



Seventh Annual Report 2000 - 2001

BOARD OF DIRECTORS

P.C. PANTULU	-	Managing Director
K.S. SHIVA KUMAR	-	Director & Chief Operations Officer
IJJU SHIV ANAND	-	Director & Chief Technical Officer
P.S. MURTY	-	Director (Technical)
M.R. VIKRAM	-	Director
RAJIV GOYAL	-	Director
Dr. J.V. RAO	-	Director
K.K. RAO	-	Director
B.K. SARMA	-	Alternate Director to Dr. J.V. Rao

Auditors

B.RAMA RAO & Co.
Chartered Accountants
Hyderabad.

Bankers

State Bank of India (IFB)

Registered Office & Software Development Centre

#11, Sripuri Colony,
Kakaguda, Karkhana,
Secunderabad - 500 015.
e-mail: info@cybermateinfotek.com
URL: www.cybermateinfotek.com

Overseas Offices

USA & Abu Dhabi

Registrar/Share Transfer Agent

Sindhu Corporate Services (P) Ltd.
18A (492), East Marredpally
Secunderabad - 500 026.
e-mail: sindhu@hd2.dot.net.in

NOTICE

Notice is hereby given that the 7th Annual General Meeting of the shareholders of the company will be held at 10.00 a.m on Friday, the 28th September 2001 at "JULOORI VAJRAMMA KALYAN MANDAPAM", Karkana, Kakaguda, Secunderabad, to transact the following business:

AS ORDINARY BUSINESS

1. To consider and if thought fit, to pass with or without modification (s), the following resolution as an Ordinary Resolution.
"RESOLVED THAT the Audited Balance Sheet as at 31st March 2001 and the Profit and Loss Account of the Company for the year ended as on that date and the report of the Directors' and Auditors' be and are hereby received, considered and adopted."
2. To consider and if thought fit, to pass with or without modification(s), the following resolutions as an Ordinary Resolutions.
"RESOLVED THAT Mr. K.K.Rao Director, who retires by rotation and being eligible for re-appointment, be and is hereby re-appointed, as a Director of the Company."
"RESOLVED THAT Dr. J. V. Rao Director, who retires by rotation and being eligible for re-appointment, be and is hereby re-appointed, as a Director of the Company."
3. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution.
"RESOLVED THAT the retiring auditors M/s. B. RAMA RAO & Co., Chartered Accountants, Hyderabad, be and are hereby re-appointed as the Auditors of the Company to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting of the Company, on such remuneration as may be fixed in this behalf by the Board of Directors of the Company."

AS SPECIAL BUSINESS

4. To consider and if thought fit to pass with or without modification(s), the following resolution as an Ordinary Resolution.
"RESOLVED THAT Mr. M.R. Vikram, who was appointed by the Board as Additional Director pursuant to Section 260 of the Companies

Act 1956, and who holds office upto the date of this Annual General Meeting of the company, be and is eligible for re-appointment and in respect of whom the Company has received a notice in writing from a member under the provisions of Section 257 of the Companies Act, 1956 proposing his candidature for the office of a Director, be and is hereby appointed as a Director of the Company liable to retire by rotation."

5. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution
"RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309, 310 and 311 read with Schedule XIII and other applicable provisions of the Companies Act 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force), the consent of the Company be and is hereby accorded to the Board of Directors for the appointment and the payment of remuneration of **Mr. Rajiv Goyal, as Director (International Business Development)** for a period of Five years with effect from **1st April, 2001 till 31st March, 2006** (both days inclusive) as set out hereunder:
 1. **Salary: Rs.50,000 per month** (In the scale of 50,000-10,000-90,000 P.M.).
 2. **Commission:** 1% of the net profits of the Company as per the provisions of Section 198 and 309 of the Companies Act, 1956.
 3. **Perquisites:** (Subject to the maximum of annual salary)
 - i. (a) **Housing:** 30% of the salary over and above 10% payable by the Director himself. In case the accommodation is provided by the company 10% of the salary of the Director shall be recovered by the Company.
 - (b) The expenditure incurred by the Company on gas, electricity, water and furnishing etc. shall be valued as per the Income Tax Act, 1961. This shall however, be subject to a ceiling of 10% of his salary.

- ii. **Medical Reimbursement:** Expenses incurred for the Director and family subject to a ceiling of one month's salary in a year or 3 months salary in a block of 3 years.
 - iii. **Leave Travel Concession:** For the Director and his family consists of spouse, dependent children and parents once in a year incurred in accordance with the rules specified by the company.
 - iv. **Club Fees:** Fees of Clubs subject, to a maximum of two clubs. This will not include admission and life Membership.
 - v. **Personal Accident Insurance:** Premium not exceeding Rs.2000/- per annum.
 - vi. **Provident Fund, Super Annuation Fund/Annuity Fund:** As per Company's rules.
 - vii. **Gratuity:** As per company's rules
 - viii. **Leaves:**
Casual Leave, Sick leave & Privilege Leave: as per Company Rules.
 - ix. **Leave Encashment:** As per Company Rules.
 - x. **Residential Telephone:** Residential telephone be provided at the expense of the company. The Telephone bill including STD. and Trunk calls for the official business will be paid by the Company.
 - XI **Car:** Entitled to use office car with driver for official purpose. Alternatively if he owns a car with driver he shall be entitled for reimbursement of expenses of Rs.4500/- p.m.
- The following shall not be included in the computation of the ceiling on perquisites:
- a. Contribution to provident fund, super annuation Fund/Annuity Fund to the extent either singly or put together are not taxable under income tax Act, 1961.
 - b. Gratuity payable at the rate not exceeding half month's salary for each completed year of service.
4. **Minimum Remuneration:** In the event of loss or inadequacy of profits in any year during the period of his appointment, Mr. Rajiv Goyal will be paid the remuneration as above as minimum remuneration. Mr. Rajiv Goyal will not be entitled to any sitting fee for attending meetings of the Board or any committee thereof."
 6. To consider and if thought fit, to pass with or without modification(s), the following resolution as Ordinary Resolution.
"RESOLVED THAT pursuant to Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956, and in modification(s) of the ordinary resolution passed by the members at the Extra-Ordinary General Meeting of the Company held on 10th March 1999, the consent of the Company be and is hereby accorded to the Board of Directors of the Company to borrow from time to time such sum(s) of money(s) and the sum(s) to be borrowed together with the money(s) already borrowed by the Company (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) from time to time with or without security and upon such terms and conditions as they may think fit, shall exceed the aggregate of the paid-up capital of the company and its free reserves, that is to say, reserves not set apart for any specific purpose provided that the total amount together with the money(s) already borrowed by the Board of Directors shall not exceed the sum of Rs. 4000 Lacs over and above the paid-up capital and free reserves, at any one time."
 7. To consider, and if thought fit to pass with or without modification(s), the following resolution as a Ordinary Resolution:
"RESOLVED THAT subject to the applicable provisions of the Companies Act, 1956, the Authorised Share Capital of the company be and is hereby increased from Rs. 12,00,00,000/- (Rupees Twelve Crores only) to Rs. 15,00,00,000/- (Rupees Fifteen Crores only) divided into 1,50,00,000 Equity

shares of Rs. 10/- each, ranking pari-passu with the existing Equity shares issued by the Company and that the Clause V of the Memorandum of Association of the company be and is hereby altered and substituted by the following:

"The Authorised Share Capital of the Company is Rs. 15,00,00,000/- (Rupees Fifteen Crores only) divided into 1,50,00,000 (One Crore Fifty Lacs) equity shares of Rs. 10/- each with a power to consolidate, convert, sub-divide, reduce or increase the capital and to issue any new shares with any preferential or special rights and conditions attached thereto subject to the provisions of the Companies Act'1956."

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

"RESOLVED FURTHER that the Articles of Association of the Company be altered by substituting the following new article, in place of the present article 3 thereof.

"The authorized Share Capital of the company is Rs.15,00,00,000 (Fifteen Crores Only) divided into 1,50,00,000 (One Crore Fifty Lacs) equity shares of Rs.10 each (Rupees Ten Only)."

9. To consider, and if thought fit to pass, with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of the Companies Act'1956 and of the listing Agreement the sanction/ approval of the Company be and is hereby accorded to the Board of Directors for the issue of Secured/ Un-secured Redeemable Non-Convertible Debentures upto an amount of Rs. 500 Lacs and that such debentures may be offered, issued and allotted to any person or persons, including NRI's/ FII's or OCB's companies, financial institutions or banks whether or not those allottees are existing shareholders of the Company."

"RESOLVED FURTHER THAT consent/ approval of the Company be and is hereby accorded to the Board of Directors to finalise the terms and conditions of issue of the Secured/Un-secured Redeemable Non-Convertible debentures and the security to be created and to agree to the terms and

conditions of the subscription agreement, Trustee agreement and Trust Deed to be entered into by the company and execute necessary agreements and documents and to do all such acts and things as may be necessary to give effect to the above resolution."

10. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Ordinary Resolution.

"RESOLVED THAT in accordance with the provisions of Section 293(1)(a) and other applicable provisions, if any, of the companies act, 1956, the board of Directors be and are hereby authorized and shall be deemed to have always been so authorized to create such mortgages/ charges/ hypothecations/ and other encumbrances, in addition to the existing mortgages, charges, hypothecations and other encumbrances, if any, created by the company on all or part of the immovable and/or movable properties, current and/ or fixed assets, tangible or intangible assets, uncalled share capital and/or calls made but not paid, book debts and/ or claims of the Company in favour of Indian or Foreign financial institutions, banks and other lending institutions, Creditors, Debenture Holders, Debenture Trustee(s), Depositors and /or to such other persons, if any, from whom the company has/or proposed /proposes to borrow money(s)/ sums of money(s) by way of Term Loans, Cash Credits, Overdrafts, discounting of bills, inter corporate deposits, secured/ un-secured Non-Convertible Redeemable debentures or commercial papers or such other financial instruments permitted to be used by the appropriate authorities from time to time, together with interest, cost, charges and other incidental expenses in terms of agreement(s) entered/ to be entered into by the Board of Directors of the Company, and such charge(s) to rank either pari passu with or second, subsequent, subservient and subordinate to all the mortgages/ charges created/ or to be created by the company for all existing and future borrowings and facilities whatsoever, within the overall borrowing limit of Rs. 4000 Lacs over and above the paid up capital and free reserves, being the limits fixed pursuant to section 293(1)(d) of the Companies Act'1956."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to finalise the documents for creating the aforesaid mortgages/ charges/ hypothecation and such other form of security and to do all such acts and things as may be necessary for giving effect to the above resolution."

11. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution.

"RESOLVED THAT in accordance with the provisions contained in the Articles of Association and Section 79A, 81, and all other applicable provisions of the Companies Act 1956 ("The Act") and the provisions contained in the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("the Guidelines") (including any statutory modification(s) or re-enactment of the Act or the guidelines, for the time being in force) and subject to such other approvals, permissions and sanctions as may be necessary and subject to such conditions and modification(s), as may be prescribed or imposed while granting such approvals, permissions and sanctions which may be agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any committee including Employees Stock Options Scheme / Employees Stock Purchase Scheme, Compensation Committee which the Board may constitute to exercise its powers, including the powers conferred by this resolution); consent of the company be and is accorded to the Board to create, offer, issue and allot at any time to or for the benefit of such person(s) who are in employment of the Company, including Directors of the Company, whether working in India or Abroad, whether such employees are existing shareholders of the company or not, or any other employees trust to be created under a scheme/plan titled "Employees Stock Options Scheme / Employees Stock Purchase Scheme" (hereinafter referred to as the "ESOS" or "ESPS" or "Scheme" or "Plan") such number of Equity shares and / or equity linked instruments (including Options), equity shares issued through Convertible Warrants,

Fully Convertible Debentures and/or any instruments or securities (hereinafter collectively referred as "securities") of the Company which could give rise to the issue of Equity Shares upto a maximum of 10% of the issued Equity Share Capital, subject to the ceiling of 5% of the issued Equity capital in any particular financial year of the Company, at such price, in one or more tranches and on such terms and conditions as may be fixed or determined by the Board in accordance with the Guidelines or other provisions of the law as may be prevailing at that time."

"RESOLVED FURTHER THAT the said securities may be allotted directly to such employees/ directors or in accordance with a scheme framed in that behalf through a trust which may be existing or to be setup for this purpose in any permissible manner and that the scheme may also envisage for providing any financial assistance to the trust to enable the employee/trust to acquire, purchase or subscribe to the securities of the company;

"RESOLVED FURTHER THAT the new equity shares to be issued and allotted by the Company in the manner aforesaid shall rank pari passu in all respects with the then existing equity shares of the Company, except that they shall be entitled to dividend on pro-rata basis from the date of allotment till the end of the relevant financial year in which the new equity shares are allotted;

"RESOLVED FURTHER THAT the board is authorized to withdraw, recall, accept, surrender or cancel options already issued/to be issued pursuant to this resolution or any other earlier resolutions passed by the Members, and to re-issue the options/warrants withdrawn, re-called, surrendered or cancelled, to issue fresh options in lieu thereof and Board has thereby authorised to cancel the existing Employees Stock Options Scheme created through the "Employees Trust" and to adopt/ create a new Employees Stock Options Scheme / Employees Stock Purchase Scheme through the trust to be setup, for the purpose of implementing the "Plan/Scheme" to benefit the employees at such price, in such manner, during such period, in one or more tranches and on such other terms and conditions as

the Board may deem fit in the best interest of the company and its employees.

"RESOLVED FURTHER THAT for the purpose of giving effect to any offer or grant of options/shares, issue or allotment of equity shares pursuant to the options/shares granted/allotted, or securities or instruments representing the same, as described above, under any Employees Stock Option Scheme / Employees Stock Purchase Scheme and that the board be and is hereby authorized on behalf of the Company to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary or desirable for such purpose and with power on behalf of the Company to settle all questions, difficulties or doubts that may arise in this regard to such issue(s) or allotment(s) (including power to amend, vary, or modify any of the terms and conditions of the scheme, the grant of options, issue or allotment of equity shares pursuant to the options granted), without being required to seek any further consent or approval of the members, in its sole discretion as it may deem fit.

RESOLVED FURTHER THAT the Board be and is hereby authorized to take necessary steps for listing of these securities/shares allotted under the "Scheme/Plan" on Stock Exchanges where the company's shares are listed, as per the Rules and Regulations of the stock exchanges Listing Agreement.

"RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any powers herein conferred to any committee of Directors, including the compensation committee/Remuneration Committee.

12. To consider and if thought fit, to pass with without modification(s), the following Resolution as Special Resolution:

"RESOLVED FURTHER THAT the Employees Stock option Plan and the Scheme(s) thereunder, as formulated in terms of the Resolution at Item No.11 of this notice and Explanatory Statement thereto, be also applicable and extended to the eligible Employees / Directors of subsidiary Companies working in India /abroad whether such employees are existing shareholders of the company or not, as permissible by law and on such terms and conditions as may be decided by the

Board/ Compensation Committee / Remuneration Committee;"

13. To consider and if thought fit, to pass with without modification(s), the following Resolution as an Ordinary Resolution:

"RESOLVED that pursuant to Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof) and in accordance with the Provisions of the Articles of Association of the company and subject to the necessary approvals, permissions and/or sanctions as may be necessary and imposed by the Securities and Exchange Board of India (SEBI), Reserve Bank of India (RBI) the Listing Agreement entered by the Company with the Stock Exchanges and any other appropriate authorities, Institutions or Bodies, if any and subject to such conditions and modification(s) as may be prescribed by any of them in granting such approvals, permissions and/or sanctions, the Board of Directors of the Company (hereinafter referred to as "the Board", which term shall be deemed to include any committee of the Board exercising the powers conferred by the Board) be and is hereby authorized on behalf of the company to issue, offer and allot Equity shares and / or Fully convertible Debentures and / or partly convertible Debentures and / or Non-Convertible Debentures and / or Optionally Convertible Debentures and / or Foreign Currency Convertible Bonds(FCCB) or Securities with or without detachable warrants/ any securities convertible into Equity Shares /Convertible Notes or Secured Premium Notes (SPN), (hereinafter collectively referred to as "Securities") for an aggregate value of Rs. 1000 Lacs either on cash or stock swap for acquisition of software business or companies engaged in software business or a combination thereof, at such time or times, in one or more tranches through Public Issue, Right issue, Preferential Offer and/or Private Placement to the Investors (Whether Individuals, Financial Institutions, Banks, Bodies corporate, Non-Resident Indians, Overseas Corporate Bodies(OCBs), Foreign Institutional Investors(FIIs), Mutual Funds or any combination thereof or any other category) and whether or not such Investors are the

existing members, promoters, directors, their relatives or their associates of the Company, on such terms and conditions and at such price/prices, at a premium or discount to market price/prices in such manner and on such terms and conditions including security, rate of interest etc., as may be decided and deemed appropriate by the Board of directors at the time of such issue, allotment considering the prevailing market conditions and other relevant factors wherever necessary in consultation with the Lead Managers and Underwriters, as per the Guidelines, rules and regulations of SEBI/Companies Act, 1956, and other legislations in this regard."

"RESOLVED FURTHER THAT the Board is entitled to enter into and execute all such arrangement/agreements with any Lead Managers/Underwriters/Consultants and all such agents as may be involved or concerned in such offering of securities and to remunerate all such agents by way of payment of commission, brokerage, fees, expenses incurred in relation to the issue of securities."
 "RESOLVED FURTHER THAT for the purposes of giving effect to the resolution, the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters, things and execute all such deem necessary or desirable."

NOTES:

1. The Explanatory statement pursuant to Section 173(2) of the Companies Act 1956 in respect of the Special business under Item no(s). 4 to 13 is annexed hereto.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy and vote instead of himself and the proxy need not be a member. The proxy in order to be effective should be duly stamped, completed and signed and must be deposited at the

Registered Office of the Company, not later than 48 hours before the meeting.

3. The share transfer books and Register of Members of the Company will remain closed from 26th Sept'2001 to 28th Sept'2001(both days inclusive).
4. The company's shares are listed on Mumbai, Hyderabad and Bangalore Stock Exchanges, and paid the listing fees.
5. Members are requested to bring their copies of the Report and Accounts to the meeting. Please bring the Attendance slip with you duly filled in and handover the same at the entrance of the Meeting hall. Members who hold shares in dematerialized form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the meeting.
6. Members are requested to notify immediately any change in their address to the Company or its Share Transfer Agents and in case their shares held in dematerialised form, this information should be passed to their depositories so that the information required can be made readily available at the meeting.
7. Members can avail of the nomination facility by filling Form No. 2B with the Company. Blank forms will be supplied on request.
8. Members holding shares in physical form are requested to dematerialise the shares in electronic form to facilitate faster transfer and avoid rejections for bad deliveries. The Share Certificates may be sent directly to our share transfer agent: M/s Sindhu Corporate Services Pvt. Ltd. Plot No.189 (49A), East Marredpally, Secunderabad - 500 026.

By order of the Board

Place : Secunderabad
 Date : 25th Aug'2001

P. C. Pantulu
 Managing Director

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

ITEM NO. 4

Mr. M. R. Vikram, was appointed as Additional Director of the Company with effect from 31st July'2001, pursuant to section 260, of the Companies Act'1956.

Mr. M.R. Vikram, is a Chartered Accountant with experience in the field of auditing, project financing and liasioning of projects with financial institutions and banks. He is on the Board of several other companies engaged in manufacturing, software

development and other areas of industry and commerce. The Company will immensely benefit from the association of Shri M. R. Vikram. Hence he was inducted into the Board.

The board commends this resolution for approval of the members.

Except Mr. M.R.Vikram, none of the directors are interested in this resolution.

ITEM NO. 5

Mr. Rajiv Goyal, is a director on the Board since October 1998. He is a B.E (Comp. Sc.) from Indore University, India and a Masters Degree from Utah, USA. He has working experience of 10 years in various positions providing technical leadership to GTE, Security First Technologies, Philadelphia Stock Exchange etc., His experience and exposure in Overseas Markets in Financial & Telecom Industries will be valuable to the company. Hence the Board thought fit to appoint him as a whole-time Director.

The Board commend this resolution for approval of the members.

The text of resolution appointing Shri Rajiv Goyal, as Director (International Business Development) shall be deemed to be service of extract of terms of appointment pursuant to section 302 of the companies act 1956 and shall be open for inspection at the Registered Office of the company, on all working days.

No Director of the company except Mr. Rajiv Goyal is interested or concerned in this resolution.

ITEM NO. 6

Under section 293(1)(d) of the Companies Act, 1956 the Board of Directors shall not, except with the consent of the Company in general meeting, borrow monies (apart from temporary loans obtained from the company's bankers in the ordinary course of business) in excess of the aggregate paid-up capital and free reserves of the Company.

According to explanation (1) of the section, every resolution passed in the General Meeting of the Company in relation to the exercise of the above power shall specify the total amount upto which monies may be borrowed by the Board of Directors over and above the paid-up capital and free reserves.

At the Extra-ordinary General Meeting held on 10th

March 1999, the members have authorized the Board of directors to borrow monies not exceeding Rs. 2000 Lacs over and above the paid-up capital and free reserves of the Company. Taking into account the requirements for additional working capital finance, expansion, diversification and acquisitions proposed to be undertaken by the Company, on an ongoing basis, it is thought fit to obtain consent of the members to increase the borrowing limits to Rs. 4000 Lacs over and above the paid-up capital and free reserves. Hence the resolution is proposed.

The Board commends the resolution for your approval.

None of the Directors of the Company are interested in the Resolution.

ITEM NO. 7 & 8

The present authorized capital of the Company is Rs. 12 Crores and the paid-up capital is Rs. 9.39 Crores. It is proposed to increase the Authorised Capital to Rs. 15 Crores (Rupees Fifteen Crores only). The increase in the volume of business over the years has given rise to the need for additional capital/ to augment its capital needs it would be necessary to raise additional capital by issue of securities in the manner proposed in the Resolution at Item no. 13. It is, therefore, proposed to increase the authorized capital and make the necessary alterations in the Memorandum and Articles of Association of the Company.

The Board commend the resolutions for your approval.

None of the Directors of the Company are interested in the Resolutions.

ITEM NO. 9

As the Company plans to go for expansion in both the domestic and overseas markets, by setting up new facilities/acquiring of software business and/or companies engaged in software, it is felt that the company to go for issue of Secured/Un-secured Redeemable Non-convertible Debentures, on private placement basis. As per the Listing Agreement, all future issues of Securities should be issued to existing shareholders on pro rata basis, unless resolution is passed otherwise in the General Meeting. Hence the special resolutions are placed before the Shareholders for their approval as per Item No.9.

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

ITEM NO. 10

The borrowings of the company are generally required to be secured in favour of the lenders by suitable mortgage / charge on all or any of the movable and/ or immovable properties of the company.

The company is seeking approval of the shareholders under section 293(1)(d) of the Companies Act 1956 as set out in Item No. 6 of the notice, for increase in borrowing limits upto Rs.4000 Lacs over an above the paid-up capital and free reserves. This has necessitated to get approval from shareholders under section 293(1)(a) for the borrowings from the lenders, as detailed in the resolution Item No.10.

The Board commends the resolution for your approval.

None of the Directors of the Company are interested in the Resolution.

ITEM NO. 11 & 12

The members may note that the company has introduced the Employees Stock options Scheme in the year 1999 and the Board allotted 4,00,000 warrants convertible into equity shares, to the Cybermate Employees Trust at Re.1/- per warrant entitling one equity share at the rate of Rs. 42/- per share (balance Rs. 41/- payable at a later date), in accordance with the guidelines laid by SEBI.

As no employee has come forward to take up the Warrants the company has decided to cancel the existing ESOP scheme, and refund the amount paid thereof in view of the present capital market conditions and the quotation of the company's shares at the stock exchanges.

Stock options have been recognized as an important tool to motivate, retain and regard the employees across the industry. Hence your Board of Directors felt the need to recast and introduce the new ESOS/ESPS scheme as per the SEBI guidelines as detailed in the resolution Item Nos, 11 and 12,

The Board commend the same for approval of the members.

Details of the Scheme

(a) Total No. of Options/Shares to be granted

The total number of options to be granted pursuant to ESOS/ESPS 2001 shall not exceed 10% of the total shares issued by the Company at any time, subject to 5% in any financial year.

(b) Identification of Classes of employees entitled to participate in ESOS/ESPS

Options/Shares are offered to permanent employees of the company and employees of subsidiary/associate Companies and Directors include whole-time directors but excluding Promoter Directors holding in excess of 10% of the equity shares of the company.

(c) Requirement of vesting and period of Vesting

The continuation of the employee in the service shall be the primary requirement of the vesting. The Compensation Committee / Remuneration Committee shall formulate the other requirements of vesting which inter-alia includes efficiency or productivity criteria as approved by the Board.

(d) Maximum period within which the options/shares to be vested

The vesting period for the options shall be from 1 to 5 years from the date of grant of options/shares.

(e) Exercise Period or Pricing Formula

The options/shares under the ESOS/ESPS 2001 would be issued at discount not in excess of 25% to the closing market price on the date of grant or at a price determined by the compensation /Remuneration committee, as per the SEBI guidelines.

(f) Exercise Period and procedure for exercise

The exercise period shall commence from the date of vesting / allotment and expire not later than 3 months from the date of such vesting and can be further extended for a period of 12 months from the vesting date upon a specific request from the employee concerned. However, such extension may be granted by the Compensation/Remuneration Committee only under special circumstances. The mode or process of exercise of the option/allotment of shares will be framed by Compensation / Remuneration Committee.

(f) Appraisal Process for determining eligibility of employees to the ESOS/ESPS

The eligibility process for the employees under ESOS/ESPS will be determined by the Compensation / Remuneration Committee based on past and present performance, technical knowledge, professionalism, period of services, designation, responsibility, other qualities and traits or such other basis as the Committee may deem fit.

(g) Maximum number of options/shares to be issued per employee and in aggregate

The maximum number of options granted to any one employee in a year not to exceed 1% of the issued equity capital of the Company at the time of granting the option.

(h) Power to amend, vary or modify the scheme

The Board shall have the powers to amend, vary or modify any of the terms and conditions of the ESOS/ESPS pertaining to the grant of options/shares, pricing of options/shares, issue or allotment of equity shares pursuant to the options, without being required to seek any further consent or approval of the Members. The powers granted by the Members pursuant to this resolution will include powers to withdraw, recall, accept surrender or cancel options/shares issued/ to be issued pursuant to this resolution or any other earlier approval accorded by the Members in this behalf, and to issue fresh options in lieu thereof at such price, in such, manner, during such period, in one or more tranches and on such other terms and conditions as the Board may decide.

(i) Accounting Policies

The company shall comply with the disclosure and accounting policies prescribed by SEBI and any other appropriate authority in this regard. It is further suggested for better operational convenience and subject to Board's approval, the compensation / Remuneration committee be empowered with the powers to withdraw, recall, accept, surrender of or cancel options/shares already issued/to be issued and to reissue the options /shares /warrants withdrawn, recalled, surrendered or cancelled, to issue fresh options in lieu thereof at such price, in such manner, during such period, in one or more tranches and on such other terms and conditions as the Board may deem fit in the best interest of the Company and its employees.

The administration of the scheme will vest with the Compensation/ Remuneration Committee, which will adopt a manual detailing the salient features of the scheme.

Approval of the Members is sought in terms of Section 81(1A) of the Companies Act'1956, for the issue of Equity shares of the Company to

the persons mentioned above under ESOS/ ESPS.

The Board commends this resolution for your approval.

The Directors of the Company are concerned or interested in the resolution to the extent of the benefit they may derive under ESOS/ESPS.

ITEM NO. 13

The company proposes to place before shareholders further issue of equity/ equity linked instruments convertible debentures / SPN /or other type of securities for cash or stock swap or acquisition of software business or software companies or combination thereof through public offer/ rights offer/ preferential offer /private placement as mentioned in the resolution for an aggregate value of Rs. 1000 Lacs either through equity shares /or equity linked instruments, the purpose of the offer is to augment additional resources to utilize the emerging opportunities for growth through acquisitions, joint ventures and strategic alliances, both abroad and in India, by setting up additional facilities and for the development of computer software products, and enabling software services.

The Company will work out the business plans, mode of financing it and the utilization plans in consultation with the Advisors, Lead Managers, and/ or other consulting agencies. This resolution gives adequate flexibility in respect of working out the modalities of issue, including size, timing, and pricing and also issue such securities in such tranches, at such times and at such prices and/or such other valuable considerations(s) as the Board may in its absolute discretion deem fit.

The special resolutions, if passed, will have the effect to allowing the Board to issue and allot shares to investors as detailed above, who may or may not be the existing shareholders of the company. The Board commends the resolution for your approval.

None of the Directors of the company are concerned or interested in the resolution.

By order of the Board

Place : Secunderabad
Date : 25th Aug'2001

P. C. Pantulu
Managing Director

DIRECTORS' REPORT

To the Members,

Your directors have pleasure in presenting their seventh annual accounts for the year ended March 31, 2001.

Financial Results

	(Rs. in Lacs)	
	31.03.2001	31.03.2000
Total Revenues	1159.37	776.79
Total Expenditure	848.28	526.34
PBDIT	435.76	370.74
Less: Provision for Tax	15.50	22.69
Profit After tax	299.36	227.75
Add: Surplus brought forward	260.15	61.30
Profit available for appropriation	536.82	289.05
Transfer to Gen. Reserve	31.49	28.90
Surplus carried to Balance Sheet	550.72	260.15

Overview of Operations

Your company has been able to maintain the rate of growth as in earlier years. You will observe that the total revenues have shown a growth rate of 121% and 36% in profits. While the industry in general has been affected by the slowdown in the economy particularly in the USA, your company has been able to buck general trend through Business innovation and focused marketing effort put in by generating a healthy order book from brick-and-mortar companies. Your company has secured contracts from Fortune 500 companies thus ensuring continuity in the growth of operations and business in the coming years as well.

The company is looking toward establishing new software development facilities at other locations in U.S.A. especially in the West Coast to service the customers in those areas. The company has made significant inroads into the European markets particularly in the UK, where it has been able to

successfully deliver its services to a prestigious clientele.

Growth through Business Innovation:

In software, value continues to shift from the operating system to middleware, which links all kinds of servers and all the applications with every kind of client device.

Industry analysts estimate that the middleware market-already \$77 billion today-is growing at a 14 percent annual clip.

So, new technology is essential. But customers do not look to us because of a piece of technology. Instead, They turn to us because we help them apply all this amazing technology to their business. They value Cybermate Infotek's applied intelligence, its ability to understand their problems and help fix them.

This capability will be even more important as e-business moves into the realm of serious business transformation. All of the decisions that customers need to make-technology decisions, product decisions and process decisions-derive from some much more basic, strategic choices. So the first thing a customer needs is a partner with a deep, experience-based understanding of their business process in general and of e-business in particular.

Of course, a "solution" isn't truly a solution unless your customer can implement it quickly and affordably. Business transformation doesn't mean much if you can't then enable applications and get the infrastructure in place. One of our key competitive advantages is our experience in actually building and integrating e-business systems with existing business software for our customers.

At a time when demand is exploding for e-Business management software solutions, Cybermate Infotek has never been better positioned to help customers meet their business needs. And when customers win, Cybermate Infotek wins.

Business Strategy:

We streamlined our products and technologies into six core focus areas. We have a 7-year history of developing and selling various kinds of software for a large spectrum of Industry verticals. But as

we listened to the needs of our customers and partners, we drew on our rich reserves to focus on developing and supporting one kind of software: "The Software that manages and integrates e-Business".

This positioning is ideal.

We have a comprehensive and advanced portfolio of software solutions that manage e-Business.

The demand for software solutions that manage e-Business is exploding on a global basis, as the world becomes "one marketplace." Also, we have the high caliber of e-Business software developers and consultants in the industry.

With that in mind, we organized our products and technologies into two strategic groups: e-Business Software solutions Group and e-Business Security solutions Group. Across these categories, we offer market-leading solutions in

- Enterprise Management,
- Security Infrastructure,
- E-Commerce Components,
- E-Business Transformation and Integration for Industry Verticals,
- Portal and Web-based Applications, and
- Print Automation and PDF/workflow solutions.

These six focus areas are becoming the core competencies of CybermateInfotek that will drive sustainable growth in the years to come.

As part of our efforts, we have realigned our existing products to more closely reflect our strategy. And we continue to forge valuable relationships with strategic partners.

Quality Process

Quality continues to play a very important role in the company's strategic objectives. A separate quality process division has been in operation since mid 1999, to imbibe quality consciousness at all levels of the company hierarchy and to exercise requisite control.

Your company has been following internal quality development models and standards, for different project lifecycles, from scope till deliverables. We are presently planning to go for ISO 9002, which will be a step towards SEI, CMM Level 4 certification. Our quality motto:

- Managing Consistent Growth
- Quality systems and Processes
- 24 x 7 support services
- Create a knowledge based industry

Joint Venture/Alliances

Your company's US' Subsidiary, has become part of a Consortium Group of Companies, in USA, that provides solutions to major Fortune 500 companies. We do expect major orders in the current fiscal year to increase our pipeline and contribute significantly to the US revenues.

Your company is awaiting the issuance of Licenses from the Controller of Certification Authorities, Government of India to establish Commercial Certification Authorities. With this, your Company expects more business opportunities in the Internet security markets in India.

In-house your company has set up a PKI-workgroup, which is working on integrating all applications and toolkits of Baltimore Technologies, with other Security applications for an end-to-end solution in the e-security market. Your company has also bagged prestigious orders for implementation and supply of various Third Party products and solutions, which has demand in the sub-continent.

Partnering with Rainbow Technologies Inc. USA, your company was able to increase its breadth of positioning in the security solutions segment vis-à-vis its I-key™ product. These have wide applications in smart card development, banking and telecom industry.

Subsidiaries and Joint Ventures

Your company's fruitful association with its 100% WOS, in USA, continues in a significant way. As many as 25 people are being placed at the disposal of the US subsidiary and are presently working at various client sites/projects.

During the current year 2001-2002, your company proposes to augment it's manpower with the increase in the Order Book and revenue streams from the Wholly Owned Subsidiary at US.

The Joint Venture, in Abu Dhabi, is yet to commence its operations, as the management would like to

undertake a detailed study of the prospects in that region in light of the general slowdown.

Fixed Deposits

Your company has not accepted any deposits from public and, as such no amount of principal or interest was outstanding on the date of Balance Sheet.

Directors

Mr. K.K.Rao and Dr. J.V.Rao, directors, on the Board retire at this Annual General meeting and being eligible offer themselves for re-appointment. Mr. M. R. Vikram who is appointed as an additional director on the board during the year, retires at this AGM and being eligible offer himself for re-appointment as director retiring by rotation, and in whose favour a notice under section 257 has been received from a member of the company proposing his candidature.

Audit Committee

The Audit committee provides direction to the scope of audit and risk management function in the company and monitors the quality of internal audit and management. The Audit Committee includes overseeing the financial reporting process to ensure proper disclosure of financial statement, recommending appointment/removal of external auditors and fixing remuneration.

The audit committee was constituted by the Board of Directors at its meeting held on 20th July 2001 comprising the following:

Mr. M. R. Vikram,

Dr. J. V. Rao

Mr. K.K. Rao

Directors' Responsibility Statement

(As per the provisions of Section 217(2AA) of the Companies Act 1956), the Directors confirm that:

- a) in preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation related to material departures.
- b) the directors have selected such accounting policies and applied them consistently and

made judgements and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the company as at the end of March 31st 2001 and the profits for the year ended on that date.

- c) the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act 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.

Auditors

The auditors, M/s. B.Rama Rao & Co., Chartered Accountants, Hyderabad retire at this Annual General Meeting and have confirmed their eligibility and willingness for reappointment. The Directors commend their reappointment.

During the year, IT officials conducted a consequential search Under Section 132 of the Income Tax Act, 1961 on the premises of the Company on the 8th March, 2001. The IT Department has so far not served any order on the Company in this regard.

Conservation of Energy, Technology absorption and Foreign Exchange Earnings and Outgo

The particulars as prescribed under sub-section (1)(e) of section 217(2A) of the Companies Act 1956 read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, are given in Annexure.

Employees Stock Option Scheme

The company introduced the ESOS scheme in 1999, wherein employees were given options, at a pre-determined price of Rs. 42/- per share as approved by the members at the 5th Annual General meeting on 30th September 1999.

A Trust by the name "Cybermate Infotek Employees Trust" was formed for the employees, in early December 1999 and a corpus amount of Rs. 4.00 Lacs was contributed to the trust enabling it to

subscribe for 4,00,000 equity share warrants and the Board has allotted the same @ Re. 1/- per warrant; convertible into equity shares at a price of Rs.42/- per share(and the balance thereafter), as per the SEBI guidelines.

In view of the subdued capital market scenario and the diminution in value of shares of your company, the Company has received representations from employees, to annul the existing ESOP scheme, and come out with a flexible and attractive scheme.

Based on the representations received from employees, the company has cancelled the ESOP scheme and returned the amount paid thereof and has now drafted a flexible, free-pricing ESOS/ESPS scheme, as detailed in the notice, for the approval of members.

Acknowledgement

Your Directors acknowledge with a deep sense of gratitude the continued support extended by investors, employees, customers, business associates, bankers and government departments.

For and on behalf of the Board

Place : Secunderabad
 Date : 25th Aug '2001

P. C. Pantulu
 Managing Director

K.S. Sivakumar
 Director & COO

ANNEXURE TO THE DIRECTORS' REPORT

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

1. Conservation of Energy

The operations of your company are not energy-intensive by using energy efficient computer terminals and equipment and electrical fittings. Energy saving conditioners are being purchased that reduces heat absorption.

Research and Development (R & D)

Research and Development of new products and services that allows software designs across different projects that continue to increase quality and productivity.

3 Technology absorption, adaptation and Innovation

Your company has taken steps to improvise on quality and process enhancements, that reduces working time on desktops. Various communication facilities include Video-conferencing, and High-speed internet access have been upgraded.

4. Foreign Exchange earnings and outgo

Activities relating to exports, development of new markets, for products and services and export plans.

Your company has over the past year, set up communication facilities and marketing offices situated in North America, Europe and Middle East. Your company has plans to set up marketing and development centers at San Jose, California catering to the client needs. Foreign Exchange earned and used for the year ended 31st March.

	(Rs. in lacs)	
	2001	2000
Foreign Exchange Earnings	167.64	12.75
Foreign Exchange Outgo	77.98	158.76

5. Employee Particulars

Statement giving particulars of employees covered under the Companies (Particulars of employees as required under section 217(2A) of the Companies Act'1956 and the Companies (Particulars of Employees) Rules' 1975 as amended form part of this report. However, in pursuance of section 219(1)(b)(iv) of the companies Act' 1956 this report is being sent to all the shareholders of the Company excluding the aforesaid information and the said particulars are made available at the registered office of the company.

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 AS AT MARCH 31ST 2001

(in US\$)

			For Financial Year of the Subsidiary		For previous Financial years since it became a subsidiary		Change of interest of Cybermate Infotek Ltd. in the subsidiary between the end of financial year of the subsidiary and that of Cybermate Infotek Ltd.	Material changes between the end of the financial year and that of the subsidiary of Cybermate Infotek Limited.					
			Dealt with in the accounts of Cybermate Infotek Ltd.	Not Dealt with in the accounts of Cybermate Infotek Ltd.	Dealt with in the accounts of Cybermate Infotek Ltd.	Not Dealt with in the accounts of Cybermate Infotek Ltd.		Fixed Assets	Investments	Loans and Advances	Monies borrowed by the subsidiary Company other than for meeting current liability.		
Name of the Subsidiary Company	Financial Year of the Subsidiary Company	Share of Subsidiary Company held on the above date and extent of holding	No. of Equity Shares	Extent of Holding (%)	5	6	7	8	9	10	11	12	13
CYBERMATE INFOTEK LIMITED, INC. U.S.A.	31.12.2000	To be Allotted	100		NIL	(89792)	NIL	(27274)	NIL	NIL	NIL	NIL	NIL

AUDITORS' REPORT

To
The Members,
Cybermate Infotek Limited.

We have audited the attached Balance Sheet of M/s. CYBERMATE INFOTEK LIMITED as at 31st March, 2001 and Profit and Loss Account of the Company for the year ended on that date 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 enclose in the annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order and to the extent relevant and applicable.
2. We further report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit:
 - 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 the 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

Profit and Loss Account dealt with by this report are in compliance with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act 1956.

- e) On the basis of written representation received from the directors, and taken on record by the Board of Directors, none of the director is disqualified as on 31st March 2001 from being appointed as director in terms of Clause (g) of section 274 (1) of the Companies Act, 1956.
- f) In our opinion and to the best of our information and according to the explanation given to us, the said accounts read together with significant accounting Policies and 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 so far as it relates to the Balance Sheet, of the State of Affairs of the company as at 31st March, 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.

For **B. Rama Rao & Co.**,
Chartered Accountants

Place : Hyderabad
Date : 30th July, 2001

G.V. Ranga Babu
Partner

ANNEXURE REFERRED TO IN PARAGRAPH 1 OF OUR REPORT

- i) The Company has maintained proper records to show full particulars including quantitative details and situation of Fixed Assets. We are informed that the Company's Fixed Assets have been physically verified by the management periodically during the year and no material discrepancies were noticed on such verification.
- ii) None of the Fixed Assets of the Company have been revalued during the year.
- iii) 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. We are informed that there are no companies under the same management as defined under section 370 (1B) of the Companies Act, 1956.

- iv) The Company has not made any loans, secured or unsecured to Companies, Firms or other parties listed in the register maintained under section 301 of the

- Companies Act, 1956. We are informed that there are no companies under the same management as defined under section 370 (1B) of the Companies Act, 1956.
- v) In the case of the parties to whom loans or advances in the nature of loans were given by the company We found that some parties are not regular in repayment of loan as well as interest as stipulated and we are informed that the company is taking reasonable steps for recovery of principle and interest wherever applicable.
- vi) In our opinion and according to the information and explanation given to us there are adequate internal control procedures commensurate with the size of the company and nature of its business for the purchase of hardware and software, consumables, plant & machinery and other assets. However, in respect of services rendered, we are informed that the Company is further streamlining its procedures and controls thereon.
- vii) As the Company has not accepted deposits from the public, provisions of Section 58A of the Companies Act, 1956 and the rules framed there under as also directives issued by Reserve Bank of India are not applicable. However, the Company has accepted a security deposits to the tune of Rs.93.54 lakhs from the trainees, who are undergoing training with the company.
- viii) We are informed that the Company is in the process of installing an internal audit system commensurate with the size and nature of its business.
- ix) The Central Government has not prescribed rules for the maintenance of cost records under section 209 (1) (d) of the Companies Act 1956 for any of the products or services of the Company.
- x) According to the records of the Company, Certain delays were observed in depositing Provident Fund and Employees State Insurance dues, where applicable, during the year, with the appropriate authorities.
- xi) According to the information and explanation given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty were outstanding as at 31st March, 2001 for a period of more than six months from the date they became payable.
- xii) 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 the generally accepted business practices.
- xiii) In our opinion and according to the information and explanations given to us, the Company has not entered into any transactions for the purchase of goods and materials and services, with companies, firms or other parties listed in the Registers maintained under Section 301 of the Companies Act, 1956, and aggregating to Rs.50000 or more in respect of each party.
- xiv) The company is not a sick industrial company within the meaning of clause (O) of sub section (1) of Section 3 of the Sick Industrial Companies (Special Provision) Act, 1985.
- xv) In our opinion and according to the information and explanations given to us, in respect of the service activities, the Company, commensurate with the size and nature of its business, has a reasonable system of allocating man-hours to specific jobs.
- xvi) In our opinion, and according to the information and explanation given to us there is a reasonable system of authorisation at proper levels and an adequate system of internal control for allocation of manpower to jobs, commensurate with the size of the company and nature of its business.
- xvii) Items (iii), (iv), (v), (vi), (xiv) of clause A of paragraph 4 of the aforesaid order are not applicable to the company, being service oriented.

For **B. Rama Rao & Co.,**
Chartered Accountants

Place : Hyderabad
Date : 30th July, 2001

G.V. Ranga Babu
Partner

BALANCE SHEET AS AT 31ST MARCH, 2001

	Schedule No.	31.03.2001 Rs.	31.03.2000 Rs.
SOURCES OF FUNDS			
1. Shareholders' Funds			
(a) Capital	1	9,39,93,000	9,39,93,000
(b) Reserves and Surplus	2	14,60,88,880	11,38,82,550
2. Loan Funds			
(a) Secured Loans	3	2,21,13,018	3,23,64,372
(b) Unsecured Loans	4	93,54,000	44,24,000
Total		27,15,48,898	24,46,63,922
APPLICATION OF FUNDS			
1. A. Fixed Assets	5		
Gross Block		8,77,25,662	6,64,00,190
Less: Depreciation		2,06,54,392	1,36,10,858
Net Block		6,70,71,270	5,27,89,332
B. Advances on Capital Account		19,75,900	48,69,300
2. Investments	6	1,72,86,542	1,55,39,744
3. Current Assets, Loans & Advances	7		
(a) Inventories		8,33,10,142	4,55,62,339
(c) Sundry Debtors		7,41,14,282	3,92,44,319
(d) Cash and Bank balances		52,64,312	3,80,61,720
(e) Loans and Advances		3,60,06,712	5,48,22,626
Total		19,86,95,448	17,76,91,004
Less: Current Liabilities & Provisions			
i. Current Liabilities	8 (a)	1,57,17,868	78,87,549
ii. Provisions	8 (b)	15,50,385	26,28,121
Net Current Assets		1,72,68,253	1,05,15,670
4. Miscellaneous Expenditure	9	37,87,991	42,90,212
Total		27,15,48,898	24,46,63,922
Statement of significant Accounting Policies & Notes forming part of Accounts	14		

As per our report of even date
B. Rama Rao & Co.,
Chartered Accountants

For and on behalf of the Board

G.V. Ranga Babu
Partner

P.C. Pantulu
Managing Director

K.S. Shivakumar
Director

Date : 30-07-2001
Place : Secunderabad

Shivanand Ijju
Director

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

PARTICULARS	Schedule No.	31.03.2001 Rs.	31.03.2000 Rs.
INCOME			
Revenue	10	8,10,77,186	3,55,85,000
Increase/ (Decrease) in Stock	11	2,78,47,803	3,62,37,339
Other Income		70,12,004	58,56,660
TOTAL		11,59,36,993	7,76,78,999
EXPENDITURE			
Operating Expenses	12	7,27,38,631	4,05,99,749
Financial Charges	13	50,46,344	37,64,737
Depreciation		70,43,534	82,69,477
TOTAL		8,48,28,509	5,26,33,963
Profit for the year		3,11,08,484	2,50,45,036
Add : Provision Written Back		3,78,676	--
Profit for the year		3,14,87,160	2,50,45,036
Provision for tax		15,50,385	22,69,555
Profit after tax		2,99,36,775	2,27,75,481
Balance brought forward from the previous year		2,60,14,948	61,30,017
Add : Provisions No longer reqd			
Provision for Tax of Previous Year		22,69,555	--
Profit available for appropriation		5,36,82,168	2,89,05,498
Appropriations:			
Transfer to General Reserve		31,48,716	28,90,550
Balance carried to Balance Sheet		5,50,72,562	2,60,14,948
Statement of significant Accounting Policies & Notes forming part of Accounts	14		

As per our report of even date
B. Rama Rao & Co.,
Chartered Accountants

For and on behalf of the Board

G.V. Ranga Babu
Partner

P.C. Pantulu
Managing Director

K.S. Shivakumar
Director

Date : 30-07-2001
Place : Secunderabad

Shivanand Ijju
Director

	31.03.2001 Rs.	31.03.2000 Rs.
SCHEDULE - 1		
SHARE CAPITAL		
Authorised		
120,00,000 Equity Shares of Rs. 10/- each fully paid up (1,20,00,000 Shares of Rs.10 each)	<u>12,00,00,000</u>	<u>12,00,00,000</u>
SUBSCRIBED & PAID UP		
93,99,300 Equity Shares of Rs. 10/- each fully paid up (93,99,300 Equity Shares of Rs.10 each fully paidup)	<u>9,39,93,000</u>	<u>9,39,93,000</u>
TOTAL	<u>9,39,93,000</u>	<u>9,39,93,000</u>
SCHEDULE - 2		
RESERVES & SURPLUS		
General Reserve	70,16,318	38,67,602
Profit and Loss Account	5,50,72,562	2,60,14,948
Share Premium	8,40,00,000	8,40,00,000
TOTAL	<u>14,60,88,880</u>	<u>11,38,82,550</u>
SCHEDULE - 3		
SECURED LOANS		
Hire Purchase	11,53,904	16,83,802
Term Loan from State Bank of India	76,00,000	1,00,00,000
Packing Credit from State Bank of India	1,33,59,114	2,06,80,570
TOTAL	<u>2,21,13,018</u>	<u>3,23,64,372</u>
SCHEDULE - 4		
UNSECURED LOANS		
Security Deposits	93,54,000	44,24,000
TOTAL	<u>93,54,000</u>	<u>44,24,000</u>

**SCHEDULE - 5
FIXED ASSETS**

Name of Asset	Gross Block on 1.4.00 Rs.	Additions / (Deletions) Rs.	Gross Block As on 31.3.01 Rs.	Upto the Year Rs.	Depreciation During the Year Rs.	Total Rs.	Net Block as on 31.03.00 Rs.	Net Block as on 31.03.01 Rs.
1) Motor Vehicles	17,34,645	--	17,34,645	1,78,088	1,64,791	3,42,879	15,56,557	13,91,766
2) Computers & Peripherals	3,34,99,731	60,20,695	3,95,20,426	1,28,77,708	59,81,782	1,88,59,490	2,06,22,023	2,06,60,936
3) Office Equipment	10,66,302	1,07,117	11,73,419	1,34,832	71,850	2,06,682	9,31,470	9,66,737
4) Furniture	29,85,114	23,46,772	53,31,886	2,72,785	2,74,678	5,47,463	27,12,329	47,84,423
5) Electrical Equipment	11,61,795	20,32,458	31,94,253	1,12,193	1,27,406	2,39,599	10,49,602	29,54,654
6) Buildings	2,59,52,603	--	2,59,52,603	35,252	4,23,027	4,58,279	2,59,17,351	2,54,94,324
7) Web Development Expenses	--	1,08,18,430	1,08,18,430	--	--	--	--	1,08,18,430
TOTAL	6,64,00,190	2,13,25,472	8,77,25,662	1,36,10,858	70,43,534	2,06,54,392	5,27,89,332	6,70,71,270
Advances on Capital Account								19,75,900
								(48,69,300)

	31.03.2001 Rs.	31.03.2000 Rs.
SCHEDULE - 6		
INVESTMENTS		
Non Trade Unquoted		
Cybermate Infotek Limited Inc. USA	93,86,542	76,39,744
Twin Cities Investments and Finances Ltd (10,000 Equity Shares of Rs.10/- each)	1,00,000	1,00,000
Advance for Purchase of Portal	78,00,000	78,00,000
TOTAL	1,72,86,542	1,55,39,744
SCHEDULE-7		
CURRENT ASSETS, LOANS AND ADVANCES		
CURRENT ASSETS		
a) Inventories		
Stock of Software	1,24,00,000	--
Work In Progress	7,09,10,142	4,55,62,339
	8,33,10,142	4,55,62,339
b) Sundry Debtors (Unsecured, Considered Good)		
Not over six months old	7,31,48,035	2,66,88,000
Other Debts	9,66,247	1,25,56,319
	7,41,14,282	3,92,44,319
c) Cash & Bank Balances		
i. Cash on hand	30,128	1,90,341
ii. Balance with Scheduled Banks	1,63,736	8,71,379
iii. Deposits with Banks	50,70,448	3,70,00,000
TOTAL	52,64,312	3,80,61,720
LOANS AND ADVANCES		
Advances Recoverable in cash or kind or for value to be received	6,90,786	1,49,02,302
Loans to others	8,62,000	13,03,384
Inter Corporate Deposits	2,90,63,861	3,03,03,986
Deposits with Others	14,13,663	46,72,112
Advance Tax Paid	34,60,000	34,60,000
TDS	5,16,402	1,80,842
TOTAL	3,60,06,712	5,48,22,626

Seventh Annual Report 2000 - 2001

	31.03.2001 Rs.	31.03.2000 Rs.
SCHEDULE - 8		
CURRENT LIABILITIES & PROVISIONS		
(a) CURRENT LIABILITIES		
Sundry Creditors	24,91,833	58,04,043
Other Current Liabilities	58,34,531	20,83,506
Loan from Others	73,91,504	--
TOTAL	1,57,17,868	78,87,549
(b) PROVISIONS		
Provision for Tax	15,50,385	22,69,555
Provision for Gratuity	--	2,95,200
Provision for TDS	--	63,366
Other Provisions	--	--
TOTAL	15,50,385	26,28,121
SCHEDULE - 9		
MISCELLANEOUS EXPENSES		
to the extent not written off		
Public Issue Expenses	18,71,545	20,99,989
Product Development Expenses	19,16,446	21,90,223
TOTAL	37,87,991	42,90,212
SCHEDULE - 10		
REVENUE		
(a) Domestic	14,07,000	88,97,000
(b) Exports	7,96,70,186	2,66,88,000
TOTAL	8,10,77,186	3,55,85,000
SCHEDULE - 11		
INCREASE / (DECREASE) IN STOCK		
Opening Stock		
Software (Products)	--	--
In-Process	4,55,62,339	93,25,000
	4,55,62,339	93,25,000
Less:		
Closing Stock		
Software (Products)	25,00,000	--
In Process	7,09,10,142	4,55,62,339
	7,34,10,142	4,55,62,339
Increase in Stock	2,78,47,803	3,62,37,339

	31.03.2001 Rs.	31.03.2000 Rs.
SCHEDULE - 12		
OPERATING AND OTHER EXPENDITURE		
Salaries	1,13,71,261	64,29,027
Contribution to Provident Fund	6,89,649	3,20,095
Gratuity	2,85,599	2,95,200
Staff Welfare	26,76,503	17,45,191
Directors Remuneration	43,83,440	24,37,468
Communication Costs	16,72,632	10,05,108
Travelling Expenses	69,78,386	57,16,550
Visa Processing Fee	78,467	54,420
Repairs & Maintenance	12,58,772	7,78,067
Electricity & Water	14,41,378	4,93,816
Vehicle Maintenance	5,25,965	3,08,432
Consultancy & Professional Fee	14,27,399	14,68,952
Rent	8,44,700	16,27,059
Rates & Taxes	1,93,240	2,87,299
Conveyance	6,36,675	1,35,940
Business Promotion Expenses	32,74,924	8,41,242
Audit Fee	1,00,000	1,00,000
Audit Expenses	3,219	--
Software Purchases	2,24,69,620	55,06,000
Advertisement Expenses	8,10,151	8,67,555
Postage & Courier	2,85,006	4,39,243
Printing & Stationery	9,63,915	9,24,393
Income Tax	--	7,44,044
Computer Stationery	5,81,378	3,61,400
Computer Hire Charges	8,98,670	7,86,000
Meetings & Seminars	3,16,900	2,57,649
Insurance	85,355	50,883
Bank Charges	3,29,387	7,04,204
Membership & Subscription Fee	3,73,798	2,30,103
Office Maintenance	14,28,886	12,34,962
Books & Periodicals	1,76,522	2,46,683
AGM Expenses	54,016	88,884
Security Charges	72,250	46,607
Service Charges	2,40,070	1,23,411
Staff Training Expenses	7,23,575	8,38,498
General Expenses	10,39,037	5,58,305
Board Meeting Expenses	11,000	56,180
Overseas Marketing Expenses	17,07,057	19,88,658
Miscellaneous Expenses Written off	5,02,221	5,02,221
Car Hire Charges	5,08,498	--
Freight Charges	42,340	--
Share Transfer Fee	5,11,801	--
Legal Charges	17,200	--
Loss on Chits	7,44,588	--
Exchange Variation	3,181	--
TOTAL	7,27,38,631	4,05,99,749

	31.03.2001 Rs.	31.03.2000 Rs.
SCHEDULE - 13		
FINANCIAL CHARGES		
Interest on packing credit facilities	14,04,855	2,89,512
Interest Hire Purchase loans	2,19,593	24,01,984
Interest - others	21,15,998	10,73,241
Interest on Term Loan	13,05,898	—
TOTAL	50,46,344	37,64,737

SCHEDULE 14

SIGNIFICANT ACCOUNTING POLICIES & NOTES ON ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES

i. Accounting Convention

Financial statements are prepared under the historical cost convention on the basis of a going concern with revenues and expenses recognised on accrual basis with the exception of insurance claims, export incentives, interest on calls in arrears and interest on over due receivables which are accounted for on cash basis.

ii. Revenue Recognition.

Revenue from software development on time and material contracts is recognised based on software developed and billed in accordance with the terms of specific contracts. Revenue from a fixed price contract is recognised on the basis of milestones achieved in the performance of the contracts on a percentage completion basis.

Interest on investment of surplus funds is recognised on a proportionate basis.

iii. Fixed Assets and Depreciation

Fixed Assets are stated at cost less depreciation. Cost includes freight, installation costs, duties and taxes and other incidental expenses incurred during the construction / installation.

Depreciation on Fixed Assets has been provided on the Straight Line Method and at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956 on a single-shift working basis. Depreciation is charged on a prorata basis.

Capital Work in Progress. These are stated at cost and relating to assets in progress incurred during construction /pre-operative period and include advances made against orders placed.

iv. Investments

Long Term Investments are stated at cost.

v. Inventories.

Software Products/ Projects in process are stated at cost. Development Costs of products are amortised over a period of five years or earlier on the basis of Management's evaluation.

vi. Retirement benefits.

1. The Company has provident funds scheme for the employees. Contributions are made to the appropriate authorities and are charged to profit and loss account.
2. In case of gratuity the Company makes contribution on the basis of actuarial valuation to the Life Insurance Corporation of India (LIC). Under the plans, LIC has undertaken

to pay all amounts due to employees when a liability arises and the Company has no further obligations.

3. Leave encashment is accrued based on actuals, not being in the nature of retirement benefits.

vii. Foreign currency transactions

Foreign exchange transactions are accounted at the prevailing rates on the date of the transaction and exchange fluctuations are accounted at the time of realisation. Gains/Losses arising out of fluctuations in the exchange rates are recognized in Profit & Loss A/c.

B. NOTES ON ACCOUNTS

1. Cost of Acquisition of Software

Cost of Acquisition of Licensed versions of Software is charged off in the year of purchase.

2. Secured Loans

a) Rupee Term Loan

Rupee Term Loan from State Bank of India is secured by a first charge on the unencumbered fixed assets of the company, second charge on the property of the company and by way of pledge of 15,00,000 equity shares of the company held by the promoters of the company.

b) Working Capital Loan

Working Capital Loan from State Bank of India is secured by hypothecation of book debts/Stock/Receivables, collateral security by way of a first charge on the property of the company.

Assets acquired under hire purchase finance are hypothecated to the hire vendors as security for the amounts advanced.

3. Employee Stock Option Scheme. (ESOP)

The Company has not received any response to the Employees Stock Option Plan and as a result the scheme is being abandoned. However in view of the present scenario of the capital market and share price of the company, quoted on the Stock Exchanges, the board of Directors thought fit to introduce a new ESOP as per the guidelines of SEBI.

4. Computation of Net Profit in accordance with Section 349 of the Companies Act, 1956, and calculation of commission payable to whole-time directors

	31.03.2001	31.03.2000
Net profit before Tax	3,11,08,484	2,58,52,541
Add		
Depreciation as per books of account	<u>70,43,534</u>	<u>82,69,477</u>
	3,81,52,018	3,41,22,018
Less		
Depreciation under Section 350 of the Companies Act, 1956.	<u>70,43,534</u>	<u>48,23,484</u>
Profit as per Section 349	3,11,08,484	2,66,73,990
Add		
Director's remuneration	<u>30,18,344</u>	<u>13,48,854</u>
Profit as per section 198	3,41,26,828	2,80,22,844
Commission payable @4% of the Profit	<u>13,65,073</u>	<u>11,20,913</u>

5. Additional Information Pursuant to the provisions of the Schedule VI to the Companies Act, 1956.

I. Expenditure in Foreign Currency

Figures in Rupees

	31.03.01	31.03.00
Import on CIF basis		
Capital Goods	28,63,487	33,53,000
Travel	31,88,244	48,83,780
Investment in Subsidiaries	17,46,798	76,39,744
Total	77,98,529	1,58,76,524
ii. Earnings in Foreign currency		
(Receipt Basis)		
Sales	1,67,64,192	12,74,922
Total	1,67,64,192	12,74,922
iii. Amounts paid/payable to Auditors		
Audit Fees	60,000	60,000
Tax Audit Fee	5,000	5,000
Certification Fee	10,000	10,000
Tax Representation fee	10,000	10,000
Management Consultancy fee	10,000	10,000
Out of Pocket Expenses	5,000	5,000
Total	1,00,000	1,00,000
iv. Managerial Remuneration		
Salaries	29,50,000	12,17,184
Perks	68,345	30,870
P.F.Contribution	2,64,000	1,00,800
Commission	13,35,095	10,88,614
Total	46,44,676	24,37,468

31.03.01

31.03.00

v. Contingent Liabilities not provided for

a) Bank Guarantee	Rs.Nil	(Rs. Nil)
b) LC's	Rs.Nil	(Rs. Nil)
c) Foreign Bills Discounted	Rs.21.22 Lakhs	(Rs. Nil)
d) Disputed Income Tax Liability in respect of pending appeal before CIT appeals for Assessment year 1998-99.	Rs.5.72 Lakhs	(Rs. Nil)

vi. Debtors, Creditors, Loans and Advances are subject to confirmation and reconciliation.

vii. Previous year's figures have been regrouped wherever necessary.

viii. Figures are rounded off to nearest rupee.

As per our report of even date

For and on behalf of the Board

B. Rama Rao & Co.,
Chartered Accountants

G.V. Ranga Babu
Partner

P.C. Pantulu
Managing Director

K.S. Shivakumar
Director

Date : 30-07-2001
Place : Secunderabad

Shivanand Ijju
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2001

	In Rs.	
	Year ended 31.03.2001	Year ended 31.03.2000
Cash Flow from Operating Activities		
Net Profit before Interest and Tax	3,37,56,715	2,50,45,036
Depreciation	70,43,534	82,69,477
Miscellaneous Expenses Written off	5,02,221	5,02,221
Operating Profit before working capital	4,13,02,470	3,38,16,734
Changes in working Capital		
Increase / (Decrease) in Sundry Debtors	(3,48,69,963)	(3,10,27,319)
Increase / (Decrease) in Inventories	(3,77,47,803)	(3,62,37,339)
Increase / (Decrease) in Loans and Advances	1,88,15,914	(4,31,22,626)
Increase / (Decrease) in Current Liabilities	52,02,198	56,27,644
Cash generated from Operations	(4,85,99,654)	(10,47,59,640)
Net Cash from Operating Activities	(72,97,184)	(7,09,42,906)
Cash flow from Investing activities		
Purchase of Fixed Assets	(2,13,25,472)	(4,52,33,795)
Purchase of Investments	(17,46,798)	(1,54,39,744)
Decrease in Capital Advances	28,93,400	2,47,33,200
Net Cash from Investing Activities	(2,01,78,870)	(3,59,40,339)
Cash flow from Financing Activities		
Proceeds from Issuance of Share Capital	--	1,20,00,000
Proceeds from Issuance of Share Premium	--	8,40,00,000
Decrease in Secured Loans	(29,29,898)	(13,21,198)
Proceeds from Bank over draft	(73,21,456)	2,06,80,570
Repayment of Long Term Borrowings	49,30,000	6,24,000
Increase in Public Issue Expenses	--	(2,72,433)
Net Cash used in Financing Activities	(53,21,354)	11,57,10,939
Net increase in Cash and Cash equivalents	(3,27,97,408)	88,27,694
Cash and Cash Equivalents at the beginning of the year	3,80,61,720	2,92,34,026
Cash and Cash Equivalents at the end of the year	52,64,312	3,80,61,720

For and on behalf of the Board

Date : 30-07-2001	P.C. Pantulu	K.S. Shivakumar	Shivanand Ijju
Place : Secunderabad	Managing Director	Director	Director

AUDITOR'S CERTIFICATE

To
The Board of Directors
Cybermate Infotek Limited, Secunderabad

We have examined the attached Cash Flow Statement of M/s. Cybermate Infotek Limited, for the period ended 31st March, 2001. The statement has been prepared by the Company in accordance with the requirements of Clause 32 of listing agreement with Hyderabad, Bangalore & Mumbai Stock Exchanges and is based on and in agreement with the corresponding Profit & Loss A/c. Balance Sheet of the Company covered by our report of 30.07.2001 to the members of the Company.

For **B. Rama Rao & Co.**
Chartered Accountants

Place : Secunderabad
Date : 30th July, 2001

G.V. Ranga Babu
Partner

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration No.

1 7 4 8 5

State Code

0 1

Balance Sheet Date

3 1 0 3 2 0 0 1

II. Capital raised during the Year (Amount Rs. in thousands)

Public Issue

N I L

Rights Issue

N I L

Bonus Issue

N I L

Private Placement

N I L

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

Total Liabilities

2 7 1 5 4 8

Total Assets

2 7 1 5 4 8

SOURCES OF FUNDS

Paid up Capital

9 3 9 9 3

Reserves & Surplus

1 4 6 0 8 8

Secured Loans

2 2 1 1 3

Unsecured Loans

9 3 5 4

APPLICATION OF FUNDS

Net Fixed Assets

6 7 0 7 1

Investments

1 7 2 8 6

Net Current Assets

1 8 1 4 2 7

Misc. Expenditure

3 7 8 7

Accumulated Losses

N I L

IV. Performance of the Company (Amount Rs. in thousands)

Turnover Including

Other Income

				1	1	5	9	3	6
--	--	--	--	---	---	---	---	---	---

Total Expenditure

						8	4	8	2	8
--	--	--	--	--	--	---	---	---	---	---

+/- Profit/Loss Before Tax

						3	1	4	8	7
--	--	--	--	--	--	---	---	---	---	---

+/- Profit/Loss After Tax

						2	9	9	3	6
--	--	--	--	--	--	---	---	---	---	---

Earning per share

						3	.	1	8
--	--	--	--	--	--	---	---	---	---

Dividend Rate

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

V. Generic names of three principal products / services of the Company

Item Code No. (ITC code)

						8	5	-	0	4
--	--	--	--	--	--	---	---	---	---	---

Product Description

	C	O	M	P	U	T	E	R
--	---	---	---	---	---	---	---	---

	S	O	F	T	W	A	R	E
--	---	---	---	---	---	---	---	---

As per our report of even date
B. Rama Rao & Co.,
 Chartered Accountants

For and on behalf of the Board

G.V. Ranga Babu
 Partner

P.C. Pantulu
 Managing Director

K.S. Shivakumar
 Director

Date : 30-07-2001
 Place : Secunderabad

Shivanand Ijju
 Director

Director's Report

Directors

Mr. Rajiv Goyal
Mr. P.C. Pantulu
Mr. Ijju Shivanand

To the Members,

Your Directors have pleasure in presenting the Third Annual Report of the Company along with the Audited accounts for the year ended December 31, 2000.

Review of Operations

This year under review was full of opportunities and challenges. Your company was focused on high-growth and higher-margin opportunities and has strong portfolio of customers as well as skills necessary to support them.

Your company has been focusing on emerging market segments for growth. Your company will strive to leverage market knowledge and able to execute high level services for increasing number of customers.

Your company has joined with Consortium Group of Companies, USA and bagged prestigious orders from USA and Europe, in wide range of emerging technologies.

Investments

Your company has not received any further investments from its parent company Cybermate Infotek Limited, India. The present scenario in USA and rest of the world, has helped Cybermate Infotek Inc. to consolidate its position in the USA.

Auditors' Report

Report of Independent Accountants Cybermate Infotek Ltd.Inc.

To the Stockholders and Board of Directors of Cybermate Infotek Ltd.Inc.

In our opinion, the accompanying financial statements, appearing on pages 33 through 36, present fairly, in all material respects, the financial position of Cybermate Infotek Ltd. Inc. at December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States. 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 of these statements in accordance with auditing standards generally accepted in the United States, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

(Signed)
Mithani & Company
Gibbsboro, New Jersey

July 30, 2001

**FINANCIAL POSITION (BALANCE SHEET) AS OF
DECEMBER 31, 2000 AND 1999**

	December 31 2000	(in US \$) December 31 1999
ASSETS		
Current Assets		
Cash and Cash equivalents	8,637	111,968
Accounts Receivable	52,769	7,200
Other Current Assets		
Loan Receivable	<u>53,110</u>	<u>50,060</u>
Total Current Assets	114,516	168,628
FIXED ASSETS		
Office Equipment (Original Cost)	10,307	3,958
Less Accumulated Depreciation	<u>2,589</u>	<u>1,212</u>
	7,718	2,746
Start Up Costs, net of Amortisation	2,098	3,614
Total Fixed Assets	9,816	6,360
Total Assets	<u>124,332</u>	<u>174,988</u>
LIABILITIES & STOCKHOLDERS EQUITY		
LIABILITIES		
Current Liabilities		
Accounts Payable		
Taxes	3,522	400
Loan Payable	<u>232,876</u>	<u>196,862</u>
Total Accounts Payable	236,398	197,262
Stockholders' Equity		
Common Stock, no par value	5,000	5,000
Retained Earnings	(117,066)	(27,274)
Total Stakeholders Equity	<u>(112,784)</u>	<u>(22,274)</u>
Total Liabilities and Stakeholders equity	<u>124,332</u>	<u>174,988</u>

For and on behalf of the Board of Directors

Place : New Jersey, USA
Date : July 30, 2001

Rajiv Goyal
Director

**STATEMENT OF EARNINGS AND RETAINED EARNINGS FOR
YEARS ENDED DECEMBER 31, 2000 AND 1999**

(in US \$)

December 31, 2000

December 31, 1999

INCOME / EXPENSES

INCOME

Revenue	86,165	0
Total Revenue	86,165	0

Operating Expense

Advertising	0	160
Amortization	818	0
Bank charges	305	187
Depreciation	1,377	1,212
Legal Fee	1,220	0
Licenses & Permits	7,012	0
Office Expenses	3,497	2,776
Postage & Delivery Services	723	0
Professional Services: Computer Consultants	74,073	665
Rent	9,026	0
Salaries and wages	42,902	0
Taxes	3,522	0
Telephone Expenses	9,703	3,358
Travel Expenses	20,977	14,890
Utilities	802	544
Total Operating Expenses	175,957	23,792

Net Income (Loss) Before Taxes	(89,792)	(23,792)
Provision for income taxes	0	400
Net Income (Loss) after taxes	(89,792)	(24,192)
Retained Earnings: Beginning	(27,274)	(3,082)
Additions (Deductions) To Retained Earnings	(89,792)	(24,192)
Retained Earnings: End	(117,066)	(27,274)

For and on behalf of the Board of Directors

Place : New Jersey, USA
Date : July 30, 2001

Rajiv Goyal
Director

NOTE 1 : SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of the significant accounting policies of Cybermate Infotek Limited Inc. (the Company) is presented to assist in understanding the Company's financial statements. The financial statements and the notes are the representations of the Company's Management, who is responsible for their integrity and objectivity. These accounting policies conform to Generally Accepted Accounting Principles (GAAP) and have been consistently applied in the preparation of the financial statements.

Nature of Operations

The Company is a Delaware Corporation, incorporated during June, 1998. Its Registered Office is located at #25, Greystone Manor Lewes, Delaware. It is authorized to do business as a foreign corporation in the Commonwealth of Pennsylvania and the State of New Jersey. Currently its administrative office is located at Suite 3002H Green Tree Executive Campus, 3002, Lincoln Drive West, Marlton, N.J. 08053, U.S.A. The Company is a fully owned Subsidiary of an Indian Corporation, Cybermate Infotek Limited, India.

The Company is engaged in providing Software Development in the following areas:

e-commerce and Portal Development, Wireless Application Protocol(WAP), Internet/Intranet Development, Digital Marketplace, Client/Server Application development and e-services.

The Company offers both on-site projects and offshore projects, on both fixed price and time and material basis.

The company also provides Consulting services in the areas of Information technology, including but not limited to the following:

Microsoft Development Environment, e-commerce, Database Management and System Integration.

Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles(GAAP) requires management to make estimates and assumptions that effect certain reported amounts and disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from estimates.

Income Recognition

Gross revenue to the company from subscriptions is recognized in the period in which it accrues.

Concentration of risk

The Company extends credit to its customers. The Company does not believe that it is exposed to any significant credit risks in connection with the extension of credit to its Customer.

Property & Equipment

Property & Equipment are stated at cost. Office Equipment costing less than five thousand dollars has been fully depreciated.

Accounts Receivables

The Company has got not made any provision for doubtful accounts since all receivables were considered collectible.

Loan payable to Shareholder

The current liabilities include a sum payable to Shareholder to the company. No interest is payable on the said liability and accordingly no accrual has been made.

**STATEMENT OF CASH FLOWS FOR YEARS ENDED
DECEMBER 31, 2000 AND 1999**

	December 31, 2000	(in US \$) December 31, 1999
Cash Flows From Operating Activities		
Net Earnings (Loss)	(89,792)	(24,192)
Adjustments to reconcile net loss to cash Provided from operating activities:		
Amortization and Depreciation	2,492	1,176
Decrease (Increase) in Prepaid Advertising	0	160
Decrease (Increase) in Accounts Receivables	(45,569)	(7,200)
Decrease (Increase) in Prior period and rounding adjustments	0	0
Increase (Decrease) in Accrued Corporation Taxes	3,522	400
	<u>(39,555)</u>	<u>(5464)</u>
Net cash (used) provided from Operating Activities	<u>(129,347)</u>	<u>(29,656)</u>
Cash Flow From (Used by) Investing Activities		
(Acquisition) or Sale of Property	(6,349)	(3,652)
Net cash (used by) provided from Investing Activities	(6,349)	(3,652)
Cash Flow From (used by) Financing Activities		
Net Borrowing		
(Increase) Decrease in Loans Receivable from Vision Technologies LLC	(3,050)	(50,060)
Issuance of Stock	0	0
Increase (Decrease) in Loans payable to shareholders	36,015	193,596
Net cash (used) provided from Financing Activities	(32,965)	(143,536)
Net change in cash and cash equivalents	(102,731)	110,228
Cash and Cash equivalent at beginning of the year	111,368	1,140
Cash and cash equivalents at end of the year	8,637	111,368
Supplement Data		
Cash paid during the year for:		
Income Taxes	0	0
Interest	0	0



CYBERMATE INFOTEK LIMITED
 Regd Office : # 11, Sripuri colony,
 Kakaguda, Karkhana, Secunderabad - 500 015.

PROXY FORM

Folio No :

I/We of
 in the District of being a Member/Members of the above named
 Company, hereby appoint Mr/Ms/Kum in the
 District of as my/our proxy to attend and vote for me/us on
 my/our behalf at the Seventh Annual General Meeting of the Company to be held at Juluri Vajramma
 Kalyana Mandapam, Karkana, Secunderabad - 500 015, on 28th Friday, September, 2001 at 10.00 a.m.
 and at any adjournment thereof.

Signed this day of 2001.

Address

Affix
 Revenue
 Stamp
 Re.1/-

Signature

Note : The proxy form duly completed must be deposited at the Registrar's Office Sidhu corporate
 Services (P) Ltd., 18A(New 492), East Marredpally, Secunderabad - 500 026. Not less than 48
 Hours before the time for hoding the meeting. A proxy need not be Member.



CYBERMATE INFOTEK LIMITED
 Regd Office : # 11, Sripuri colony,
 Kakaguda, Karkhana, Secunderabad - 500 015.

ATTENDANCE SLIP

I hereby record my presence at the Seventh Annual General Meeting of the company at Juluri Vajramma
 Kalyana Mandapam, on Friday, 28th September, 2001 at 10.00 A.M.

Full Name of the Shareholder (in block Letters)

 Signature

Folio No No. of Shares Held

Full name of the Proxy (in block Letters)

 (To be filled if the proxy attends instead of the Member) Signature

Note : Shareholders attending the meeting in person or by proxy are requested to complete the attendance
 slip and hand over at the entrance of the meeting hall.



