentiator and tackling a broader market will also improve realization per person and improve predictability of revenues. We have started to implement this approach over the last six months and we already see signs of success.

We believe this opens an exciting new chapter in the growth story of Geometric. I take this opportunity to thank the Board for their continued strength and sound advice in navigating through these challenges, and our shareholders and employees for their continued support.

Thanking you,

A handwritten signature in black ink, appearing to read 'Manu Parpia'.

Manu Parpia
Managing Director

THE YEAR AT GLANCE

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

	March 31, 2001		March 31, 2000	
	Rs.	US\$	Rs.	US\$
For the year				
Total revenue	469.22	10.08	333.60	7.65
Exports	448.35	9.64	318.38	7.30
Operating profit (PBIDT)	118.07	2.54	104.17	2.39
PBIDT as a percentage of total revenue	25.16%	25.16%	31.23%	31.23%
Ordinary Profit (Before Extraordinary Items & Tax)	81.72	1.76	80.54	1.85
Ordinary Profit as a percentage of Total Revenue	17.42%	17.42%	24.14%	24.14%
Extraordinary Items	7.35	0.16	213.28	4.89
Profit after tax (PAT)	89.08	1.91	202.22	4.64
PAT as a percentage of total revenue	18.98%	18.98%	60.62%	60.62%
Basic Earnings per share	16.99	0.37	38.63	0.91
Diluted Earnings per share	16.73	0.36	38.63	0.91
Dividend percentage	3.00%	3.00%	3.00%	3.00%
Dividend amount (Including Tax thereon)	1.93	0.04	1.92	0.05
Average net worth	474.67	10.20	279.76	6.42
PAT as a percentage of average net worth	18.77%	18.77%	72.28%	72.28%
At the end of the year				
Total assets	518.37	11.14	475.96	10.91
Fixed assets (net)	259.62	5.58	201.10	4.61
Working capital	84.97	1.83	126.73	2.91
Total Debt	0.00	0.00	45.00	1.03
Net worth	518.37	11.14	430.96	9.88
Equity	52.44	1.13	52.35	1.20
Market capitalisation	341.63	7.34	4,209.46	96.53
Exchange Rate \$1 = Rs		46.53		43.61

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 March 31, 2001.

1. FINANCIAL RESULTS:

The Company's operating performance during the year ended March 31, 2001 as compared to the previous year, is summarised below:

	Rupees	Previous year Rupees
Sales and Other Income	469,215,757	333,597,815
Operating Profit	118,065,726	104,168,141
Interest & Finance Charges	173,218	489,996
Gross Profit before Depreciation	117,892,508	103,678,145
Depreciation	36,168,750	23,139,352
Profit before extraordinary items & Taxes	81,723,758	80,538,793
Extraordinary Items	7,352,092	213,277,178
Profit before Taxes	89,075,850	293,815,971
Provision for Taxes	Nil	91,600,000
Profit after Taxes	89,075,850	202,215,971
Tax adjustment in respect of previous years	(570,248)	Nil
Balance brought forward	274,801,238	103,001,277
Profit available for appropriation	363,306,840	305,217,248
Appropriations:		
Proposed Dividend @ Rs. 0.30 per Equity share of Rs. 10 each	1,573,126	1,570,500
Corporate tax on Dividend	355,526	345,510
Issue of fully paid Bonus Shares	—	28,500,000
Surplus carried forward	361,378,188	274,801,238

2. DIVIDEND:

Since the profits have remained flat year on year, the Directors recommend payment of dividend for the year at the same rate as in the previous year, viz. Rs.0.30 per Equity Share of Rs.10. The Directors wish to make it clear that this recommendation in no way reflects their views on the future prospects of the Company. Moreover, the Directors will review the dividend policy, if during the next twelve months, the Company is unable to find more profitable avenues for deploying its surplus funds.

3. BUSINESS PROSPECTS:

The Company has restructured its activities after facing certain difficulties in the second quarter of 2000-2001. The restructuring consisted of constituting three strategic business units viz. Geometry, Information Management and Collaborative Engineering, appointing separate business heads for the three units. This has provided greater emphasis on sales and marketing as well as cost control. The Board believes that this restructuring coupled with an aggressive approach in sales will result in a continued improvement in revenues and profitability of the Company.

4. DIRECTORS:

Mr. J.N. Godrej and Mr. Marc Dulude, directors of the Company, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment. I.C.I.C.I. venture funds management Co. Ltd. vide their Letter No. INV/966 dated 20th February 2001 has withdrawn the nomination of Mr. A.J.V. Jayachander on the board of the company and nominated Ms. Renuka Ramnath in his place. The Board places on record its deep appreciation of the services rendered by Mr. Jayachander.

5. AUDITORS:

M/s. Kalyaniwalla & Mistry, Auditors of the Company, retire at the forthcoming Annual General Meeting and being eligible offer themselves for reappointment.

6. AUDIT COMMITTEE:

The Company already has an Audit Committee consisting of 4 Non-Executive Directors of the Company, viz., Dr. K.A. Palia — Chairman, Mr. Abhay Havaladar, Ms. Anita Ramachandran and Ms. Renuka Ramnath.

7. 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 the review amount to Rs. 449,341,456 and Rs.95,332,732 respectively, details of which have been given in the Notes forming part of the Accounts (Notes 10,11,12 of schedule "L").

8. SUBSIDIARY:

The Company has a Wholly Owned Subsidiary, viz., Geometric Software Solutions, Inc. in U.S.A. As required under Section 212 of the Companies Act, 1956, the audited statement of accounts along with the Directors report, and the Auditors Report for the year ended March 31, 2001 are annexed.

9. EXPLANATION PURSUANT TO SECTION 217(3) ON QUALIFICATION IN CLAUSE 2(E) OF OF THE AUDITORS REPORT:

The Company has changed accounting policy in respect of depreciation from written down value method to straight line method in line with industry practices and considering asset life on a realistic basis. Therefore excess depreciation of earlier years has been written back and credited to Profit and Loss Account. Consequent to change of depreciation method as above the amounts of Net Block of Fixed Assets and Profit have been recomputed and correctly shown in accounts.

10. CORPORATE GOVERNANCE:

As per amended Listing Agreement with stock exchanges, a statement of corporate governance is separately annexed with this report.

11. EMPLOYEES STOCK OPTIONS SCHEME (ESOP):

The current position of these schemes is summarized as under:

	Particulars	Scheme I Nos.	Scheme II Nos.	Scheme III Nos.
1.	Details of the meeting	Extra-ordinary General Meeting (June 4, 1999)	Extra-ordinary General Meeting (September 21, 1999)	Annual General Meeting (July 14, 2000)
2.	Approved	57,000 (Increased to 142,5000 Post Bonus Issue)	3,00,000	30,000
3.	Price per option	US \$ 3 (Reduced to US \$ 1.20 post Bonus Issue)	Rs. 150/- (pre IPO Rs. 300/- (post IPO but pre listing) NSE market price (post listing)	National Stock Exchange (NSE) market price
4.	Granted	142,500	279,676	6,000
5.	Vested	44,532	45,291	—
6.	Exercised during the year	5,000	3,753	—
7.	Forfeited/Surrendered	97,968	48,774	—
8.	Vested and Unexercised	39,532	41,538	—
9.	Vesting Schedule:	35,625 options to vest on May 1, 2000 and the balance in 12 equal installments at the end of every quarter thereafter, ending on May 1, 2003.	The options are to be granted in quarterly tranches starting from October 1999. The options so granted shall vest in 4 equal annual installments beginning one year after the date of grant.	The options granted shall vest one year after the date of grant and will be convertible in three tranches between one and three years from the grant.

The Company has proposed a new scheme as included in the Notice and Explanatory Statement, called as ESOP Scheme 2001 for grant of 354,625 options convertible into equal number of equity shares for approval of the members. The scheme, if approved by the members of the Company at the forthcoming Annual General Meeting, will be operative immediately and scheme II shall stand cancelled. The Company has received an amount of Rs. 829,770 for allotment of 8,753 shares. The price for allotment of 3753 shares was Rs. 150 per share and the price for allotment of 5000 shares was U.S. \$ 1.2 per share equivalent to Rs. 53.36 per share. The diluted earning per share is Rs. 16.73 per share.

12. PARTICULARS OF EMPLOYEES:

As required by the provisions of sub-section (2A) of Section 217 of the Companies Act, 1956, as amended, read with Companies (Particulars of Employees) Rules, 1975, the names and other particulars of the employees are set out in the annexure to the Directors Report. However, as per the provisions of Section 219 (1) (b) (iv) of the

Companies Act, 1956, the accounts and the report is being sent to all the shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the Secretary at the Registered Office of the Company.

13. DIRECTORS RESPONSIBILITY STATEMENT:

In compliance of Section 217 (2AA), as incorporated by the Companies (Amendment) Act, 2000 in the Companies Act, 1956, your directors confirm that: -

- a) The Company has followed the applicable standards in the preparation of the Annual Accounts and there had been no material departure.
- b) Directors had selected the accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the aforesaid period.
- c) The Directors have taken proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- d) The Directors have prepared the Annual Accounts on a going concern basis.

14. ACKNOWLEDGEMENTS:

The Directors gratefully acknowledge the contribution made by the employees towards the success of the Company. The directors are also thankful for the co-operation and assistances received from the financial institutions, banks, customers, Central and State Government departments and local authorities.

The Directors would also like to acknowledge the continued support of the Company's shareholders.

On behalf of the Board of Directors

Mumbai,
April 18, 2001

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 share. During the year, 8753 equity shares have been issued under employee stock option plans.

2. Reserves and Surplus

During the year, the company carried forward the surplus profit of Rs 86,576,950 in the Profit & Loss Account after providing for a dividend payment of Rs 1,573,126 and dividend tax of Rs. 355,526. The share premium account had an addition of Rs. 742,240 on account of newly issued shares during the year.

During the previous year, The Company had carried forward surplus profit of Rs. 200,299,960 in the Profit & Loss Account after providing for a dividend payment of Rs. 1,570,500, dividend tax of Rs. 345,510. This included extraordinary income (net of taxes) of Rs.121,677,178.

3. Secured Loans

The Company was sanctioned an assistance of Rs. 80 million by Exim Bank for its project at Hinjwadi, Pune out of which Rs. 45 million was drawn till March 31,2000. In view of surplus funds available with the Company the said loan was fully repaid in April 2000. For pre-payment of loan, an extra amount of Rs.21,25,000 was charged by the bank.

4. Fixed Assets

During the year, the Company added Rs. 124,773,950 to its gross block, including investment in technology assets of Rs. 21,796,262. During the previous year, the Company had added Rs 156,395,843 to its gross block, including investment in technology assets of Rs. 25,039,570.

5. Investments

Company has made short term investments in units of various debt-based and dividend paying mutual funds aggregating to Rs. 171,742,037. This represents 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. 146,089,400 during the previous year.

In addition, Company has invested Rs.20,41,500 (previous year Rs.20,41,500) in its Wholly Owned Subsidiary in USA, Geometric Software Solutions, Inc., which handles sales and marketing functions for the Company.

6. Sundry Debtors

Sundry debtors amount to Rs. 52,846,620 (net of provisions for bad and doubtful debts) as at March 31, 2001 as compared with Rs. 81,275,115 as at March 31, 2000. These debtors are considered good and realizable, and provision has been made for all doubtful debts as on March 31, 2001. The debtors outstanding as on March 31, 2001 amounted to 43 days sales as compared to 93 days sales for the previous year ended March 31, 2000. The age profile of outstanding receivables is as given below:

Period in days	March 31, 2001	March 31, 2000
0 – 30	54	75
31 – 60	25	18
61 – 90	6	2
More than 90	15	5
	100 %	100 %

7. Cash and bank balances

The balance in current account includes Rs. 11,690 in the unclaimed dividend accounts for the years ended March 31, 2001 and March 31, 2000. The bank balance in current accounts also includes the Exchange Earners Foreign Currency (EEFC) account as at March 31, 2001 of US\$ (Rs. 20,215,142) and Euro (Rs. 492,296). The bank balances in EEFC accounts are to meet the remittance requirements of overseas subsidiary/ branches in USA and other countries and to meet other operational expenditure overseas. The fixed deposit accounts are deposits with banks maintained 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 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 refunds due for previous years. The Company's liability towards income tax has been fully provided. Sundry deposits represent deposit towards telephone, rent, electricity and other deposits. Inter-corporate deposits represent 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 assets by employees and to meet any emergency requirements.

The Company has also extended a loan of Rs.13,893,000 (\$ 300,000), previous year Rs.13,041,000 (\$ 300,000) to Geometric Software Solutions, Inc., its Wholly Owned Subsidiary in USA to enable it to meet its ongoing working capital needs. This loan was granted in 1999 and its initial repayment term upto June 2001 is now proposed to be extended upto June 2003.

9. Current liabilities

Sundry Creditors represent the amount payable to vendors for the supply of goods and services. Unclaimed dividends represent dividends paid but not encashed by shareholders. Other current liabilities include accrued salaries and benefits payable to the staff (including leave encashment) and amounts accrued for various other operational expenses. Advances and deposits are retention money deposits of various contractors.

10. Provisions

Provision for taxation represents estimated income tax liability for the 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 corporate dividend has been made as per the tax rates as per the law prevailing at the time of accounts signing. The dividend tax liability could be lower, based on Finance Bill 2001 under consideration. As and when it gets passed, excess provision if any, on this account will be given effect to in the next year's accounts.

B Financial Review

1. Income

The Company derives its income mainly from software services and the sale of software products. Approximately 95.6% of the Company's income is derived from export activities (prior year 95.6%). During the year, the income from exports increased by more than 40% (prior year 65%). During the year ended March 31, 2001, the Company concluded a significant Translator Technology export sale deal for an amount over \$ 1 million (or Rs.46.5 million).

Other income is from gains on foreign exchange fluctuations against export realization and income from investment of surplus funds. An amount of Rs.3,880,313 and Rs. 308,729 is included in the Profit and Loss Account during the years ended March 31, 2001 and 2000 representing the realized and unrealized exchange gains due to currency fluctuation. This represents 0.83% and 0.09% of the total income for the years ended March 31, 2001 and 2000 respectively.

The total income of the Company grew by 41% during the year, as compared with 62% during the previous year. Details of the geographical segmentation and business segmentation of income are given below:

(A) Geographical Segmentation of total sales

	2000-2001		1999-2000	
	Rs.	%	Rs.	%
U.S.A.	367,257,271	82%	243,885,549	77%
Europe	35,704,264	8%	47,460,133	15%
Asia-Pacific	45,388,873	10%	27,040,884	8%
India	390,000	0%	570,147	0%
Total	448,740,408	100%	318,956,713	100%

(B) Business segmentation of total sales

	2000-2001		1999-2000	
	Rs.	%	Rs.	%
A Exports				
Projects	269,937,179	61%	176,690,564	56%
Products	37,224,137	8%	28,891,688	9%
Component Technologies	141,189,092	31%	112,804,314	35%
B Domestic				
Software sale	390,000	0%	525,347	0%
Services	0	0%	44,800	0%
Total	448,740,408	100%	318,956,713	100 %

2. *Expenditure*

2.1 *Operating and other Expenses*

Employee cost constitutes around 37% and 36% of the total sales for the years ended March 31, 2001 and 2000, respectively. The travelling expenses representing cost of travel abroad for software development, sales and marketing constitutes approximately 8% of the total sales for the years ended March 31, 2001 and 2000.

The Company spent a sum of Rs. 7,666,383 and Rs. 10,710,779 for the years ended on March 31, 2001 and 2000 respectively 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 a decrease of approximately 28% during the year, and is about 2% and 3% of the total sales during the years ended March 31, 2001 and 2000 respectively. 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 12,262,829 (Previous year Rs.7,658,523) This represents about 3% and 2.4 % of the sales during the years ended March 31, 2001 and 2000. 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. 65,175,665 (Previous year Rs. 23,313,596). This represents approximately 14% of the total income during the year as compared to 7% during the previous year.

The amount of bad debts written off and provision for doubtful debts was of the order of Rs.6,586,315 (1.5% of sales) for the year ended March 31, 2001. For the previous year there was a net reversal of provision for doubtful debts of Rs.360,267

The other administration and other overhead expenses amounted to about 13 % and 14 % of the total income during the years ended March 31, 2001 and 2000.

3. *Operating Profits*

During the year, the Company earned an operating profit (profit before interest, depreciation, extraordinary items and tax) of Rs.118.06 million representing 25% of total revenues as compared with Rs. 104.17 million representing 31% of total revenues during the previous year. The lower margin is primarily on account of higher sales and marketing expenses, which have resulted from infrastructure created overseas for sales and marketing. The Management considers this as an investment for the future.

4. *Interest*

The Company incurred an expenditure of Rs. 173,218 during the year towards interest mainly in respect of loan availed from Exim bank. During the previous year, interest expenditure had amounted to Rs.489,996.

5. *Depreciation*

The Company provided a sum of Rs. 36,168,750 and Rs. 23,139,352 towards depreciation for the years ended March 31, 2001 and 2000. This represents approximately 8% and 7% of the total income during the years ended March 31, 2001 and 2000.

Till the previous year ended March 31, 2000, the Company was following written down value method for charging of depreciation, as this method was in line with the requirements for depreciation computation under the Income Tax Act. However, it has been brought to the notice of the management that the written down value method of charging depreciation leads to carrying values of fixed assets in the books of the Company for long period of time and not necessarily distributing the cost over the useful life of the asset. During the year ended March 31, 2001, the

Company completed capitalization of expenditure incurred on its Hinjwadi project involving outlays in excess of Rs.170 million. This large investment in fixed assets necessitated the Management to review the depreciation policy of the Company. Most of other software companies in the country, it was noticed, are following the straight line method of depreciation and this method is also recommended under the US GAAP accounting. Therefore, it was decided to change the method of depreciation during the year from written down value to straight line and make a realistic estimate of useful life of different categories of fixed assets at the same time. The table given hereunder shows the asset life details as they prevailed upto the previous year and now after change in the method of depreciation.

Asset Category	Applicable for the year ended 31 st March 2000 and prior		Applicable Now SLM Depreciation Corresponding Asset Life
	WDV Depreciation Rate %	Corresponding Asset Life	
Leasehold Land	1.05%	95	95
Building	10.00%	28	28
Computers	40.00%	6	3
Electrical Installations	13.91%	20	8
Office Equipments	13.91%	20	13
Furniture & Fixtures	18.10%	15	10
EPABX System	13.91%	20	10
Vehicles	25.89%	10	10

As can be seen from the above, the asset life of a number of asset categories has been realistically considered lower under the new method of depreciation as compared to the earlier method, particularly in respect of computers. However, in view of the large investment made in Hinjwadi facilities, the depreciation charged in this year being first year after major capitalization, works out lower by about Rs.10 million due to change in the method of depreciation.

6. Extraordinary Income

The company earned interest on Public Issue Funds amounting to Rs. 7,500,000 pertaining to the previous year period. On account of changing the method of depreciation, the company had to write back Rs 1,977,092 towards excess depreciation provided for previous years. The company had to pay Rs 2,125,000 as loan prepayment charges to Exim Bank.

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 10B of Income Tax Act as 100% export oriented unit for a specified period. Therefore, for the year ended March 31, 2001 the Company has no tax liability on its operating income. During the previous year ended March 31, 2000, the provision for tax was made of Rs.91.6 million, which was mainly in respect of extra-ordinary income, earned in that year, being interest on IPO funds.

8. Net Profit

The net profit of the Company from ordinary activities amounted to Rs. 81.72 million and Rs. 80.54 million for the years ended March 31, 2001 and 2000. This represents 17.42% and 24.14% 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 USD 1,370,514 (equivalent to about Rs 63.77 million) [previous year USD 834,877 (equivalent to about Rs 36.41 million)]. Its net profit was USD 145,641 (equivalent to about Rs. 6.78 million) [previous year net loss USD 125,532 (equivalent to about Rs 5.48 million)]. Its operating income before provision for income tax was USD 149,767 (equivalent to about Rs 6.97 million) [Previous year net loss USD 125,532 (equivalent to about Rs 5.48 million)]. Therefore, after considering the said results of GSSI, the profit before extraordinary items and taxes on a consolidated basis of the parent company amounts to Rs 88.69 million (previous year Rs 75.06 million).

STATEMENT ON CORPORATE GOVERNANCE

[Pursuant to clause 49 (as amended) of the listing Agreement put with Stock Exchanges]

1. Board of Directors:

The Company has an optimum combination of executive and non-executive directors. The non-executive directors constitute 87% of the composition of the Board.

2. Audit Committee:

The Company has an Audit Committee consisting of four non-executive directors. They give their observations and recommendations on internal audit report, accounts, appointment and removal of external auditors, fixation/revision of audit fees and payment of any other services of the auditors. The members of the Audit Committee have financial and accounting knowledge.

3. Remuneration of Directors:

Managerial Remuneration details are enumerated in Schedule L of Notes to Accounts for the year ended March 31, 2001. At the Annual General Meeting of the Company held on 14th July, 2000, the shareholders of the Company have passed a resolution authorizing payment of commission to the non-executive directors, not exceeding 1% of the net profits of the Company. They have given authority to the Board of Directors to determine the amount and the basis of such payment within the aforesaid limit. The Board of Directors at their meeting held on 18th April, 2001 have resolved to make payment of 0.5% of net profits as commission to the non-executive directors of the Company. The Company also has devised "ESOP – DIRECTORS - 2000" scheme as approved by shareholders at the Annual General Meeting held on July 14, 2000 for offer and allotment of 30,000 stock option warrants convertible into equity shares of the Company to non-executive directors of the Company. They are issued at a market price. The first 1000 warrants can be converted into equity shares as follows: -

- 150 shares at any time after 18th August, 2001 but before 30th June, 2004
- 350 shares at any time after 30th June, 2002 but before 30th June, 2004
- 500 shares at any time after 30th June, 2003 but before 30th June, 2004
- 6,000 stock option warrants were allotted to Non-Executive Directors on August 18, 2000 at price of Rs. 412/- per warrant.

4. Board Procedures:

The Company regularly holds board meetings and usually the gap between the two meetings never exceeds four months. During the year 1st April, 2000 to 31st March, 2001, the Company has held five meetings of the Board. The Company shall collect the information about membership of directors on different committees and immediately point out to them in case it exceeds the limits prescribed.

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.

5. Management:

In this Annual Report, a separate portion for Management Discussion and Analysis Report incorporating the discussion on various points has been reserved.

The Management makes full disclosure to the Board relating to all material, financial and commercial transactions where they have personal interest.

6. Shareholders:

The Company regularly submits quarterly results to the National Stock Exchange and the Stock Exchange, Mumbai, on which the shares of the Company are listed. The said results are also published in the newspapers and put on the website.



The Company has formed a committee under the chairmanship of a non-executive director to look into the 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 – M/s. Intime Spectrum Registry Pvt. Ltd. to expedite the process of share transfers.

7. Report on Corporate Governance:

The Company has been providing a statement on corporate governance in the Annual Report of the Company since last two years.

REPORT OF THE AUDITORS

TO THE MEMBERS OF GEOMETRIC SOFTWARE SOLUTIONS COMPANY LIMITED

We have audited the attached Balance Sheet of **GEOMETRIC SOFTWARE SOLUTIONS COMPANY LIMITED** as at March 31, 2001 and also the Profit and Loss Account of the Company for the year ended on that date annexed thereto and report that:

1. 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 annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to in paragraph (1) above, we report that:
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) In our opinion, proper books of account as required by law, have been kept by the Company so far as appears from our examination of such books.
 - c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
 - d) In our opinion, the Balance Sheet and the Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
 - e) As stated in Note 4, Schedule L: Notes to Accounts, during the year, the Company has changed the accounting policy in respect of depreciation from the written down value method to the straight line method. The surplus arising from such retrospective recomputation of depreciation amounting to Rs. 1,977,092 has been adjusted in the accounts for the year and has been disclosed under Extraordinary Items in the Profit and Loss Account. Had there been no change in the method of computing depreciation, the depreciation charge for the year would have been higher by Rs. 10,313,007, the loss on sale of assets during the year would have been lower by Rs. 620,026 and the profit for the year would have been lower by Rs. 9,692,981. Consequent to the change, the Net Block of Fixed Assets and also Reserves and Surplus as at the end of the year are higher by Rs. 11,670,073.
 - f) Subject to our comment in paragraph (e) above, in our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view:
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2001; and
 - ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date.

On the basis of the written representations received from the Directors as on March 31, 2001, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2001, from being appointed as a Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For and on behalf of
KALYANIWALLA & MISTRY
CHARTERED ACCOUNTANTS

Daraius Z. Musa
PARTNER

April 18, 2001.

ANNEXURE TO THE AUDITOR'S REPORT

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 further report that:

1. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets. We are informed that the Company has established a program of verification of fixed assets and that major assets have been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable. No material discrepancies between the book records and the physical inventory were 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 inventory of finished goods, stores, spare parts and raw materials at any time during the year. Consequently, the question of physical verification and valuation of inventories 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 the same management as defined under 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 such loan are not prima facie prejudicial to the interest of the Company.
6. The other parties to whom the loans, or advances in the nature of loans, have been given by the Company, are repaying the principal amounts as stipulated and are also regular in the 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, for the 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 explanations given to us, the transactions of purchase of goods and materials and sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956, and aggregating during the year to Rs. 50,000 or more in respect of each party, have been made at prices which are reasonable having regard to prevailing market prices for such goods, materials or services, or the prices at which transactions for similar goods or services have been / could have been made with other parties.
9. The Company has not accepted any deposits from the public within the meaning of section 58A of the Companies Act, 1956, and the rules framed thereunder.
10. In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.
11. The maintenance of cost records has not been prescribed by the Central Government under section 209(1)(d) of the Companies Act, 1956, for any of the products of the Company.
12. 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.
13. According to the information and explanations given to us, there were 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, 2001, for a period of more than six months from the date they became payable.
14. In our opinion and according to the information and explanations given to us, no personal expenses have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practice.
15. The provisions of clause (o) of subsection (1) of section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985, are not applicable to the Company.
16. In respect of the service activities of the Company, in our opinion and according to the information and explanations given to us, the Company's business does not require the allocation of man-hours utilised to the relative jobs.
17. None of the other matters specified in the Manufacturing and Other Companies (Auditors' Report) Order, 1988, issued by the Company Law Board are applicable to the Company. Consequently, we have not included these matters in this Report.

For and on behalf of
KALYANIWALLA & MISTRY
CHARTERED ACCOUNTANTS

Darius Z. Musa
PARTNER
April 18, 2001.

BALANCE SHEET AS AT MARCH 31, 2001

	SCHEDULE	Rupees	Current Year Rupees	Previous Year Rupees
SOURCES OF FUNDS:				
1. SHAREHOLDERS' FUNDS				
a) Share Capital	A	52,437,530		52,350,000
b) Reserves and Surplus	B	465,930,428		378,611,238
			518,367,958	430,961,238
2. LOAN FUNDS				
a) Secured Loans	C	—		45,000,000
b) Unsecured Loans		—		—
			—	45,000,000
TOTAL			518,367,958	475,961,238
APPLICATION OF FUNDS:				
3. FIXED ASSETS	D			
a) Gross Block		339,742,640		227,226,734
b) Less: Depreciation		80,125,887		54,033,241
c) Net Block		259,616,753		173,193,493
d) Capital Work-in-Progress		—		27,905,928
			259,616,753	201,099,421
4. INVESTMENTS	E		173,783,537	148,130,900
5. CURRENT ASSETS, LOANS AND ADVANCES	F			
a) Sundry Debtors		52,846,620		81,275,115
b) Cash and Bank Balances		23,515,514		51,609,649
c) Other Current Assets		112,561		1,842,693
d) Loans and Advances		149,373,728		150,403,620
		225,848,423		285,131,077
6. Less: CURRENT LIABILITIES AND PROVISIONS	G			
a) Current Liabilities		46,070,513		63,174,915
b) Provisions		94,810,242		95,225,245
		140,880,755		158,400,160
7. NET CURRENT ASSETS			84,967,668	126,730,917
	TOTAL		518,367,958	475,961,238
NOTES TO ACCOUNTS	L			

The Schedules referred to above form an integral part of the Balance Sheet.

As per our Report attached.

Signatures to the Balance Sheet and Schedules "A" to "G" and "L".

For and on behalf of
Kalyaniwalla & Mistry
Chartered Accountants

DARAIUS Z. MUSA
Partner

J. N. GODREJ
Chairman

For and on behalf of the Board

MANU PARPIA K. A. PALIA
Managing Director Director

April 18, 2001.

B. P. BHARGAWE
Company Secretary

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2001

	SCHEDULE	Current Year Rupees	<i>Previous Year Rupees</i>
INCOME:			
1. Sales - Software Packages and Services		448,740,408	318,956,714
2. Other Income	H	20,475,349	14,641,101
		<u>469,215,757</u>	<u>333,597,815</u>
EXPENDITURE:			
3. Operating and Other Expenses	I	351,150,031	229,429,674
4. Interest	J	173,218	489,996
5. Depreciation		36,168,750	23,139,352
		<u>387,491,999</u>	<u>253,059,022</u>
PROFIT BEFORE EXTRAORDINARY ITEMS AND TAXES:		81,723,758	80,538,793
6. Extraordinary Items	K	7,352,092	213,277,178
PROFIT BEFORE TAX:		89,075,850	293,815,971
7. Provision for Taxes		—	91,600,000
PROFIT AFTER TAX:		89,075,850	202,215,971
8. Tax Adjustments in Respect of Previous Years		(570,248)	—
9. Surplus Brought Forward		274,801,238	103,001,277
PROFIT AVAILABLE FOR APPROPRIATION:		<u>363,306,840</u>	<u>305,217,248</u>
APPROPRIATIONS:			
10. Dividend			
— Proposed		1,573,126	1,570,500
— Corporate Tax on Dividend		355,526	345,510
11. Issue of Fully Paid Bonus Shares		—	28,500,000
12. Surplus Carried Forward		361,378,188	274,801,238
TOTAL		<u>363,306,840</u>	<u>305,217,248</u>
NOTES TO ACCOUNTS	L		

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

As per our Report attached.

Signatures to the Profit and Loss Account and Schedules "H" to "L".

For and on behalf of
Kalyaniwalla & Mistry
Chartered Accountants

For and on behalf of the Board

DARAIUS Z. MUSA
Partner

J. N. GODREJ
Chairman

MANU PARPIA
Managing Director

K. A. PALIA
Director

April 18, 2001.

B. P. BHARGAWE
Company Secretary

**SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED
MARCH 31, 2001**

	Current Year Rupees	<i>Previous Year Rupees</i>
SCHEDULE A: SHARE CAPITAL		
1. AUTHORIZED: 7,000,000 (previous year: 7,000,000) Equity shares of Rs. 10/- each.	<u>70,000,000</u>	<u>70,000,000</u>
2. ISSUED, SUBSCRIBED AND PAID UP: 5,243,753 Equity shares (previous year 5,235,000) of Rs. 10/- each fully paid up.	<u>52,437,530</u>	<u>52,350,000</u>
TOTAL	<u><u>52,437,530</u></u>	<u><u>52,350,000</u></u>

Note:

- a) Of the above 2,850,000 equity shares have been allotted as fully paid up bonus shares by capitalisation of surplus in the Profit and Loss Account.
- b) During the year, 8,753 equity shares have been issued under Employee Stock Option Plans.

SCHEDULE B:

RESERVES AND SURPLUS

1. SHARE PREMIUM ACCOUNT		
As per last Balance Sheet	103,650,000	<i>6,400,000</i>
Received During the Year	<u>742,240</u>	<u>97,250,000</u>
	104,392,240	<i>103,650,000</i>
2. GENERAL RESERVE		
As per last Balance Sheet	160,000	<i>160,000</i>
3. PROFIT AND LOSS ACCOUNT	<u>361,378,188</u>	<u>274,801,238</u>
TOTAL	<u><u>465,930,428</u></u>	<u><u>378,611,238</u></u>

SCHEDULE C:

SECURED LOANS

1. TERM LOANS FROM BANKS	-	<i>45,000,000</i>
Secured by hypothecation of the Company's movable fixed assets, both present and future and mortgage to be created on land and other immovable properties both present and future.		
TOTAL	<u><u>-</u></u>	<u><u>45,000,000</u></u>

SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2001

SCHEDULE D: FIXED ASSETS		Rupees										
		GROSS BLOCK				DEPRECIATION					NET BLOCK	
		As on 1-Apr-00	Additions	Deductions	As on 31-Mar-01	Upto 31-Mar-00	Write Back of Earlier Years	For the Year	On Deductions	Upto 31-Mar-01	As on 31-Mar-01	As on 31-Mar-00
Leasehold Land	7,052,500	8,416,955	—	15,469,455	64,327	—	90,131	—	154,458	15,314,997	6,988,173	
Buildings	62,099,149	35,640,249	—	97,739,398	517,493	344,650	2,854,108	—	3,026,951	94,712,447	61,581,656	
Leasehold Improvement	953,474	8,072,495	—	9,025,969	317,821	—	2,800,824	—	3,118,645	5,907,324	635,653	
Computers	73,190,611	21,796,262	2,159,650	92,827,223	38,706,058	(2,209,508)	19,368,415	1,809,932	58,474,049	34,353,174	34,484,553	
Technical Knowhow	4,160,000	—	4,160,000	—	4,160,000	—	—	4,160,000	—	—	—	
Electrical Installation	29,228,787	17,302,646	—	46,531,433	338,810	63,329	4,594,447	—	4,869,928	41,661,505	28,889,977	
Office Equipment	14,311,283	4,955,631	2,080,961	17,185,953	3,703,350	1,362,223	1,383,674	544,478	3,180,323	14,005,630	10,607,933	
Furniture and Fixtures	35,490,035	27,314,161	3,857,433	58,946,763	5,790,900	2,188,929	4,949,770	1,584,602	6,967,139	51,979,624	29,699,135	
Vehicles	740,895	1,275,551	—	2,016,446	434,482	227,469	127,381	—	334,394	1,682,052	306,413	
TOTAL	227,226,734	124,773,950	12,258,044	339,742,640	54,033,241	1,977,092	36,168,750	8,099,012	80,125,887	259,616,753		
<i>Previous Year</i>	<i>81,336,711</i>	<i>156,395,843</i>	<i>10,505,820</i>	<i>227,226,734</i>	<i>32,410,889</i>	<i>—</i>	<i>23,139,352</i>	<i>1,517,000</i>	<i>54,033,241</i>		<i>173,193,493</i>	
Capital Work-in-Progress											—	
											<i>27,905,928</i>	
										259,616,753	201,099,421	

**SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED
MARCH 31, 2001**

**SCHEDULE E:
INVESTMENTS**

<i>Previous Year Nos.</i>	<i>Current Year Nos.</i>		<i>Face Value Rs.</i>	<i>Rupees</i>	<i>Current Year Rupees</i>	<i>Previous Year Rupees</i>
1. IN UNITS OF MUTUAL FUNDS						
Current Investments (At lower of cost or market value)						
Quoted, Non Trade						
1,984,126	1,984,126	Alliance Liquid Income - Dividend Plan	10	20,000,000		20,000,000
1,982,160	996,306	Birla Income Plus - Dividend Plan	10	9,764,779		19,425,173
	1,509,054	<i>Purchased During the Year</i>				
	2,494,908	<i>Sold During the Year</i>				
1,464,128	703,093	Kothari Pioneer Income Builder Account - Monthly Dividend Plan	10	9,463,643		19,926,794
	761,035	<i>Sold During the Year</i>				
1,805,054	3,648,731	Prudential ICICI Income Plan - Dividend Option	10	37,217,045		18,393,502
	1,843,677	<i>Purchased During the Year</i>				
1,974,138	1,950,838	Kotak Mahindra K Bond Unit Scheme 1999 Wholesale Plan - Dividend Option	10	19,623,473		20,000,000
	965,624	<i>Purchased During the Year</i>				
	988,924	<i>Sold During the Year</i>				
949,667	949,667	Templeton India Income Fund - Dividend Option	10	10,000,000		10,000,000
-	1,116,071	DSP Merrill Lynch Bond Fund - Dividend Regular (purchased during the year)	10	11,852,679		-
-	921,914	HDFC Income Fund (purchased during the year)	10	9,323,315		-
-	467,532	ING Income Portfolio (purchased during the year)	10	4,722,077		-
-	3,780,895	Zurich India High Interest Fund - Regular Dividend Option (purchased during the year)	10	39,775,026		-
-	-	Prudential ICICI Liquid Plan - Dividend Option	10	-		-
	1,691,132	<i>Purchased During the Year</i>				
	2,046	<i>Dividend Re-invested</i>				
	1,693,178	<i>Sold During the Year</i>				
-	-	Kotak Mahindra K Gilt Unit Scheme 1998 Investment Plan - Dividend Option	10	-		-
	928,764	<i>Purchased During the Year</i>				
	928,764	<i>Sold During the Year</i>				
		Balance Carried Forward		171,742,037	-	107,745,469

**SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED
MARCH 31, 2001**

SCHEDULE E: INVESTMENTS (Contd.)

<i>Previous Year Nos.</i>	<i>Current Year Nos.</i>		<i>Face Value Rs.</i>	<i>Rupees</i>	<i>Current Year Rupees</i>	<i>Previous Year Rupees</i>
		Balance Brought Forward		171,742,037	-	107,745,469
-	-	Zurich India Liquidity Fund	10	-		-
		Savings Plan - Dividend				
	1,987,795	Purchased During the Year				
	2,870	Dividend Re-invested				
	1,990,665	Sold During the Year				
-	-	ING Treasury Portfolio of	10	-		-
		ING Savings Trust				
	1,391,112	Purchased During the Year				
	1,391,112	Sold During the Year				
-	-	IDBI Principal Cash	10	-		-
		Management Fund				
		- Money at Call				
		- Dividend Re-invest Daily				
	2,000,000	Purchased During the Year				
	8,474	Dividend Re-invested				
	2,008,474	Sold During the Year				
1,834,862	-	Sun F & C Money Value	10	-		18,403,670
		Fund - Dividend Option				
		(sold during the year)				
930,371	-	Tata Gilt Securities Fund	10	-		10,000,000
		- Regular Income Option				
		(sold during the year)				
872,098	-	Tata Liquid Fund	10	-		9,940,261
		- Dividend Option				
		(sold during the year)				
				171,742,037	146,089,400	
2. IN EQUITY SHARES OF SUBSIDIARY COMPANIES						
Long Term (At Cost)						
Unquoted, Trade						
50,000	50,000	No Par Value Common			2,041,500	2,041,500
		Shares of US\$ 1 each				
		in Geometric Software				
		Solutions, Inc. - a wholly				
		owned subsidiary com-				
		pany incorporated in				
		U.S.A.				
TOTAL BOOK VALUE OF INVESTMENTS				173,783,537	148,130,900	
Aggregate Book Value of Investments:						
Quoted				171,742,037	146,089,400	
Unquoted				2,041,500	2,041,500	
TOTAL				173,783,537	148,130,900	
Market Value of Quoted Investments				172,141,170	146,149,019	

**SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED
MARCH 31, 2001**

	Rupees	Current Year Rupees	Previous Year Rupees
SCHEDULE F:			
CURRENT ASSETS, LOANS AND ADVANCES			
1. SUNDRY DEBTORS			
(Unsecured - Considered good, unless otherwise stated)			
a) Debts outstanding for a period exceeding six months (Including doubtful debts Rs. 440,528 ; - previous year Rs. 551,019)	1,882,730		1,201,187
b) Other Debts	51,404,418		80,624,947
	<u>53,287,148</u>		<u>81,826,134</u>
c) Less : Provision for Doubtful Debts	440,528		551,019
		52,846,620	<u>81,275,115</u>
2. CASH AND BANK BALANCES			
a) Cash in Hand	94,677		48,858
b) Balances with Scheduled Banks			
- in Current Accounts	22,690,645		8,207,235
- in Cash Credit Accounts	255,663		22,877,265
- in Fixed Deposit Account	474,529		20,476,291
		23,515,514	<u>51,609,649</u>
3. OTHER CURRENT ASSETS			
a) Accrued Interest		112,561	1,842,693
4. LOANS AND ADVANCES			
(Unsecured - considered good)			
a) Loan to Subsidiary	13,893,000		13,041,000
b) Advances recoverable in cash or in kind or for value to be received.	17,618,428		15,765,979
c) Inter-corporate Deposits	15,000,000		20,000,000
d) Sundry Deposits	3,813,551		4,662,984
e) Advance Payment of Taxes	99,048,749		96,933,657
		<u>149,373,728</u>	<u>150,403,620</u>
TOTAL		<u><u>225,848,423</u></u>	<u><u>285,131,077</u></u>
SCHEDULE G:			
CURRENT LIABILITIES AND PROVISIONS			
1. CURRENT LIABILITIES			
a) Sundry Creditors			
- Small Scale Industrial Undertakings	-		-
- Others	5,682,829		18,738,046
b) Advances and Deposits	853,936		-
c) Unclaimed Dividends	14,907		11,690
d) Other Current Liabilities	39,518,841		44,425,179
		46,070,513	<u>63,174,915</u>
2. PROVISIONS			
a) For Taxation	92,881,590		93,309,235
b) For Proposed Dividend	1,573,126		1,570,500
c) For Tax on Dividend	355,526		345,510
		<u>94,810,242</u>	<u>95,225,245</u>
TOTAL		<u><u>140,880,755</u></u>	<u><u>158,400,160</u></u>

**SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED
MARCH 31, 2001**

	Current Year Rupees	Previous Year Rupees
SCHEDULE H: OTHER INCOME		
1. Dividend from Mutual Funds	14,058,186	4,798,094
2. Gain on Exchange Fluctuations (Net)	3,880,313	308,729
3. Interest On Advances and Deposits (Gross) (Tax Deducted at Source Rs. 144,349; previous year Rs. 1,138,160)	1,689,929	5,201,512
4. Export Incentive	-	2,260,000
5. Provision for Doubtful Debts Written Back	110,491	535,563
6. Miscellaneous Income	736,430	1,537,203
TOTAL	20,475,349	14,641,101

**SCHEDULE I:
OPERATING AND OTHER EXPENSES**

1. Personnel Expenses:		
Salaries, Bonus, Gratuity and Allowances	151,687,240	108,057,144
Staff Welfare Expenses	13,142,386	6,663,182
2. Consumption of Software Packages and Tools	7,666,383	10,710,779
3. Electricity Expenses	8,893,165	5,453,642
4. Rates and Taxes	371,275	861,510
5. Rent	9,492,000	10,220,679
6. Repairs and Maintenance:		
a) Computers	1,812,704	1,577,278
b) Others	2,497,406	1,496,825
	4,310,110	3,074,103
7. Insurance	2,833,400	2,604,772
8. Travelling Expenses	34,086,983	26,270,102
9. Conveyance Expenses	4,036,756	3,899,864
10. Communication Expenses	12,262,829	7,658,523
11. Auditors Remuneration	978,903	563,391
12. Advertising and Publicity	3,670,388	1,303,862
13. Staff Recruitment Expenses	4,866,823	2,537,470
14. Bad Debts Written Off	6,696,806	175,296
15. Royalty	854,601	-
16. Donations	234,867	210,966
17. Legal and Professional Charges	9,982,558	6,501,327
18. Sales and Marketing Expenses (Net of Reimbursements)	65,175,665	23,313,596
19. Commission to Non Executive Directors	450,000	-
20. Loss on Sale of Fixed Assets (Net)	1,444,333	39,296
21. Loss / (Profit) on Sale of Investments (Net)	776,579	(378,060)
22. Diminution in Value of Investments	3,452,537	3,910,600
23. Miscellaneous Expenses	3,783,444	5,777,630
TOTAL	351,150,031	229,429,674

**SCHEDULES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED
MARCH 31, 2001**

	Rupees	Current Year Rupees	Previous Year Rupees
SCHEDULE J:			
INTEREST			
1. Interest on Fixed Loans From Banks		157,152	294,263
2. Interest on Other Loans From Banks		-	8,573
3. Other Interest		16,066	187,160
TOTAL		173,218	489,996

SCHEDULE K:			
EXTRAORDINARY ITEMS			
1. Interest Earned on Public Issue Funds (Tax Deducted at Source Rs. 1,650,000; previous year Rs. 52,112,185)		7,500,000	236,873,562
Less: Public Issue Expenses		-	(23,596,384)
2. Excess Depreciation of Earlier Years Written Back		1,977,092	-
3. Prepayment Charges on Bank Loan		(2,125,000)	-
TOTAL		7,352,092	213,277,178

SCHEDULE L: NOTES TO ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Accounting:

The financial statements have been prepared on accrual basis under the historical cost convention, in conformity in all material aspects with the generally accepted accounting principles in India, the Accounting Standards issued by the Institute of Chartered Accountants of India and the requirements of the Companies Act, 1956.

b) Fixed Assets and Depreciation:

Fixed Assets are stated at cost less accumulated depreciation. Cost includes all expenses related to acquisition and installation of the concerned assets and any attributable cost of bringing the asset to the condition of its intended use.

Direct financing cost incurred during the construction period on major projects is also capitalised. Exchange differences on repayment and year end translation of foreign currency liabilities relating to acquisition of fixed assets is adjusted to the carrying cost of the respective assets.

Depreciation is provided under the straight line method, based on useful lives of assets as estimated by the Management. Depreciation is charged on a pro-rata basis for assets purchased / sold during the year. Leasehold assets are amortised over the period of the lease. The Management's estimate of useful lives for various fixed assets is as under:

Asset	Useful Life Of Asset In Years
Buildings	28
Computers	3
Electrical Installation	8
Office Equipment	13
Furniture and Fixtures	10
Vehicles	10

- c) **Investments:**
Long term investments are carried at cost. Provision for diminution, if any, in the value of each long term investment is made to recognise a decline, other than that of a temporary nature.
Current investments intended to be held for less than one year are stated at the lower of cost and market value.
- d) **Foreign Exchange Transactions:**
Transactions in foreign currency are recorded at the exchange rates prevailing on the date of the transaction. Assets and liabilities related to foreign currency transactions, remaining unsettled at the year end, are stated at the contracted rates, when covered under forward foreign exchange contracts and at year end rates in other cases. The premium payable on forward foreign exchange contracts is amortised over the period of the contract. Exchange gains/losses are recognised in the Profit and Loss Account except in respect of liabilities incurred to acquire fixed assets in which case they are adjusted to the carrying amount of such fixed assets.
- e) **Revenue Recognition:**
Income is recognised on completion of contracts or at stages as per the applicable terms and conditions agreed with the customers and when the deliverables are despatched to customers. Revenue from sale of traded software products and software upgradation fee is recognised when the sale has been completed with the passing of the title. Revenue from software upgradation fees on software developed by the Company is recognised over the period for which it is received.
- f) **Software Tools Purchased:**
The cost of software purchased for use in software development is charged to the Profit and Loss Account in the year in which it is incurred.
- g) **Research and Development Expenditure:**
Expenditure on in-house development of software is charged to the Profit and Loss Account in the year in which it is incurred.
- h) **Warranty Obligations:**
In respect of products sold by the Company which carry a specified warranty, future costs that will be incurred by the Company in carrying out its obligations are estimated and accounted for on accrual basis.
- i) **Retirement Benefits:**
The employees of the Company do not come under the purview of the Employee's Provident Funds Scheme, 1952.
The Company has maintained a Group Gratuity Cum Life Assurance Scheme through a Master Policy with the Life Insurance Corporation of India towards which annual premiums are paid and charged against revenue.
The Company has maintained a Group Superannuation Scheme for its senior executives through a Master Policy with the Life Insurance Corporation of India towards which monthly premiums are paid and charged against revenue.
The provision for leave encashment is made as per the Company's rules for all eligible employees, on the basis of an actuarial valuation.
2. **CONTINGENT LIABILITIES**
- a) Guarantees given by the Company's bankers against counter guarantees given by the Company Rs. 6,940,000 (previous year Rs. 8,205,791).
- b) Claims against the Company not acknowledged as debt up to Rs. 3,375,000 (previous year Rs. NIL)
3. **CAPITAL COMMITMENTS**
Estimated amount of contracts remaining to be executed on capital account to the extent not provided for Rs. 3,558,640 (previous year Rs. 4,381,921).
4. **FIXED ASSETS AND DEPRECIATION**
On Account of the large investment in fixed assets made by the Company in setting up its own software development facility at Hinjwadi, Pune, the Company has changed the accounting policy in respect of depreciation from the written down value method to the straight line method. The straight line method of depreciation adopted by the Company is in line with industry practices and considering asset life on a realistic basis. In view of the aforesaid change in the accounting policy, the depreciation charge for the year under review is not comparable with the previous year's figure.

In accordance with Accounting Standard AS-6 on "Depreciation Accounting", depreciation has been recalculated under the straight line method from the date of the asset coming into use. The surplus arising from such retrospective recomputation of depreciation amounting to Rs. 1,977,092 has been adjusted in the accounts for the year and has been disclosed under Extraordinary Items in the Profit and Loss Account. Had there been no change in the method of computing depreciation, the depreciation charge for the year would have been higher by Rs. 10,313,007, the loss on sale of assets during the year would have been lower by Rs. 620,026 and the profit for the year would have been lower by Rs. 9,692,981. Consequent to the change, the Net Block of Fixed Assets and also Reserves and Surplus as at the end of the year are higher by Rs. 11,670,073.

5. EMPLOYEE STOCK OPTIONS

The current position of these schemes is summarized as under:

	Particulars	Scheme I Nos.	Scheme II Nos.	Scheme III Nos.
1.	Details of the meeting	Extra-ordinary General Meeting (June 4, 1999)	Extra-ordinary General Meeting (September 21, 1999)	Annual General Meeting (July 14, 2000)
2.	Approved	57,000 (Increased to 142,5000 Post Bonus Issue)	3,00,000	30,000
3.	Price per option	US \$ 3 (Reduced to US \$ 1.20 post Bonus Issue)	Rs. 150/- (pre IPO Rs. 300/- (post IPO but pre listing) NSE market price (post listing)	National Stock Exchange (NSE) market price
4.	Granted	142,500	279,676	6,000
5.	Vested	44,532	45,291	—
6.	Exercised during the year	5,000	3,753	—
7.	Forfeited/Surrendered	97,968	48,774	—
8.	Vested and Unexercised	39,532	41,538	—
9.	Vesting Schedule:	35,625 options to vest on May 1, 2000 and the balance in 12 equal installments at the end of every quarter thereafter, ending on May 1, 2003.	The options are to be granted in quarterly tranches starting from October 1999. The options so granted shall vest in 4 equal annual installments beginning one year after the date of grant.	The options granted shall vest one year after the date of grant and will be convertible in three tranches between one and three years from the grant.

In the event of any further rights or 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 options 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.

6. LIABILITIES

There are no parties which can be classified as small scale industrial undertakings to whom the Company owes a sum exceeding Rs. 1 Lac which is outstanding for more than thirty days. The Auditors have accepted the representation of the Management in this matter in the absence of a database identifying the creditors which are small scale industrial undertakings.

	Current Rupees	Previous Year Rupees	Year Rupees
7. COMPUTATION OF PROFITS UNDER SECTION 349 OF THE COMPANIES ACT, 1956.			
Profit before Extraordinary Items and Taxes as per Profit and Loss Account		81,723,758	80,538,793
Add:			
Depreciation as per Accounts	36,168,750		23,139,352

	Rupees	Current Year Rupees	Previous Year Rupees
Remuneration to Directors		2,858,371	1,994,101
Loss on Sale of Assets (Net)		1,444,333	39,296
Loss on Sale of Investments (Net)		776,579	-
Diminution in Value of Current Investments		3,452,537	3,910,600
		<u>44,700,570</u>	<u>29,083,349</u>
		126,424,328	109,622,142
Less:			
Depreciation under section 350 of the Companies Act, 1956	36,168,750		23,139,352
Profit on Sale of Investments (Net)	-		378,060
Provision for Doubtful Debts Written Back	<u>110,491</u>		<u>535,563</u>
		<u>36,279,241</u>	<u>24,052,975</u>
Eligible Profits		<u><u>90,145,087</u></u>	<u><u>85,569,167</u></u>
Maximum remuneration payable to the Managing Director @ 5% of Eligible Profit as per section 198 read with Schedule XIII of the Companies Act, 1956.		4,507,254	4,278,458
Maximum commission payable to the Managing Director @ 5% of the incremental net profits or 1% of total net profits whichever is higher.		901,451	1,629,671
Commission to be Paid		-	800,000
Maximum remuneration payable to the Non-Executive Directors @ 1% of Eligible Profit as per section 198 read with Schedule XIII of the Companies Act, 1956.		901,451	-
Commission Payable to Non-Executive Directors		450,000	-
8. MANAGERIAL REMUNERATION			
a) Managing Director's Salary and Allowances		2,408,371	1,194,101
b) Commission to Managing Director		-	800,000
c) Commission to Non-Executive Directors		450,000	-
		<u>2,858,371</u>	<u>1,994,101</u>
<p>The clause on commission payable to the Managing Director, as authorised by the Company in the Extraordinary General Meeting held on December 30, 1999, is proposed to be amended at the ensuing Annual General Meeting of the Company. Pending the approval of the aforesaid amendment by the members, no provision has been made in the accounts for commission payable to the Managing Director for the year ended March 31, 2001.</p>			
9. AUDITOR'S REMUNERATION			
a) Audit Fees		472,500	367,500
b) Taxation Matters		150,000	-
c) In Other Capacity			
- Tax Audit Fees	107,500		105,000
- Certification and Other Matters	241,250		87,575
- Reimbursement of Expenses	<u>7,653</u>		<u>3,316</u>
		<u>356,403</u>	<u>195,891</u>
TOTAL		<u><u>978,903</u></u>	<u><u>563,391</u></u>

	Rupees	Current Year Rupees	Previous Year Rupees
10. VALUE OF IMPORTS ON C.I.F. BASIS			
a) Software Packages and Software Tools		4,247,132	8,467,658
b) Capital Goods		18,783,256	15,204,726
TOTAL		23,030,388	23,672,384
11. EXPENDITURE IN FOREIGN CURRENCY			
a) Travel Expenses		20,639,808	15,131,823
b) Professional Fees		5,758,442	1,608,081
c) Sales and Marketing Expenses		65,175,665	23,466,461
d) Exhibition Expenses		2,667,175	870,989
e) Royalty		854,601	-
f) Others		237,041	-
TOTAL		95,332,732	41,077,354
12. EARNINGS IN FOREIGN EXCHANGE			
a) Income from Software Development and Sale of Software		414,823,225	307,763,130
b) Interest		991,047	364,353
c) Others		33,527,184	10,623,436
TOTAL		449,341,456	318,750,919
13. REMITTANCE OF DIVIDEND			
a) Number of non-resident shareholders		3	3
b) Number of shares held (Equity shares of Rs. 10 each)		865,000	496,000
c) Dividend Remitted (Net of Corporate Dividend Tax)		259,500	148,800
14. The corporate tax on proposed dividend and surcharge thereon has been provided at the prevailing tax and surcharge rates. However, actual amounts can be lower as and when the Finance Bill, 2001, gets passed. In such an event, excess provision will be credited to the Profit and Loss Account next year as part of appropriation.			
15. GENERAL			
a) Figures for the previous year have been regrouped / restated wherever necessary.			
b) Other information under Schedule VI of the Companies Act, 1956, to the extent not applicable has not been given.			

**ADDITIONAL INFORMATION AS REQUIRED UNDER PART IV
TO THE COMPANIES ACT, 1956**

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I) Registration Details:	(Rupees in Thousand)
Registration No.	: 77342
State Code	: 11
Balance Sheet Date	: March 31, 2001
II) Capital Raised During the Year: (Amount in Rs. Thousand)	
Public Issue	: NIL
Right Issue	: NIL
Bonus Issue	: NIL
Private Placement	: NIL
Employee Stock Options	: 87.53
III) Position of Mobilisation and Deployment of Funds: (Amount in Rs. Thousand)	
Total Liabilities	: 518,368
Total Assets	: 518,368
Sources of Funds	
Paid-up Capital	: 52,438
Reserves and Surplus	: 465,930
Secured Loans	: -
Unsecured Loans	: -
Application of Funds	
Net Fixed Assets	: 259,617
Investments	: 173,784
Net Current Assets	: 84,968
Misc. Expenditure	: -
Accumulated Losses	: -
IV) Performance Of The Company: (Amount in Rs. Thousand)	
Turnover	: 469,216
Total Expenditure	: 387,492
Profit Before Tax	: 81,724
Extraordinary Items	: 7,352
Provision for Taxation	: -
Profit After Tax	: 89,076
Earning Per Share of Rs. 10 each (in Rs.)	: 16.99
Dividend Rate %	: 3%
V) Generic Names Of 3 Principal Products / Services of Company: (As per monetary terms)	
a) Item Code No. (ITC Code)	: 85249904.10
Product Description	: Computer Software

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2001

	Rupees	Current Year Rupees	Previous Year Rupees
A. CASH FLOW FROM OPERATING ACTIVITIES:			
Net Profit Before Tax and Extraordinary Items		81,723,758	80,538,793
Adjustment for:			
Depreciation	36,168,750		23,139,352
Unrealised Foreign Exchange (Gain)/ Loss- Net	(577,058)		111,808
Interest Paid	173,218		489,996
Interest Earned	(1,689,929)		(5,201,512)
Loss on Sale of Fixed Assets	1,444,333		39,296
Loss / (Profit) on Sale of Investments	776,579		(378,060)
Diminution in Value of Investments	3,452,537		3,910,600
Dividend Received	(14,058,186)		(4,798,094)
(Including Rs. 137,751 Reinvested; previous year NIL)			
		<u>25,690,244</u>	<u>17,313,386</u>
Operating Profit Before Working Capital Changes		<u>107,414,002</u>	<u>97,852,179</u>
Adjustments for:			
Trade and Other Receivables	27,150,537		(54,238,781)
Trade Payables	(17,107,619)		37,949,022
		<u>10,042,918</u>	<u>(16,289,759)</u>
Cash Generated from Operations		<u>117,456,920</u>	<u>81,562,420</u>
Adjustment for Direct Taxes		(2,542,737)	(3,256,773)
Cash flow before Prior Year Adjustments		<u>114,914,183</u>	<u>78,305,647</u>
Tax Adjustments in Respect of Previous Years		(570,248)	-
Net Cash Flow from Operating Activities		<u>114,343,935</u>	<u>78,305,647</u>
B. CASH FLOW FROM INVESTING ACTIVITIES:			
Purchase of Fixed Assets	(96,868,022)		(177,400,499)
Sale of Fixed Assets	2,714,699		8,949,524
Purchase of Investments	(197,693,228)		(215,000,000)
(Including Rs. 137,751 Dividend Reinvested - previous year NIL)			
Sale of Investments	167,811,475		80,516,702
Loan to Subsidiary	-		(13,071,500)
Intercompany Deposits Refund/(Placed)	5,000,000		(7,500,000)
Interest Received	3,420,061		5,201,512
Dividend Received	14,058,186		4,798,094
(Including Rs. 137,751 Reinvested; previous year NIL)			
Interest Received on Deployment of			
Public Issue Collections	7,500,000		236,873,562
Direct Taxes Paid Thereon	-		(91,200,000)
Net Cash Used in Investing Activities		<u>(94,056,829)</u>	<u>(167,832,605)</u>
Balance carried forward		<u>20,287,106</u>	<u>(89,526,958)</u>

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2001

	Current Year Rupees	Previous Year Rupees
<i>Balance Brought Forward</i>	20,287,106	(89,526,958)
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from Issue of Share Capital/ESOP Exercised	829,770	102,100,000
Expenses on Issue of Share Capital	-	(23,596,384)
Proceeds from Borrowings	-	45,000,000
Repayment of Borrowings	(45,000,000)	-
Interest Paid	(173,218)	(489,996)
Dividend Paid	(1,567,283)	(560,535)
Dividend Tax Paid	(345,510)	(55,677)
Loan Prepayment Premium	(2,125,000)	-
Net Cash Used / Raised in Financing Activities	(48,381,241)	122,397,408
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS:	(28,094,135)	32,870,450
CASH AND CASH EQUIVALENTS AS AT THE BEGINNING OF THE YEAR		
Cash and Bank Balances	51,609,649	18,624,553
CASH AND CASH EQUIVALENTS AS AT THE END OF THE YEAR		
Cash and Bank Balances	23,515,514	51,495,003
Add:		
Unrealised Foreign Exchange Restatement in Cash and Cash Equivalents	7,811	114,646
Cash and Cash Equivalents as per Accounts	23,523,325	51,609,649
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS:	(28,094,135)	32,870,450

For and on behalf of the Board

B. P. Bhargawe Company Secretary	J. N. Godrej Chairman	Manu Parpia Managing Director	K. A. Palia Director
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We have examined the attached Cash Flow Statement of GEOMETRIC SOFTWARE SOLUTIONS COMPANY LIMITED for the year ended March 31, 2001. 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 of the Company covered by our report of even date to the members of the Company.

For and on behalf of
Kalyaniwalla & Mistry
Chartered Accounts

Darius Z. Musa
Partner

April 18, 2001.

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

- A. Name of the Subsidiary : Geometric Software Solutions, Inc.
- B. "Financial Year" of the Subsidiary : 31st March, 2001
ended on
- C. The Company's interest in the Subsidiary:
on the aforesaid date
- a) No. of Shares held : The Company held the entire Common
Stock of the aggregate value of
US\$ 50,000
- b) Face Value per share : Common Stock — No face value
- c) Extent of holding : 100%
- D. The net aggregate of Profits/(Losses) of : US\$
the Subsidiary so far as it concerns the
members of the Company:
- a) Not Dealt with in the accounts of the Company,
amounted to:
- | | |
|---|-----------|
| 1. For the Subsidiary's Financial
year ended as in "B" above | 145,641 |
| 2. For the previous Financial years
Of the Subsidiary since it became
the Company' Subsidiary | (125,532) |
- b) Dealt with in the accounts of the
Company amounted to:
- | | |
|--|-----|
| 1. For the Subsidiary's Financial
year ended as in "B" above | Nil |
| 2. For the previous Financial
Years of the Subidiary since
it became the Company's
Subsidiary | Nil |

For and on behalf of the Board

Date : April 18, 2001

J.N. GODREJ
Chairman

MANU PARPIA
Managing Director

DR. K. A. PALIA
Director

RATIO ANALYSIS FOR THE YEAR ENDED MARCH 31, 2001

Ratios - Financial performance	2001	2,000
Export turnover / Total turnover (%)	95.55	95.44
Domestic turnover / Total turnover (%)	0.08	0.17
Other Income / Total turnover (%)	4.36	4.39
Manpower costs / total turnover (%)	35.13	34.39
Administration expenses / Total turnover (%)	33.15	24.73
Operating expenses / Total turnover (%)	74.84	68.77
Interest / Total turnover (%)	0.04	0.15
Depreciation / Total turnover (%)	7.71	6.94
Ordinary Profit / Total turnover (%)	17.42	24.14
Ordinary Profit / Average net worth (%)	17.22	28.79
ROCE (PBIT / Average capital employed) (%)	16.47	26.81
Capital Output ratio	0.94	1.10
Value-added / Total Turnover (%)	52.58	59.08
Ratios - Balance Sheet		
Debt-Equity Ratio	-	0.10
Debtors turnover (Days)	43	93
Current Ratio	1.60	1.80
Cash and equivalents / Total assets (%)	4.54	10.84
Depreciation for the year / Average gross block (%)	12.76	13.48
Ratios - Growth		
Growth in export turnover (%)	40.82	64.54
Growth in total turnover (%)	40.65	62.23
Operating expenses growth (%)	53.05	65.00
Operating profit growth (%)	1.06	59.96
Ordinary Profit growth (%)	1.47	57.83
Per - Share data		
Basic Earnings Rs.	16.99	38.63
Cash Earnings (Basic) Rs.	23.89	43.05
Dividend (%)	3.00	3.00
Dividend per share (Rs.)	0.30	0.30
Book value (Rs.)	98.85	82.32
Dividend payout (%)	2.16	0.95
Total Turnover	469.22	333.60
Export Turnover	448.35	318.38
Domestic Turnover	0.39	0.57
Other Income	20.48	14.64
Manpower Costs	164.83	114.72
Administration Expenses	155.53	82.50
Operating Expenses	351.15	229.43
Interest Cost	0.17	0.49
Depreciation	36.17	23.14
Ordinary Profit	81.72	80.54
Average Network	474.67	279.76
Network	518.37	430.96
PBIT	81.89	81.03
Average Capital Employed	497.17	302.26
Value Added	246.72	197.11
Debt	-	45.00
Receivables	52.85	81.28
Current Assets	225.85	285.13
Current Liabilities	140.88	158.40
Cash and Equivalents	23.52	51.61
Average Gross Block	283.48	171.69
Equity Capital	52.44	52.35
Total Assets	518.37	475.96
Dividend Amount (Incl Tax)	1.93	1.92
Retained Earnings (Including Extraordinary Items)	87.16	200.30
PAT	89.08	202.22

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 31,2001. 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 31,2001		As of March 31,2000	
	No. of employees	Value of human resources (Rs. In Millions)	No. of employees	Value of human resources (Rs. In Millions)
Production	312		231	
Support - Technical	12		8	
- Others	34	32		
Total				
Number of employees	358		271	
Value of human resources		1,190.80		986.05
Total turnover		469.22		333.60
Software revenue		448.74		318.38
Employee cost		164.83		114.72
Value -added		246.72		197.11
Net profits excluding extraordinary income		81.72		80.54
-Total turnover / human resources value (ratio)		0.39		0.34
-value-added / human resources value (ratio)		0.21		0.20
HRV per employee		3.33		3.64
Employee cost / human resources value (%)		13.84		11.63
Return on human resources value (%)		6.86		8.17
Value-added statement (Rs. In Millions)				
Year ended March 31		2001		2000
Total income		469.22		333.60
Less :				
Software development expenses (other than employee costs)		66.96		53.99
Administration expenses (other than provisions)		155.53		82.50
Subtotal		222.49		136.49
Total value-added		246.72		197.11
Applied to meet				
Employee costs		164.83		114.72
Other provisions		-		0.82
Dividends (Incl. Tax)		1.93		1.92
Interest payments		0.17		0.49
Retained in business		79.79		79.16
		246.72		197.11

* Note :- Extraordinary Items have not been considered for the above purpose





GEOMETRIC SOFTWARE SOLUTIONS, INC.

ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2001.

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DIRECTORS' REPORT

TO THE MEMBERS

The Directors hereby present the Fourth 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 1,370,514 which resulted in a net profit of USD 145,641.

2. SHARE CAPITAL

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

3. LOAN

The loan upto USD 3,00,000 taken from parent Company for meeting urgent cash requirements to fund its growing operations is renewed upto June 30, 2003.

4. DIVIDENDS

The Directors' do not recommend payment of any dividend.

5. 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.

April 17, 2001

By order of the Board
Manu Parpia

Independent Auditors' Report

To the Board of Directors and Stockholder
Geometric Software Solutions, Inc.
Nashua, New Hampshire

We have audited the accompanying balance sheets of Geometric Software Solutions, Inc. (a wholly owned subsidiary of Geometric Software Solutions, Co. Ltd.) as of March 31, 2001 and 2000 and the related statements of operations and retained earnings and cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. 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, we 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, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Boston, Massachusetts
April 17, 2001



GEOMETRIC SOFTWARE SOLUTIONS, INC.

(A wholly owned subsidiary of Geometric Software Solutions, Co. Ltd.)

BALANCE SHEETS MARCH 31, 2001 AND 2000

	<u>2001</u>	<u>2000</u>
Assets		
Current Assets		
Cash	\$ 160,173	\$ 146,541
Accounts receivable, trade, less allowance for doubtful accounts of \$4,577 in 2001	57,902	42,009
Due from parent company	169,061	94,581
Loans to employees	23,307	19,332
Prepaid expense	2,774	2,774
Deferred income tax	6,090	—
Total current assets	<u>419,307</u>	<u>305,237</u>
Property, Plant and Equipment		
Equipment	49,638	13,857
Less accumulated depreciation	8,703	2,079
Total property, plant and equipment	<u>40,935</u>	<u>11,778</u>
Other Assets		
Security deposit	2,774	2,774
Total Assets	<u>\$ 463,016</u>	<u>\$ 319,789</u>
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	\$ 35,460	\$ 12,877
Accrued wages and payroll taxes	44,823	80,036
Note payable to parent company	300,000	300,000
Income taxes	10,216	-
Total current liabilities	<u>390,499</u>	<u>392,913</u>
Commitments		
Stockholder's Equity (Deficiency)		
Common stock, no par value, 50,000 shares authorized, issued and outstanding	50,000	50,000
Retained earnings (accumulated deficit)	22,517	(123,124)
Total stockholder's equity (deficiency)	<u>72,517</u>	<u>(73,124)</u>
Total Liabilities and Stockholder's Equity	<u>\$ 463,016</u>	<u>\$ 319,789</u>

GEOMETRIC SOFTWARE SOLUTIONS, INC.

(A wholly owned subsidiary of Geometric Software Solutions, Co. Ltd.)

STATEMENTS OF OPERATIONS AND RETAINED EARNINGS YEARS ENDED MARCH 31, 2001 AND 2000

	2001	2000
Sales		
Compensation for services from parent company	\$ 1,187,015	\$ 695,768
Other consulting services	183,499	139,109
Total sales	1,370,514	834,877
Expenses		
Salaries	835,640	457,654
Payroll taxes	56,990	31,975
Medical insurance	58,707	23,601
Professional fees	61,588	57,974
State excise tax and other filing fees	646	576
Licenses, permits and registrations	1,947	425
Depreciation	6,624	2,079
Bank service charges	309	193
Dues and subscriptions	656	808
Other insurance	1,539	928
Office supplies	7,461	3,649
Interest expense - parent company	21,679	8,370
Miscellaneous	343	359
Conferences and meetings	11,108	1,379
Printing	—	2,760
Internet listing	3,272	—
Bad debt expense	4,577	—
Advertising	747	—
Contract labor	351	—
Rent	30,511	—
Postage and freight	2,398	—
Telephone and data services	31,581	16,555
Vehicle mileage reimbursement	3,149	3,245
Travel	77,770	50,081
Entertainment	1,154	481
Overhead expenses charged by parent company	—	297,317
Total expenses	1,220,747	960,409
Income (Loss) before Income Taxes	149,767	(125,532)
Income Taxes	4,126	—
Net Income (Loss)	145,641	(125,532)
Retained Earnings(Accumulated Deficit), Beginning of Year	(123,124)	2,408
Retained Earnings (Accumulated Deficit), End of Year	\$ 22,517	\$ (123,124)



GEOMETRIC SOFTWARE SOLUTIONS, INC.

(A wholly owned subsidiary of Geometric Software Solutions, Co. Ltd.)

STATEMENTS OF CASH FLOWS YEARS ENDED MARCH 31, 2001 AND 2000

	<u>2001</u>	<u>2000</u>
Cash Flows from Operating Activities		
Net income (loss)	\$ 145,641	\$ (125,532)
Adjustments to reconcile net income (loss) to net cash provided (used) for operating activities:		
Depreciation	6,624	2,079
(Increase) decrease in deferred income tax	(6,090)	—
(Increase) decrease in accounts receivable	(15,893)	19,183
(Increase) decrease in balance due from parent company (94,581)		(74,480)
(Increase) decrease in prepaid expenses and deposits	—	(5,548)
Increase (decrease) in income taxes	10,216	-
Increase (decrease) in accounts payable and accrued expenses	22,583	7,686
Increase (decrease) in accrued wages	(35,213)	74,782
Net cash provided (used) for operating activities	<u>53,388</u>	<u>(121,931)</u>
Cash Flows from Investing Activities		
Acquisition of property, plant and equipment	(35,781)	(13,857)
Loans to employees	(3,975)	(19,332)
Net cash used for investing activities	<u>(39,756)</u>	<u>(33,189)</u>
Cash Flows from Financing Activities		
Borrowed from parent company	—	300,000
Increase in Cash	13,632	144,880
Cash at Beginning of Year	146,541	1,661
Cash at End of Year	<u>\$ 160,173</u>	<u>\$ 146,541</u>
Supplemental Disclosures of Cash Flow Information		
Cash paid for income taxes	<u>\$ —</u>	<u>\$ 882</u>

GEOMETRIC SOFTWARE SOLUTIONS, INC.

(A wholly owned subsidiary of Geometric Software Solutions, Ltd.)

Notes to Financial Statements March 31, 2001 and 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 sells and promotes software products developed by its Parent. The Parent compensates the Company for these at an amount equal to 107 ½ percent of the Company's cost in providing the service. The Company is also a software consultant for other customers.

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 accounting principles generally accepted in the United States.

Basis of Accounting

The accompanying financial statements were prepared on the 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.

Use 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 those estimates.

Bad Debts

The Company provides an allowance for doubtful accounts for all accounts receivable over six months old. If such a receivable is subsequently collected, it is recognized and identified in the statement of operations as a recovery of an account receivable previously written off.

Property and Equipment

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

Advertising Costs

The Company expenses advertising costs as incurred.

Note C - Concentration of Credit Risks

The Company's revenue is earned from sales throughout the world 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, 2001, the Company's cash balance exceeded federally insured amounts by \$60,173.

Note D - Note Payable to Parent Company

The Company has a loan agreement with its parent company, which provides for up to \$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, 2001 and 2000, \$300,000 is owed to the parent company. Interest expense for the years ended March 31, 2001 and 2000 was \$21,679 and \$8,370 respectively, and such interest is credited to the amount due from its parent company.



Note E - Major Customers

During the years ended March 31, 2001 and 2000, the Company derived the majority of its revenue from the compensation for services for its Parent. Compensation earned from the parent company for the years ended March 31, 2001 and 2000 was \$1,187,015 and \$695,768 respectively.

Revenue recognized from consulting services to non-affiliates for the year ending March 31, 2001 was \$183,499 and was received from six customers, the largest of which was \$108,288.

Geometric Software Solutions, Inc.

(A wholly owned subsidiary of Geometric Software Solutions, Co. Ltd.)

Note F - Lease Commitment

The Company entered into a noncancelable 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
2002	\$ 33,288
2003	33,288
2004	2,774
	\$ 69,350

Note G - Income Taxes

The components of income tax expense for the year ended March 31, 2001 were as follows:

Current

Federal	\$ 40,120
State	15,958
	56,078

Less tax benefit of operating loss carryforwards:

Federal	(34,034)
State	(11,828)

Total Current	10,216
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Deferred

Less deferred tax asset resulting from timing differences of bad debt expense and vacation expense	(6,090)
--	----------

for income tax and financial statement purposes	\$ 4,126
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CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
AND AS OF MARCH 31, 2000 – 2001
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 consolidated financial statements and related information that appears in this annual report for the years ended March 31, 2001, March 31, 2000 and March 31, 1999. The management believes that the consolidated financial statements fairly reflect the form and substance of transactions, and reasonably present the Company's consolidated financial condition and results of operations in conformity with United States Generally Accepted Accounting Principles. The management has included, in the Company's consolidated 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 18, 2001

Independent Auditors' Report

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

We have audited the accompanying balance sheets of Geometric Software Solutions Company Limited ("the Company") as of March 31, 2001 and March 31, 2000 and the related statements of income, stockholders' equity and cash flows for each of the years in the three-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. ("the Subsidiary") 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Geometric Software Solutions Company Limited and its Subsidiary as of March 31, 2001 and March 31, 2000, and the results of their operations and their cash flows for each of the years in the three year period ended March 31, 2001, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 2 to the consolidated financial statements, effective April 1, 2000, the Company changed its method of accounting for depreciation of Property, Plant and Equipment.

KALYANIWALLA & MISTRY
Chartered Accountants

Place : Mumbai
Dated : April 18, 2001

Consolidated Balance Sheets as at :

	March 31, 2001	(in \$) March 31, 2000
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	667,958	1,327,540
Trade accounts receivable, net of allowances	1,199,051	1,901,851
Investments (Available for sale)	3,717,149	3,344,371
Prepaid expenses and other current assets	731,505	1,015,005
Prepaid income taxes	2,138,820	2,255,919
Total current assets	8,454,483	9,844,686
Property, plant and equipment - net	5,646,997	4,613,595
Deferred tax assets	(888)	(4,094)
Other assets	85,125	109,478
TOTAL ASSETS	14,185,717	14,563,665

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts payable	158,174	441,665
Borrowings - Short Term	-	1,029,748
Other accrued liabilities	787,846	1,045,894
Unclaimed Dividend	322	268
Income taxes payable	2,015,865	2,135,223
Total current liabilities	2,962,207	4,652,798

STOCKHOLDERS' EQUITY

Common Stock, \$0.23 par value :		
Authorized - 7,000,000		
Issued and outstanding - 5,243,753	1,260,742	1,258,852
Additional paid-in-capital	2,403,126	2,387,098
Retained Earnings	8,397,788	6,516,965
Accumulated other comprehensive income	(838,146)	(252,047)
Total stockholders' equity	11,223,510	9,910,868
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	14,185,717	14,563,665



Consolidated Statements of Income for the years ended :

	March 31, 2001	March 31, 2000	(in \$) March 31, 1999
REVENUE			
Revenue	10,111,569	7,492,065	4,896,503
Cost of revenue	4,774,735	3,438,342	2,099,024
Gross profit	5,336,834	4,053,723	2,797,479
OPERATING EXPENSES			
Selling, general and administrative expenses	2,881,903	2,005,214	1,273,409
Depreciation	799,972	534,998	332,653
Total operating expenses	3,681,875	2,540,212	1,606,062
Operating income	1,654,959	1,513,511	1,191,417
Other income, net	287,389	215,835	23,415
Income before income taxes	1,942,348	1,729,346	1,214,832
Provision for income taxes	16,634	9,213	8,227
Profit after tax before extraordinary items	1,925,714	1,720,133	1,206,605
Extraordinary items			
Prepayment Charges of short term borrowings	(46,611)	—	—
Interest earned on Public Issue Funds	—	5,628,134	—
Less : Expenses relating to Public Issue	—	(543,445)	—
Provision for Tax on Extraordinary items	—	2,100,415	—
Profit after tax and extraordinary items	1,879,103	4,704,407	1,206,605
Cumulative effect on prior years (to March 31, 2000) of changing to a different depreciation method	43,367	—	—
Net income	<u>1,922,470</u>	<u>4,704,407</u>	<u>1,206,605</u>
EARNINGS PER EQUITY SHARE			
Basic			
On Income before extraordinary items	0.37	0.47	0.65
On extraordinary items	(0.01)	0.81	—
Cumulative effect on prior years (to March 31, 2000)of changing to a different depreciation method	0.01	—	—
Net Income per share	0.37	1.28	0.65
Assuming Dilution			
On Income before extraordinary items	0.36	0.47	0.65
On extraordinary items	(0.01)	0.81	—
Cumulative effect on prior years (to March 31, 2000)of changing to a different depreciation method	0.01	—	—
Net Income per share	0.36	1.28	0.65
Weighted equity shares used in computing earnings per equity share			
Basic	5,239,377	3,690,417	1,865,000
Diluted	5,386,016	3,690,417*	1,865,000

* Refer Note 9 & 12

Consolidated 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
Common stock issued	140,000	32,926					32,926
Comprehensive income				1,206,605		1,206,605	1,206,605
Net income				6,428			
Other comprehensive income				(141,672)			
Unrealized holding gains				(135,244)	(135,244)		(135,244)
Foreign currency translation				1,071,361			
Cash dividends declared						(14,520)	(14,520)
Balance as of March 31, 1999	1,900,000	477,595	161,698	—	(135,448)	2,526,958	3,030,803
Common stock issued (including Stock Split)	3,335,000	781,257	2,225,400				3,006,657
Comprehensive income				4,704,407		4,704,407	4,704,407
Net income				(5,415)			
Other comprehensive income				(111,184)			
Unrealized holding gains				(116,599)	(116,599)		(116,599)
Foreign currency translation				4,587,808			
Stock split issued in the form of a stock dividend						(670,273)	(670,273)
Cash dividends declared						(44,127)	(44,127)
Balance as of March 31, 2000	5,235,000	1,258,852	2,387,098	—	(252,047)	6,516,965	9,910,868
Common stock issued	8,753	1,890	16,028				17,918
Comprehensive income				1,922,470		1,922,470	1,922,470
Net income				4,418			
Other comprehensive income				(590,517)			
Unrealized holding gains				(586,099)	(586,099)		(586,099)
Foreign currency translation				1,336,370			
Cash dividends declared						(41,647)	(41,647)
Balance as of March 31, 2001	5,243,753	1,260,742	2,403,126	—	(838,146)	8,397,788	11,223,510



Consolidated Statements of CashFlows for the years ended March 31

	2001	2000	in \$ 1999
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income	1,922,470	4,704,407	1,206,605
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation	799,972	534,998	332,653
Loss on sale of fixed assets	31,681	905	5,176
Donation of computers	-	-	33,705
Loss / (Gain) on sale of Short Term Investments	17,034	(8,707)	(11,401)
Diminution in value of investments	74,553	90,064	-
Deferred Tax Benefit	(6,090)	-	6,634
Cumulative effect on prior years (to March 31, 2000) of changing to a different depreciation method	(43,367)	-	-
Extraordinary items (Net of tax thereon)	46,611	(2,984,274)	-
Changes in assets and liabilities			
Trade Accounts Receivable (Net)	702,800	(854,574)	244,916
Prepaid Expenses & Other Current Assets	283,500	(595,069)	36,348
Prepaid Income Taxes (net)	(2,259)	(106,595)	(13,988)
Inventory	-	-	10,765
Other Assets	24,353	(57,114)	(6,542)
Accounts Payable	(283,491)	343,708	(359,331)
Other Accrued Liabilities	(254,907)	497,144	146,654
Net cash provided by operating activities	3,312,860	1,564,893	1,632,194
CASH FLOWS FROM INVESTING ACTIVITIES			
Expenditure on property, plant & equipment	(1,881,235)	(4,041,332)	(814,321)
Proceeds from sale of property, plant & equipment	59,546	204,795	12,333
Purchase of investments (available for sale)	(4,137,961)	(4,916,798)	(1,251,250)
Proceeds from sale of available for sale investments	3,680,883	1,851,580	903,154
Interest received on deployment of common stock funds	-	5,628,134	-
Direct Taxes paid thereon	-	(2,100,415)	-
Net cash (used in) investing activities	(2,278,767)	(3,374,036)	(1,150,084)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from sale of common stock	17,918	2,336,384	32,926
Expenditure on issue of common stock	-	(543,445)	-
Proceeds from borrowings	-	1,029,748	-
Repayment of borrowings	(1,029,748)	-	(12,698)
Prepayment charges thereon	(46,611)	-	-
Dividends paid	(44,717)	(14,500)	(9,535)
Net cash (used in) / provided by financing activities	(1,103,158)	2,808,187	10,693
Effect of exchange rate changes	(590,517)	(111,184)	(141,672)
Net (decrease) / increase in cash and cash equivalents during the year	(659,582)	887,860	351,131
Cash and cash equivalents at the beginning of the year	1,327,540	439,680	88,549
Cash and cash equivalents at the end of the year	667,958	1,327,540	439,680

Notes to the Consolidated 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 (“US GAAP”). 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

Building	28 years
Computers	3 years
Furniture & Fixtures	10 years
Office Equipment	13 years
Vehicles	10 years
Electrical installation	8 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

- Effective April 1, 2000, the Company changed the method of providing depreciation on Property, plant and equipment from the declining method to the straight—line method. The new method of depreciation was adopted to provide an improved measure of the Company's capital investment and is consistent with industry practices. The new method has been applied retroactively for all prior periods.

The effect of the change on the net income for the year ended March 31, 2001 was \$226,212. The cumulative effect of the change aggregating to \$43,367 to apply retroactively the new method has been included in the statement of income for the year ended March 31, 2001.

The previously reported amounts and proforma amounts, assuming the new depreciation method is applied retroactively, are set out below :

	Year ended March 31			
	2000		1999	
	Actual	Proforma	Actual	Proforma
Income before extraordinary items	\$1,720,133	\$1,811,984	\$1,206,605	\$1,214,698
Earnings per share – Basic	0.47	0.49	0.65	0.65
– Diluted	0.47	0.49	0.65	0.65
Net Income	4,704,407	4,796,258	1,206,605	1,214,698
Earnings per share – Basic	1.28	1.30	0.65	0.65
– Diluted	1.28	1.30	0.65	0.65

- Property, plant and equipment — net

	As at March 31	
	2001	2000
Land	\$334,041	\$161,384
Buildings	2,110,546	1,421,033
Leasehold Improvements	194,903	21,819
Computers	2,034,282	1,688,699



Electrical Installations	1,004,782	668,851
Office Equipment	387,673	327,489
Furniture & Fixtures	1,276,138	812,129
Vehicles	43,542	16,954
Technical Knowhow	—	95,195
Capital work—in—progress & Capital Advances	—	638,580
	<u>7,385,907</u>	<u>5,852,133</u>
Accumulated Depreciation	<u>1,738,910</u>	<u>1,238,538</u>
	<u><u>5,646,997</u></u>	<u><u>4,613,595</u></u>

Depreciation expenses amounted to \$799,972, \$534,998 and \$332,653, for the financial years ended March 31, 2001, 2000 and 1999 respectively.

3. Cash & cash equivalents

The cost & fair values for cash and cash equivalents as at March 31, 2001 and 2000 are as follows

	Cost and fair value	
	2001	2000
Cash on hand	\$2,044	\$1,118
Balance with Bank on Current & Deposit accounts	665,914	1,326,422
	<u>667,958</u>	<u>1,327,540</u>

4. Accounts Receivable

The accounts receivable as of March 31, 2001 amounted to \$1,213,141 net of allowance for doubtful debts of \$14,090. The accounts receivable as of March 31, 2000 amounted to \$1,914,460 net of allowance for doubtful debts of \$12,609. The age profile is as given below :

	in %	
Period in days	2001	2000
0 – 30	53.22	74.84
31 – 60	25.09	17.84
61 – 90	6.00	2.23
More than 90	15.69	5.09
	<u>100.00</u>	<u>100.00</u>

5. Prepaid expenses and other current assets

Prepaid expenses and other current assets consist of the following:

	2001	2000
Deposits with Corporates (including interest accrued)	\$324,978	\$457,666
Loans to employees	59,267	36,157
Prepaid expenses	108,715	109,754
Other loans and advances	238,545	411,428
	<u>731,505</u>	<u>1,015,005</u>

Other loans and advances represent payments to vendors for supply of goods and services and interest receivable on deployment of public issue funds.

6. Other Assets

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

7. 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 @ 10% (previous year 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 \$59,267 as at March 31, 2001 and \$36,157 as at March 31, 2000.

8. Stockholders' Equity

The Company has only one class of capital stock referred to herein as equity shares. The Company has issued 8,753 equity shares on exercise of options granted during the financial year ended March 31, 2001; 485,000 equity shares and 2,850,000 bonus shares during the financial year ended March 31, 2000 and 1,400,000 equity shares during the financial year ended March 31, 999.

These 2,850,000 Bonus shares are stock dividends in excess of 20% to 25% of the outstanding shares immediately before the distribution. Accordingly these have been accounted for during the year ended March 31, 2000 as *Stock Split issued in the form of a Stock dividend* by transferring par value of the stock from Retained Earnings to Paid— in Capital.

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 had provided for dividend for the entire year, even on shares issued during the year, instead of on pro—rata basis.

The Company has declared a cash dividend of \$41,647, \$44,127 and \$14,520 for the financial years ended March 31, 2001, 2000 and 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 options issued under the Company's Stock Option plan.

9. Employee Stock Option Plan

- The current position of these schemes is summarized as under :

Particulars	Scheme I	Scheme II	Scheme III
	Nos.	Nos.	Nos.
1 Details of the meeting Meeting	Extra-ordinary General Meeting (June 4, 1999)	Extra-ordinary General Meeting (September 21, 1999)	Annual General Meeting (July 14, 2000)
2 Approved	57,000 (Increased to 142,500 post Bonus Issue)	300,000	30,000
3 Price per option	US \$ 3.00 (Reduced to US \$ 1.20 post Bonus Issue)	• \$3.83 (pre IPO) • \$6.86 (post IPO but pre listing)	NSE market price



		• NSE market price (post listing)	
4	Granted	142,500	279,676
5	Vested	44,532	45,291
6	Exercised during the year	5,000	3,753
7	Forfeited / surrendered	97,968	48,774
8	Vested and unexercised	39,532	41,538
9	Vesting		
	Schedule		
	35,625 options to vest on May 1, 2000 and the balance in 12 equal installments at the end of every quarter thereafter, ending on May 1, 2003.	The options are to be granted in quarterly tranches starting from October 1999. The options so granted shall vest in 4 equal annual installments beginning one year after the date of grant.	The options granted shall vest one year after the date of grant and will be convertible in three tranches between one and three years from the grant.

IPO : Initial Public Offer
NSE : The National Stock Exchange of India Limited

In the event of any further rights or 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 options 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 Company has elected to use the intrinsic value—based method of APB Opinion No. 25 to account for its Stock Option Plan.

Deferred Stock Compensation :

Year ended March 31, 2001 : the Company has not recorded any deferred compensation with respect to 24,040 stock options granted during that year for the difference, on the grant date, between the exercise price and the market value of the Company's shares as the options were granted at a price equivalent to the closing market price on the National Stock Exchange of India.

Year ended March 31, 2000 : the Company has not recorded any deferred compensation with respect to 404,136 stock options granted during that year 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 lesser than the exercise price. Consequently, the result on Earnings per share would be *anti—dilutive*.

- 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 :

	2001	2000	1999
<u>Net income</u>			
As reported	\$1,922,470	\$4,704,407	\$1,206,605
Adjusted pro forma	1,827,470	4,546,407	1,206,605
<u>Basic earnings per share</u>			
As reported	0.37	1.28	0.65
Adjusted pro forma	0.35	1.23	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 :

	Year ended March 31		
	2001	2000	1999
Dividend yield (on par value)	10%	15%	—
Expected life	4 years	4 years	—
Risk free interest rates	9.5%	10%	—
Volatility	65%	—	—

- Activity in the options held under all the schemes of the Employee Stock Option Plan during the financial years ended March 31, 2001, 2000 and 1999 is as follows :

	2001		2000		1999	
	No. of shares arising out of options	Weighted average exercise price	No. of shares arising out of options	Weighted average exercise price	No. of shares arising out of options	Weighted average exercise price
Scheme I						
Outstanding at the beginning of the year	142,500	\$1.20	—	—	—	—
Granted	—	—	142,500	\$1.20	—	—
Forfeited	97,968	\$1.20	—	—	—	—
Exercised	5,000	\$1.20	—	—	—	—
Outstanding at the end of the year	39,532	\$1.20	142,500	\$1.20	—	—
Exercisable at the end of the year	39,532	\$1.20	—	—	—	—
Scheme II						
Outstanding at the beginning of the year	261,636	\$3.68	—	—	—	—
Granted	18,040	\$6.06	261,636	\$3.68	—	—
Forfeited	48,774	\$3.68	—	—	—	—
Exercised	3,573	\$3.68	—	—	—	—
Outstanding at the end of the year	227,329	\$3.86	261,636	\$3.68	—	—
Exercisable at the end of the year	41,538	\$3.68	—	—	—	—
Scheme III						
Outstanding at the beginning of the year	—	—	—	—	—	—
Granted	6,000	\$8.90	—	—	—	—
Forfeited	—	—	—	—	—	—
Exercised	—	—	—	—	—	—
Outstanding at the end of the year	6,000	\$8.90	—	—	—	—
Exercisable at the end of the year	—	—	—	—	—	—

- The following table summarizes information about stock options outstanding as of March 31, 2001

Range of exercise price	Outstanding			Exercisable	
	No. of shares arising out of options	Weighted average remaining contractual life	Weighted average exercise price	No. of shares arising out of options	weighted exercise price
\$1.20 — \$8.90	271,861	2.5 years	\$3.59	81,070	\$2.47

10. Other accrued liabilities & unclaimed dividend

	As at March 31	
	2001	2000
<i>Accrued compensation to staff</i>	\$85,713	\$80,036
<i>Post Retirement Benefits</i>	79,433	57,096
<i>Accrued & Unclaimed dividends</i>	41,969	44,395
<i>Provision for free service under product warranties</i>	3,195	17,803
<i>Advances from Customers</i>	120,273	6,197
<i>Other liabilities</i>	457,585	840,635
	<u>788,168</u>	<u>1,046,162</u>

11. Employee post—retirement benefits

a. Gratuity

In the financial year ended March 31, 2001, 2000 & 1999, the Company contributed \$12,855, \$30,727 & \$23,019 respectively to the gratuity plan managed by the Life Insurance Corporation of India.

b. Superannuation Benefits

The Company contributed \$70,955, \$50,834 & \$Nil to the superannuation plan in the financial years ended March 31, 2001, 2000 and 1999 respectively.

12. Earnings per share

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

	Year ended March 31		
	2001	2000	1999
<i>Basic earnings per equity share — weighted average number of common shares outstanding</i>	5,239,377	3,690,417	1,865,000
<i>Effect of dilutive common equity shares — stock options outstanding</i>	146,639	— *	—
<i>Diluted earnings per equity share — weighted average number of common shares and common equivalent shares outstanding</i>	5,382,289	3,690,417	1,865,000

* As referred to in Note 9, as the intrinsic value of the shares is lesser than the exercise price of the options issued in the year ended March 31, 2000, the effect on the Earnings per Share is *anti—dilutive*.

13. Segment Reporting
Revenue by geographic area

	Year ended March 31		
	2001	2000	1999
United States of America	\$8,320,490	\$5,763,111	\$3,076,120
Europe	783,160	1,093,048	1,392,161
Asia — Pacific	995,588	622,775	24,629
India	12,331	13,131	187,593
	<u>10,111,569</u>	<u>7,492,065</u>	<u>4,896,503</u>

Significant Clients

	Year ended March 31		
	2001	2000	1999
Client 1 — % of revenue	18.60%	16.91%	14.03%
Receivable as at year end	\$117,473	\$349,658	\$154,196
Client 2 — % of revenue	16.65%	13.59%	11.20%
Receivable as at year end	\$212,821	\$119,190	\$125,763
Client 3— % of revenue	13.86%	12.81%	10.56%
Receivable as at year end	\$79,748	\$181,522	\$81,269

14. Other Income – Net

Other income, net, consists of the following :

	Year ended March 31		
	2001	2000	1999
Interest income	\$15,330	\$111,425	42,087
Dividend Income	308,361	110,504	—
(Loss) / Gain on sale of Investments	(17,034)	(81,357)	11,401
(Loss) on sale of Fixed Assets	(31,681)	(905)	(38,881)
Other Income	16,212	87,453	10,323
Interest expenses	(3,799)	(11,285)	(1,515)
	<u>287,389</u>	<u>215,835</u>	<u>23,415</u>

15. Research & Development

The cost incurred on account of Research & Development in the financial year ended March 31, 2001, 2000 and 1999 has been apportioned to the respective heads of expense.

16. Income Taxes

- The provision for Income Taxes is composed of :

	2001	2000	1999
<u>Current Taxes</u>			
Domestic Taxes	\$12,508	\$2,109,628	\$1,101
Foreign Taxes	10,216	—	492
	<u>22,724</u>	<u>2,109,628</u>	<u>1,593</u>
<u>Deferred Taxes</u>			
Domestic Taxes	—	—	6,634
Foreign Taxes	(6,090)	—	—
	<u>(6,090)</u>	<u>—</u>	<u>6,634</u>
Aggregate Taxes	<u>16,634</u>	<u>2,109,628</u>	<u>8,227</u>



- 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 :

	2001	2000	1999
<u>Deferred Tax (Assets) / Liabilities</u>			
Property, plant & equipment	—	—	\$18,955
Net Operating Loss in GSS Inc.	—	\$125,532	4,449
Others	\$(16,240)	—	—
	<u>—</u>	<u>—</u>	<u>—</u>
Less : Valuation allowance	—	(125,532)	(4,449)
Net deferred tax (Assets) / Liabilities	<u>(16,240)</u>	<u>—</u>	<u>18,955</u>

The difference in net deferred tax expense / (benefit) during the years ended March 31, 2001, 2000 and 1999 has been allocated as follows :

	2001	2000	1999
Deferred Tax expense / (benefit) allocated to continuing operations	\$(6,090)	—	\$6,634
Stockholder's equity –			
Unrealized gain on investments	2,884	\$(2,936)	3,461
	<u>(3,206)</u>	<u>(2,936)</u>	<u>10,095</u>

- Reconciliation of tax rates

	Year ended March 31		
	2001	2000	1999
Income before taxes	\$1,942,348	\$1,729,346	\$1,214,832
Statutory tax rate	39.55%	38.50%	35.00%
Income tax expense at the statutory tax rate	\$768,198	\$665,798	\$425,191
Increases/(Reductions) in taxes on account of :			
Accelerated/specific tax deductions	(447,413)	(317,942)	(19,247)
Income exempt from income taxes	(647,880)	(657,475)	(459,096)
Income charged at rates other than statutory tax rate	(6,736)	(3,330)	(3,958)
Expenses disallowed for tax purposes	346,339	473,751	13,987
Others	4,126	1,948,826	51,350
Income tax expense reported	<u>16,634</u>	<u>2,109,628</u>	<u>8,227</u>

17. Lines of Credit

The Company has a line of credit from its bankers for working capital requirements (bearing interest at prime lending rates as applicable from time to time) amounting to \$1,295,600 representing undrawn facilities.

18. Commitments

- The Company has entered into Capital Contracts with various vendors. The estimated amount remaining to be executed as at March 31, 2001, 2000 and 1999 are \$76,844, \$100,273 and \$1,351,120 respectively.
- 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 :

<u>Year ended</u> <u>March 31,</u>	<u>Amount</u>
2002	33,288
2003	33,288
2004	2,774
	<hr/>
	\$ 69,350
	<hr/> <hr/>

19. Contingencies & Litigation

The Company has received a claim from its connectivity provider towards interconnectivity fees. The claim, amounting to \$73,000 is disputed by the Company.

20. Income pertaining to earlier years

The Company received additional interest on its Public Issue Funds during the current year. This amount was not accrued by the Company in its accounts for the year ended March 31, 2000. This interest amounting to \$172,731 (gross of tax deducted at source, \$38,000) has been now been considered in the relevant financial year (ended March 31, 2000) by re—stating the financial information of that year. This amount has however, been considered as an “Extraordinary item” and accounted for in the year ended March 31, 2001 in the statutory accounts of the Company.