



We win, when you win!

Eighth Annual Report 2001-2002

BOARD OF DIRECTORS

P.C. PANTULU	-	Managing Director
K.S. SHIVA KUMAR	-	Director & Chief Operations Officer
IJJU SHIVANAND	-	Director & Chief Technical Officer
P.S. MURTHY	-	Director (Technical)
RAJIV GOYAL	-	Director - International Business Development
K.K. RAO	-	Director
N.VEDAGIRI	-	Director

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 Subsidiary

Cybermate Infotek Ltd. Inc.
Suite 3002H, Green Tree Executive
Campus, Lincoln Drive West,
Marlton, New Jersey 08053 USA

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 8th Annual General Meeting of the shareholders of the company will be held at 10.00 a.m on Monday, the 16th December 2002 at Sundaraya Vignan Kendra, # 1-8-1/B/25/A, Baghlingampally, Hyderabad – 500 044 A.P India to transact the following business:

AS ORDINARY BUSINESS

- a. 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 2002 and the Profit and Loss Account of the Company for the year ended as on that date and the report of the Director's and Auditor's be and are hereby considered and adopted.”

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

“RESOLVED THAT Mr. K.K.Rao Director, who retires by rotation and being eligible for re-appointment, offers himself for re-appointment be and is hereby re-appointed, as a Director of the Company.”

- c. 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

- d. To consider and if thought fit to pass with or without modifications, the following resolution as an Ordinary Resolution.

“RESOLVED THAT Mr. N.Vedagiri, who was appointed as an additional director by the Board at its meeting dated 31st July 2002 and who holds office upto the date of this Annual General Meeting of the company, 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.”

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) 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 12th December 2002 to 16th December 2002 (both days inclusive).
4. Members are requested to bring their copies of the Annual Report 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.
5. Members are requested to notify immediately any change in their address to the Company in case their shares held in dematerialized form, this information should be passed so that the information required can be made readily available at the meeting.
6. 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 to the Secretarial Department, at Plot No.11, Sripuri Colony, Karkhana, Secunderabad – 500 015. A.P
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EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

ITEM NO. 4

Mr. N.Vedagiri aged 68Yrs, was appointed by the Board of Directors as an Additional Director of the Company with effect from 31st July' 2002, pursuant to section 260, of the Companies Act'1956.

Mr. N. Vedagiri has behind him over three decades of experience in Banking having been in senior positions in the Banking industry and his experience and exposure to the industrial finance will be great asset to the company. He is also a director in Regency Ceramics Limited. He is a member of Audit Committee.

Information on Director's seeking appointment / re-appointment as required under clause 49 of the listing agreement with stock exchanges.

Mr. K.K.Rao, aged 53 years is a NRI Director on the Board. He is a Chartered Accountant who has experience in large industry like Bharath Earth Movers Limited, Bangalore, AP Fisheries Corporation, Lasheo Group of Companies before leaving for the Middle East where he is currently managing a construction Company (Al-Baraha) in DOHA, Qatar for the past 15 years.

By order of the Board

Place: Secunderabad

P. C. Pantulu

Date: 31st October' 2002

Managing Director

DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting their Seventh Annual Report on the business and operations for your company for the year ended March 31, 2002.

Financial Results

	(Rs. in Lacs)	
	31 st March 2002	31 st March 2001
Sales	455.92	810.77
Stock Adjustments	44.78	278.48
Other Income	54.69	70.12
Total Revenues	555.39	1159.37
Total Expenditure	303.09	727.39
PBDIT	252.30	435.77
Less: Prov. for Tax	14.16	15.50
PAT	92.85	299.37
Add: Surplus B/f	550.72	260.12
Profit available for appropriation	643.57	582.21
Transfer to General Reserve	10.70	31.49
Surplus Carried to Balance sheet	632.87	550.72

Overview of Operations:

During the previous year, industrial recession and continued Global downtrend has reduced investments in IT by major industries. Due to this global phenomenon your company has been experiencing pressure on the revenues however, at present the market is in the mode of stabilization there are signs of distinct recovery foreseen in the near future. Since your company is not an

exception to the general trend, the total revenues were lower by 43.77% and profits by 68.98% over the previous year. Due to continuous marketing effort the company has been fortunate to conclude deals with more clients during the year increasing from the present base of 16 to 24 clients in North America.

The new contracts in the pipeline are scheduled for commencement, execution & implementation in the second half of the current year and that the revenues and profits improve thereafter.

Employee Stock Purchase Scheme (ESPS)

The company has introduced the Employee Stock Purchase Scheme ESPS 2001, as approved by the shareholders in the AGM held on 28th September 2001. The members had authorized the company to issue equity shares not exceeding 5% of issued capital.

As per the scheme approved by the Compensation Committee of the Board 3,42,000 shares were allotted to the employees under the Employee Stock Purchase Scheme.

Strategic Initiatives

Your company strategically positioned itself in the Healthcare market, with focused expertise in healthcare solutions through our Health Care Solutions Group (HSG) and developed some products and solutions, one of them being Dental Reconstruction Workflow Solutions for Doctors, already implemented for a major chain of Dental Hospital in USA. During the year your company has also streamlined products and solutions to cater to the print and publishing industry by strategic alliance with industry leaders in print and publishing automation and the company has set up a Print Automation Group (PAG), to develop solutions for the print media industry.

Products

The company was able to deliver certain solutions to its existing clients, which have been recommended by these clientele to various other similar clients. Encouraged by this response, the company has decided to produce some of its solutions so that these can be delivered to multiple clients thereby augmenting its revenues and keeping minimum development cost which will be limited to the customizing costs to meet the specific requirements of each new client.

Subsidiary Company Accounts

In compliance with the provisions of Section 212 of the Companies Act'1956, the Audited Statement of Accounts for the year ended 31st December'2001 of the Subsidiary company and also the statement under the said section are attached along with the Balance Sheet of the company.

Fixed Deposits

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

Directors

Mr.N.Vedagiri, Director was appointed as Additional Director and retires at this meeting being eligible offers for re-appointment. Mr. M.R.Vikram and Dr. J.V.Rao have resigned from the Board on 29th March' 2002 and 31st July' 2002 respectively due to their preoccupation. The Board of Directors record their sincere gratitude for their services rendered to the Company during their tenure.

In accordance with the requirements of Clause 49 of the Listing Agreement executed with the stock exchanges as also in pursuance of section 292A of the Companies Act'1956, following steps have been taken by the Board of Directors:

a) The Board of Directors has been reconstituted and comprises nine members (inclusive of five Executive Directors and two Non-Executive directors) of which 1/3rd are Independent Directors. The reconstituted Board comprises the following:

- 1) Mr. P. C. Pantulu Managing Director
- 2) Mr. K. S. Shiva Kumar Executive Director
- 3) Mr. P. S. Murty Executive Director
- 4) Mr. Ijju Shivanand Executive Director
- 5) Mr. Rajiv Goyal Executive Director
(w.e.f 01.04.2001)
- 6) Mr. K. K. Rao Non-Executive Director
- 7) Mr. N.Vedagiri Non-Executive
Independent Director

In the process of reconstitution of the board, Mr. M.R.Vikram resigned from the Board on 29th March' 2002 and Dr. J.V.Rao on 31st July' 2002. The Board is thankful to both of them for the valuable services rendered to the company during their tenure. Mr. N.Vedagiri is being constituted into the Board as Additional Director and holds office until the conclusion of the next ensuing AGM.

Audit Committee

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

The present audit committee comprises the following directors:

- 1) Mr. N.Vedagiri Director
- 2) Mr. K.K.Rao Director
- 3) Mr. K.S.Shivakumar Director & COO

Directors' Responsibility Statement (As 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 are eligible for re-appointment. The Board recommends their re-appointment.

Auditor's Report

The Auditor's comments in their report are self-explanatory.

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 B.

Employee Particulars

As required under the provisions of Section 217(2A) of the Companies read with 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,are set out in the annexure included in this report.

Acknowledgement

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

For and on behalf of the Board

Place: Secunderabad

P. C. Pantulu

Date: 31st October, 2002

Managing Director

K.S.Shivakumar

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. Your company is always in the look out for newer and efficient energy conservation technologies and introduces them appropriately.

2. 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. Your company is continuously strengthening its research exposure in application and system development areas. Your company has set up practice units for web-related technologies and object and component technologies. Your company helps its customers creating a world standard virtual workplace connecting across offices, geographies, on a real time with multimedia linkups.

3. Technology absorption, adaptation and Innovation

Your company has taken steps to improvise on quality and desktops, that reduces working time on desktops. Various communication facilities include Video-conferencing, and Middleware technologies.

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)	
	2002	2001
Foreign Exchange Earnings	74.22	167.64
Foreign Exchange Outgo	11.92	77.98

b) Information as per Section 217 (2A) of the Companies Act' 1956, read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Director's Report for the year ended March 31' 2002.

Sl. No.	Name	Designation	Qualification	Age (Yrs)	Date of Joining	Gross Remuneration	Previous Employment
1.	P.C.Pantulu	Managing Director	F.C.A	56	04.05.1994	Rs. 17,64,000	SOL Pharmaceuticals

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 AS AT MARCH 31ST 2002 (in US\$)

				For Financial year of the Subsidiary		For Previous For Financial Years since it became a Subsidiary		Change of interest of Cybermate Infotek Limited in the Subsidiary between end of financial year of the subsidiary and that of Cybermate Infotek Limited	Material changes between the end of the financial year and that of the subsidiary of Cybermate Infotek Limited.			
		Name of the Subsidiary Company	Financial year of the Subsidiary Company	Share of Subsidiary Company held on the above date and extent of holding		Net aggregate amount of profits less losses of the subsidiary for the above mentioned year so far as they concern members of Cybermate Infotek Limited			Net aggregate amount of profits less losses of the subsidiary for the above mentioned year so far as they concern members of Cybermate Infotek Limited		Loans and Advances	Monies borrowed by the subsidiary by the subsidiary Company other than for meeting current liability
				No. of Equity Shares	Extent of Holding (%)	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.			
1	2	3	4	5	6	7	8	9	10	11	12	13
CYBERMATE INFOTEK LIMITED Inc. U.S.A.	31-12-2001	1500	100%	NIL	(1730)	NIL	(80792)	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, 2002 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Auditing Standards Generally Accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statement. 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 audit provides a reasonable basis for our opinion.

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:

Further to our comments in the Annexure referred to 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 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 2002 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, 2002 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: 31st July, 2002

G.V.RANGA BABU
PARTNER

ANNEXURE TO AUDITOR'S REPORT OF EVEN DATE FOR THE MEMBERS OF CYBERMATE INFOTEK LTD.

- i) The Company has maintained proper records to show 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 having regard to the size of the Company and the nature of its assets. 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 have been 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 granted any interest free/ interest bearing loans, secured or unsecured to its subsidiaries and 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 equipment, equipment 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 and the amounts shown as loans under the head unsecured Loans comprises security deposits collected from trainees.
- viii) The Central Government has not prescribed rules for the maintenance of cost records under section 209 (1) of the Companies Act 1956 for any of the products or services of the Company.
- ix) The Company has not paid Provident Fund dues to the appropriate authorities amounting to Rs. 4,68,514/- (Rupees Four Lakh Sixty Eight Thousand Five Hundred and Fourteen Only). Further, according to the information and explanation given to us, there are no undisputed amounts payable in respect of Wealth Tax, Sales Tax, Customs Duty and Excise Duty outstanding as at 31st March, 2002 for a period of more than six months from the date they became payable. However with respect to income tax dues the company is defending an appeal at the appellate tribunal (refer Note No. 11 (v) d in notes on accounts).
- x) On the basis of our examination of the books of accounts and the information and

- explanations given to us, there are no personal expenses which have been charged to the revenue account other than those incurred in terms of contractual obligations or in accordance with generally accepted business practice.
- xi) In our opinion and according to the explanations given by the company in this regard, the company is in the process of streamlining its own internal audit department.
- xii) 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.50,000/- or more in respect of each party.
- xiii) 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.
- xiv) 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.
- xv) 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.
- xvi) 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: 31st July, 2002

G.V.RANGA BABU
PARTNER

BALANCE SHEET AS AT 31ST MARCH, 2002

	SCHEDULE	31.03.2002	31.03.2001
	No.	Rs.	Rs.
SOURCES OF FUNDS			
1. SHAREHOLDERS' FUNDS			
(a) Capital	1	9,74,13,000	9,39,93,000
(b) Reserves and Surplus	2	15,70,83,481	14,60,88,880
2. LOAN FUNDS			
(a) Secured Loans	3	2,43,35,711	2,21,13,018
(b) Unsecured Loans	4	<u>82,99,000</u>	<u>93,54,000</u>
TOTAL		<u>28,71,31,192</u>	<u>27,15,48,898</u>
APPLICATION OF FUNDS			
1. A Fixed Assets	5		
Gross Block		8,99,52,412	8,77,25,662
Less: Depreciation		<u>3,10,17,594</u>	<u>2,06,54,392</u>
Net Block		5,89,34,818	6,70,71,270
B. Advances on Capital Account		1,48,750	19,75,900
2. Investments	6	6,43,66,820	1,72,86,542
3. Current Assets, Loans & Advances	7		
(a) Inventories		7,78,88,064	8,33,10,142
(c) Sundry Debtors		6,16,64,251	7,41,14,282
(d) Cash and Bank balances		2,98,754	52,64,312
(e) Loans and Advances		<u>3,63,02,796</u>	<u>3,60,06,712</u>
TOTAL		17,61,53,865	19,86,95,448
Less : Current Liabilities & Provisions			
i. Current Liabilities	8 (a)	2,26,92,446	1,57,17,868
ii. Provisions	8 (b)	<u>29,66,385</u>	<u>15,50,385</u>
Net Current Assets		2,56,58,831	1,72,68,253
		15,04,95,034	18,14,27,195
4. Miscellaneous Expenditure	9	1,31,85,770	37,87,991
TOTAL		<u>28,71,31,192</u>	<u>27,15,48,898</u>
Statement of significant Accounting Policies & Notes forming part of Accounts	14		

As per our report of even date

For **B. RAMA RAO & CO.**

Chartered Accountants

G.V.RANGA BABU

Partner

Date : 31st July, 2002

Place : Secunderabad

For and on behalf of the Board of Directors

P.C.Pantulu
Managing Director

K.S.Shiva Kumar
Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2002

	Schedule No.	31.03.2002 Rs.	31.03.2001 Rs.
PARTICULARS			
INCOME			
Revenue	10	4,55,91,675	8,10,77,186
Increase/ (Decrease) in Stock	11	44,77,922	2,78,47,803
Other Income	-	54,69,050	70,12,004
TOTAL		5,55,38,647	11,59,36,993
EXPENDITURE			
Operating Expenses	12	3,03,09,022	7,27,38,631
Financial Charges	13	41,65,822	50,46,344
Depreciation		1,03,63,202	70,43,534
TOTAL		4,48,38,046	8,48,28,509
Profit for the year		1,07,00,801	3,11,08,484
Add : Provision Written Back		0	3,78,676
Profit for the year		1,07,00,801	3,14,87,160
Provision for tax		14,16,000	15,50,385
Profit after tax		92,84,801	2,99,36,775
Balance brought forward from the previous year		5,50,72,562	2,60,14,948
Add : Provisions No longer reqd			
Provision for Tax of Previous Year		0	22,69,555
Profit available for appropriation		6,43,57,163	5,82,21,278
Appropriations:			
Provisions for Dividends		—	—
Transfer to General Reserve		10,70,060	31,48,716
Balance carried to Balance Sheet		6,32,87,103	5,50,72,562
Statement of significant Accounting Policies & Notes forming part of Accounts	14		

As per our report of even date

For **B.RAMA RAO & CO.**
Chartered Accountants**G.V.RANGA BABU**
PartnerDate : 31st July, 2002
Place : Secunderabad

For and on behalf of the Board of Directors

P.C.Pantulu **K.S.Shiva Kumar**
Managing Director Director

	31.03.2002 Rs.	31.03.2001 Rs.
SCHEDULE - I		
SHARE CAPITAL		
Authorised		
150,00,000 Equity Shares of Rs. 10/- each fully paid up (120,00,000 Shares of Rs.10 each)	<u>150000000</u>	<u>120000000</u>
SUBSCRIBED & PAID UP		
97,41,300 Equity Shares of Rs. 10/- each fully paid up (93,99,300 Equity Shares of Rs.10 each fully paid up)	<u>97413000</u>	<u>93993000</u>
TOTAL	<u>97413000</u>	<u>93993000</u>
SCHEDULE - 2		
RESERVES & SURPLUS		
General Reserve	8086378	7016318
Profit and Loss Account	63287103	55072562
Share Premium	85710000	84000000
TOTAL	<u>157083481</u>	<u>146088880</u>
SCHEDULE - 3		
SECURED LOANS		
Hire Purchase	911199	1153904
State Bank of India Term Loan	6000000	7600000
Working Capital Loan	15469094	13359114
Union Rent From UBI	1955418	-
TOTAL	<u>24335711</u>	<u>22113018</u>
SCHEDULE - 4		
UNSECURED LOANS		
Security Deposits	8299000	9354000
TOTAL	<u>8299000</u>	<u>9354000</u>

SCHEDULE - 5**FIXED ASSETS**

Name of Asset	Gross Block	Additions / (Deletions)	Gross Block	Depreciation		Total	Net Block	Net Block
	on 1.4.01		As on 31.3.02	Upto the Year	During the Year		as on 31.03.01	as on 31.03.02
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1) Motor Vehicles	1734645	0	1734645	342879	164791	507670	1391766	1226975
2) Computers & Peripherals	39520426	0	39520426	18859490	6406261	25265751	20660936	14254675
3) Office Equipment	1173419	0	1173419	206682	74277	280959	966737	892460
4) Furniture	5331886	0	5331886	547463	337508	884971	4784423	4446915
5) Electrical Equipment	3194253	79100	3273353	239599	181855	421454	2954654	2851899
6) Buildings	25952603	1982650	27935253	458279	452652	910931	25494324	27024322
7) Web Development Expenses	10818430	165000	10983430	0	2745858	2745858	10818430	8237573
TOTAL	Rs. 87725862	2228750	89952412	20854392	10363202	31017594	67071270	58934818
Advances on Capital Account								148750 1975900

	31.03.2002	31.03.2001
	Rs.	Rs.
SCHEDULE - 6		
INVESTMENTS		
Investments Non Trade Unquoted		
Cybermate Infotek Limited USA	93,86,542	93,86,542
Add : Capitalisation of Non - Equity Exports	4,70,80,278	
	5,64,66,820	93,86,542
Twin Cities Investments and Finances Ltd	1,00,000	1,00,000
Advance for Purchase of Portal	78,00,000	78,00,000
TOTAL	<u>6,43,66,820</u>	<u>1,72,86,542</u>
SCHEDULE-7		
CURRENT ASSETS, LOANS AND ADVANCES		
CURRENT ASSETS		
a) Inventories		
Stock of Software	25,00,000	1,24,00,000
Work In Progress	7,53,88,064	7,09,10,142
TOTAL	<u>7,78,88,064</u>	<u>8,33,10,142</u>
b) Sundry Debtors		
(Unsecured, Considered Good)		
Not over six months old	10,87,44,529	7,31,48,035
Less : Capitalisation of Non -Equity		
Exports to Subsidiary Company	4,70,80,278	0
	6,16,64,251	7,31,48,035
Other Debts	0	9,66,247
TOTAL	<u>6,16,64,251</u>	<u>7,41,14,282</u>
c) Cash & Bank Balances		
i. Cash on hand	23,646	30,128
ii. Balance with Scheduled Banks	2,75,108	163,736
iii. Deposits with Banks	0	50,70,448
TOTAL	<u>2,98,754</u>	<u>52,64,312</u>
LOANS AND ADVANCES		
Advances Recoverable in cash or kind or for value to be received	12,38,256	6,90,786
Loans to others	8,62,000	8,62,000
Inter Corporate Deposits	2,86,93,647	2,90,63,861
Deposits with Others	12,57,159	14,13,663
Advance Tax Paid	34,60,000	34,60,000
TDS	7,91,734	5,16,402
TOTAL	<u>3,63,02,796</u>	<u>3,60,06,712</u>

	31.03.2002	31.03.2001
	Rs.	Rs.
SCHEDULE-8		
CURRENT LIABILITIES & PROVISIONS		
(a) CURRENT LIABILITIES		
Sundry Creditors	31,27,006	24,91,833
Other Current Liabilities	1,51,32,127	58,34,531
Loan from Others	44,33,313	73,91,504
TOTAL	<u>2,26,92,446</u>	<u>1,57,17,868</u>
(b) PROVISIONS		
Provision for Tax	29,66,385	15,50,385
TOTAL	<u>29,66,385</u>	<u>15,50,385</u>
SCHEDULE - 9		
MISCELLANEOUS EXPENSES		
(to the extent not written off)		
Public Issue Expenses	16,43,101	18,71,545
Product Development Expenses	16,42,669	19,16,446
Software Products	99,00,000	0
TOTAL	<u>1,31,85,770</u>	<u>37,87,991</u>
SCHEDULE-10		
REVENUE		
(a) Domestic	58,84,962	14,07,000
(b) Exports	3,97,06,713	7,96,70,186
TOTAL	<u>4,55,91,675</u>	<u>8,10,77,186</u>
SCHEDULE-11		
INCREASE / (DECREASE) IN STOCK		
Opening Stock		
Software (Products)	25,00,000	0
In Process	7,09,10,142	4,55,62,339
	7,34,10,142	4,55,62,339
Less:		
Closing Stock		
Software (Products)	25,00,000	25,00,000
In Process	7,53,88,064	7,09,10,142
	7,78,88,064	7,34,10,142
INCREASE IN STOCK	<u>44,77,922</u>	<u>2,78,47,803</u>

	31.03.2002	31.03.2001
	Rs.	Rs.
SCHEDULE - 12		
OPERATING AND OTHER EXPENDITURE		
Salaries	1,41,91,843	1,13,71,261
Contribution to Provident fund	2,34,257	6,89,649
Gratuity	0	2,85,599
Staff welfare	17,44,727	26,76,503
Directors Remuneration	42,66,798	43,83,440
Communication Costs	14,63,077	16,72,632
Travelling Costs	13,39,752	69,78,386
Visa Processing Fee	84,090	78,467
Repairs and Maintenance	1,65,021	12,58,772
Electricity & water	9,99,485	14,41,378
Vehicle Maintenance	2,05,893	5,25,965
Consultancy & Professional fee	5,01,425	14,27,399
Rent	6,79,475	8,44,700
Rates & Taxes	96,168	1,93,240
Conveyance	81,393	6,36,675
Business Promotion Expenses	4,52,478	32,74,924
Audit Fee	1,00,000	1,00,000
Audit Expenses	1,000	3,219
Software Purchases	0	2,24,69,620
Advertisement Expenses	7,892	8,10,151
Postage & Courier	21,554	2,85,006
Printing & Stationery	75,191	9,63,915
Computer Stationery	61,850	5,81,378
Computer Hire Charges	0	8,98,670
Meetings & Seminars	4,300	3,16,900
Insurance	56,660	85,355
Bank Charges	5,09,518	3,29,387
Membership & Subscription Fee	10,607	3,73,798
Office Maintenance	1,25,175	14,28,886
Books & Periodicals	18,528	1,76,522
AGM Expenses	1,97,430	54,016
Security Charges	72,969	72,250
Service Charges	2,45,403	2,40,070
Staff Training Expenses	1,04,500	7,23,575
General Expenses	2,92,168	10,39,037
Board Meeting Expenses	3,000	11,000
Overseas Marketing Expenses	11,92,999	17,07,057
Miscellaneous Expenses Written off	5,02,221	5,02,221
Car Hire Charges	0	5,08,498
Freight Charges	710	42,340
Share Transfer Fee	1,66,879	5,11,801
Legal Charges	0	17,200
Loss on Chits	0	7,44,588
Exchange Variation	0	3181
Jobwork Charges	32,586	0
TOTAL	<u>3,03,09,022</u>	<u>7,27,38,631</u>

	31.03.2002	31.03.2001
	Rs.	Rs.
SCHEDULE - 13		
FINANCIAL CHARGES		
Interest on packing credit facilities	18,51,683	14,04,855
Interest Hire Purchase loans	1,75,098	2,19,593
Interest - others	11,29,908	21,15,998
Interest on Term Loan	10,09,133	13,05,898
TOTAL	41,65,822	50,46,344

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. On time and material contracts, revenue is recognized based on software developed and invoiced as per the terms of specific contracts.

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 includes cost of fixed assets that are not ready for their intended use, advances paid to acquire fixed assets and the cost of the assets not put to use before the balance sheet date.

iv. Expenditure

The cost of software user licenses purchased for software development and the rendering of IT services is charged to revenue in the year the software is acquired at the time of acquisition. Provisions are made for all known losses and liabilities, future unforeseeable circumstances that may affect the profit on fixed-price software development contracts and also towards likely expenses for providing post-sales client support.

	31.03.2002	31.03.2001
	Rs.	Rs.
v. Investments		
Long Term Investments are stated at cost.		
vi. 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.		
Accrued liability towards gratuity has been provided on the basis of annual actuarial valuation made by an independent actuary and administered by the LIC through a fund.		
vii. Foreign currency transactions		
Foreign Exchange transactions are recorded at the spot rate prevailing at the beginning of the concerned month. Year end balances of foreign currency assets and liabilities are restated at the closing rate/forward contract rate as applicable. Gains/Losses arising out of fluctuations in the exchange rates are recognized in Profit & Loss A/c.		
viii. Deferred Tax liability		
The Company is a 100% EOU engaged in export of computer software and is claiming exemption of its business income under Section 10B. Hence, Accounting Standard on Deferred Tax liability is not applicable in so far as it relates to the business income of the company. However, with respect to other income, there is no timing or permanent defERENCE and hence provision for tax is recognized in the year in which it arises.		
ix. Miscellaneous Expenditure		
Expenses in connection with public issue of shares and preliminary expenses are being written off over a period of 10 years.		

B. NOTES ON ACCOUNTS

(All figures are reported in rupees thousands, except data relating to shares or unless stated otherwise)

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 compensation committee of the board evaluates the performance and other criteria of employees and approves the grant of options. These options vest with employees over a specified period subject to fulfillment of certain conditions. Upon vesting, employees are eligible to apply and secure allotment of Company's shares at a price determined on the date of grant of options. Amount received from employees on exercise of stock option, pending allotment of shares is shown as share application money pending allotment.

4. Related Party Transactions

The company has entered into related party transactions during the year ended March 31' 2002. with its subsidiary Cybermate Infotek Ltd. Inc. comprise sales of Rs. 67,69,321 during the period from April 1' 2002 until February 28th 2002. The outstanding dues from the subsidiary as at March 31' 2002 were Rs. 50,70,596/-.

Key Management personnel are non-director officers of the company, who have the authority and responsibility for planning, directing and controlling the activities of the Company. The loans and advances receivable from non-director officers as at March 31' 2002 are at Rs. NIL.

5. The company has transferred an amount of Rs.4,70,80,278/- to its subsidiary as investment out of its Sundry Debtors. The company has already made an application to the Reserve Bank of India for the conversion of non-equity exports into equity. The company is yet to receive the approval in this regard.
6. Segment reporting: The entire operations of the company relate only to one segment i.e., Computer Software.
7. Assets taken on lease comprise motor vehicles which are accounted as per the tenor of the hire purchase agreement.
8. Dues to S.S.I.: There are no dues to S.S.I. units in respect of Sundry Creditors as required to be disclosed in accordance with Section 211 read with part 1 of Schedule VI of the Companies Act, 1956.
9. Gratuity Liability: Gratuity liability towards existing eligible employees will be met by the contribution made to the fund administered by LIC, since, the company has settled the employees dues from its resources who left the services of the company. Hence, during the year no contributions were made.
10. Miscellaneous expenses: Miscellaneous expenses not written off include expenditure in connection with development of software products. The company proposes to charge off the same to revenue over a period of three years commencing from 2002-2003.

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

	31.03.2002	31.03.2001
	Rs.	Rs.
i. Expenditure in Foreign Currency		
Import on CIF basis		
Capital Goods	NIL	28,63,487
Travel	11,92,999	31,88,244
Investment in Subsidiaries	NIL	17,46,798
TOTAL	11,92,999	77,98,529
ii. Earnings in Foreign currency (Receipt Basis)		
Sales	74,22,196	1,67,64,192
TOTAL	74,22,196	1,67,64,192
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	41,76,500	29,50,000
Perks	90,298	68,345
P.F.Contribution	NIL	2,64,000
Commission	NIL	13,35,095
TOTAL	42,66,798	46,44,676
v. Contingent Liabilities not provided for		
a) Bank Guarantee	NIL	Nil
b) LC's	NIL	Nil
c) Foreign Bills Discount	NIL	(21.22 Lakhs)
d) Disputed Income Tax Liability in respect Rs.5.72 Lakhs (Rs. 5.72 Lakhs) of pending appeal before Appellate Tribunal for Assessment year 1998-99.		

vi. Reconciliation of basic and diluted shares used in computing earnings per share

	Year ended 31-03-2002	Year ended 31-3-2001
Number of shares considered as basic weighted average shares outstanding (12 months)	93,99,300	93,99,300
Add: Effect of dilutive issues of shares / Stock options (3 months)	3,42,000	—
Number of shares considered as weighted Average shares and potential shares outstanding (9399300 X 12/12 + 342000 X 3/12)	94,84,800	93,99,300

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

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

ix. Figures are rounded off to nearest rupee.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2002

in Rs.

	Year ended 31-03-2002	Year ended 31-3-2001
Cash Flow from Operating Activities:		
Net Profit before Tax and Extra Ordinary Items	1,07,00,601	3,37,56,715
Depreciation	1,03,63,202	70,43,534
Miscellaneous Expenses written off	5,02,221	5,02,221
Operating Profit before working capital changes	2,15,66,024	4,13,02,470
Changes in Working Capital		
Increase / (Decrease) in Sundry Debtors	1,24,50,031	(3,48,69,963)
Increase / (Decrease) in Inventories	(44,77,922)	(3,77,47,803)
Increase / (Decrease) in Loans & Advances	(2,96,084)	1,88,15,914
Increase / (Decrease) in Current Liabilities	89,74,578	52,02,198
Cash Generated from Operations	1,46,50,603	(4,85,99,654)
Net Cash from Operating Activities	3,62,16,627	(72,97,184)
Cash Flow from Investing Activities		
Purchase of Fixed Assets	(22,26,750)	(2,13,25,472)
Purchase of Investments	(4,70,80,278)	(17,46,798)
Increase in Advances	18,27,150	28,93,400
Net Cash from Investing Activities	(4,74,79,878)	(2,01,78,870)
Cash Flow from Financing Activities		
Increase from Issue of Share Capital	34,20,000	—
Increase from Share Premium	17,10,000	—
Decrease in Secured Loans	(18,42,705)	(29,29,898)
Proceeds from Bank Overdrafts	40,85,398	(73,21,456)
Decrease in Unsecured Loans	(10,55,000)	49,30,000
Increase in Long Term Borrowing	—	—
Net Cash used in Financing Activities	62,97,693	(53,21,354)
Net Increase in Cash and Cash Equivalents	(49,65,558)	(3,27,97,408)
Cash & Cash Equivalents at the Beginning of the Year	52,64,312	3,80,61,720
Cash & Cash Equivalents at the End of the Period	2,98,754	52,64,312

Date : 31st July 2002
Place : Secunderabad

For and on behalf of the Board of Directors
P.C.Pantulu K.S.Shiva Kumar
Managing 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' 2002. The statement has been prepared by the company in accordance with the requirements of Clause 32 of listing agreement with Hyderabad, Mumbai and Bangalore 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 31.07.2002 to the members of the Company.

As per our report of even date

For B.RAMA RAO & CO.
Chartered Accountants

Date : 31st July, 2002
Place : Secunderabad

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	2
---	---	---	---	---	---	---	---

ii. Capital raised during the year (Amt. In Rs. thousands)

Public Issue :

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

Rights Issue:

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

Bonus Issue :

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

Private Placement:

						3	4	2	0
--	--	--	--	--	--	---	---	---	---

iii. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities

			2	8	7	1	3	1
--	--	--	---	---	---	---	---	---

Total Assets

			2	8	7	1	3	1
--	--	--	---	---	---	---	---	---

SOURCES OF FUNDS

Paid up Capital

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

Reserves & Surplus

			1	5	7	0	8	3
--	--	--	---	---	---	---	---	---

Secured Loans

				2	4	3	3	5
--	--	--	--	---	---	---	---	---

Unsecured Loans

					8	2	9	9
--	--	--	--	--	---	---	---	---

APPLICATION OF FUNDS

Net Fixed Assets

				5	8	9	3	5
--	--	--	--	---	---	---	---	---

Investments

				6	4	3	6	7
--	--	--	--	---	---	---	---	---

Net Current Assets

			1	5	0	4	9	5
--	--	--	---	---	---	---	---	---

Misc. Expenditure

				1	3	1	8	5
--	--	--	--	---	---	---	---	---

Accumulated Losses

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

iv. Performance of the Company (Amount in Rs. Thousands)

Turnover including

Other Income

				5	5	5	3	9
--	--	--	--	---	---	---	---	---

+/- Profit/Loss before Tax

				1	0	7	0	1
--	--	--	--	---	---	---	---	---

Earning per share

					0	.	9	8
--	--	--	--	--	---	---	---	---

Total Expenditure

				4	4	8	3	8
--	--	--	--	---	---	---	---	---

+/- Profit after Tax

					9	2	8	5
--	--	--	--	--	---	---	---	---

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
 For **B.RAMA RAO & CO.**
 Chartered Accountants

For and on behalf of the Board of Directors

G. V. Ranga Babu
 Partner

P.C.Pantulu
 Managing Director

K.S.Shiva Kumar
 Director

Date : 31st July, 2002

Place : Secunderabad

CYBERMATE INFOTEK LIMITED INC.,

DIRECTOR'S REPORT

Directors

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

To the Members,

Your Directors have pleasure in presenting the Fourth Annual Report of the Company along with the Audited accounts for the year ended December 31st 2001.

Review of Operations

This under review was full of operations and challenges. Your company was focused on high growth and higher 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 segments 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.

AUDITOR'S REPORT

**Report of Independent Accountants
Cybermate Infotek Ltd. Inc.**

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

We have audited the accompanying balance sheet of Cybermate Infotek Limited Inc. a Delaware corporation as of December 31, 2001, and the related statements of income, retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Cybermate Infotek Limited, Inc as of December 31' 2001, were audited by other auditors whose report dated July 30 2001, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provides a reasonable basis for our opinion.

In our opinion, the 2001 financial statements referred to above present fairly, in all material respects, the financial position of Cybermate Infotek Limited Inc as December 31' 2001, and the results of its operations and its cash flows for the year ended in conformity with accounting principles generally accepted in the United States of America.

Rajeswara R. Maruvada
Certified Public Accountant

October 13, 2002

Voorhese, NJ

FINANCIAL POSITION (BALANCE SHEET) AS OF DECEMBER 31 2001 AND 2000

(IN US \$)

	Dec. 31 2001	Dec. 31 2000
CURRENT ASSETS		
Cash and Cash Equivalents	(2380)	8,637
Accounts Receivable	114,781	52,769
Total Current Assets	112,401	61,406
Fixed Assets		
Office equipment (Original Cost)	18,437	10,307
Less: Accumulated Depreciation	5,714	2,589
Property and equipment, net	12,723	7,718
Other Assets		
Loan Receivables	50,060	50,060
Start-up costs, net of amortisation	1,280	2,098
Deposits	1,500	0
Total Other Assets	52,840	52,158
TOTAL ASSETS	117,964	121,282
LIABILITIES & STOCKHOLDERS EQUITY		
LIABILITIES		
Current Liabilities		
Accounts Payable	28,271	0
Payroll Taxes Payable	9,603	3,282
Income Taxes	240	240
Employee Advances	37,345	39,615
Total Current Liabilities	75,459	43,137
Stock Holders' Equity		
Common Stock, no par value	5,000	5,000
Share Application Money pending allotment	207,191	190,211
Retained Earnings	(109,686)	(117,066)
Total Stockholders Equity	(102,505)	(78,145)
Total Liabilities and Stakeholders Equity	177,964	121,282

For and on Behalf of the Board of Directors

Place: New Jersey
Date: October 13 2002

Rajiv Goyal **Shivanand Ijju**
Director Director

**STATEMENT OF EARNINGS AND RETAINED EARNINGS
FOR YEARS ENDED DECEMBER 31, 2001 AND 2000.**

	(IN US \$)	
	Dec. 31 2001	Dec. 31 2000
	Rs.	Rs.
INCOME/EXPENSES		
INCOME		
Revenue	540,067	86,165
Total Revenue	540,067	86,165
Operating Expenses		
Amortisation	818	818
Automobile Expenses	284	0
Bad Debts	689	0
Computer Consultants	288,551	74,073
Bank Service Charges	799	305
Depreciation	3,125	1,377
Insurance	5,402	0
Internet Expenses	1,452	0
Legal Expenses	5,295	1,220
Licenses and Permits	6,830	7,012
Miscellaneous	5,786	0
Office Expenses	2,877	0
Payroll and Other Taxes	15,389	7,019
Postage & Delivery Services	338	723
Rent	12,094	9,026
Repairs and Maintenance	410	0
Salaries and Wages	144,768	42,902
Telephone Expenses	16,599	9,703
Travel & Entertainment	19,680	20,977
Utilities	1,501	802
Total Operating Expenses	532,667	175,957
Net Income (Loss) Before Taxes	7,380	(89,792)
Net Income (Loss)	7,380	(89,792)
Retained Earnings : Beginning of Year	(117,066)	(27,274)
	(109,686)	(117,066)
See Accompanying notes and accountant's report		

Place: New Jersey
Date: October 13 2002

For and on Behalf of the Board of Directors
Rajiv Goyal **Shivanand Ijju**
Director 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 the 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 confirm to generally accepted accounting principles (GAAP) and have been consistently applied in the preparation of the financial statements.

Nature of Operations

Cybermate Infotek Limited Inc., was incorporated in June 1998 under the by-laws of the State of Delaware and is authorized to do business in the states of Pennsylvania and New Jersey. The company is a fully owned subsidiary of an Indian corporation. Cybermate Infotek Limited, India.

The company is in the business of providing software development in e-commerce and portal development, wireless application protocol (WAP), Internet/Intranet Development, Digital Marketplace, Client/Server application 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 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 requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Method of Accounting

The corporation maintains its books and records on the accrual basis of accounting. The accompanying financial statements have been prepared on that basis, in which revenues and gains are recognized when earned and expenses and losses are recognized when incurred.

Property, equipment and depreciation

Property and equipments is stated at cost. Minor additions and renewals are expenses in the year incurred. Major additions and renewals are capitalized and depreciated over their useful lives. Depreciation is calculated by straight-line method. Estimated useful lives vary from three to five years for office furniture and equipment.

Amortisation

Start-up costs are amortised over a period of 60 months on a straight-line basis.

Income Taxes

The corporation has accumulated losses and will not owe any income taxes for the year 2001. No provision has been made for income taxes.

NOTE 2- Cash

Negative cash balance \$ (2,380) results from checks processed on December 28, 2001 in anticipation of receiving funds from customers. The balance has become positively subsequently.

NOTE 3 - Accounts Receivables

Accounts are charged to bad debt expenses as they are deemed uncollectible based upon a periodic review of the accounts. At December 31 2001, an amount of \$689 was charged to bad debt expense.

NOTE 4 - LOAN RECEIVABLE

Loan receivable of \$50,060 is due from Vision Technologies, a sister concern in Abu Dhabi, UAE. No interest is payable. Loan is repayable by June 2003.

NOTE 5-LOAN PAYABLE TO SHAREHOLDER

Loan payable to shareholder is reclassified as long-term liability. There are no terms for repayment of the loan and no interest is payable.

NOTE 6-LEASE OBLIGATIONS

The corporation leases office space. The lease is for a two year term, ending in August 2003. The rent increases at 5% annually. The lease is renewable at the corporation's option for another two years.

Annual minimum lease payments as of December 31, 2001 are as follows:

2002	\$ 18,503
2003	\$ 12,133

CASH FLOWS STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2001 AND 2000**(IN US \$)**

	Dec. 31 2001	Dec. 31 2000
	Rs.	Rs.
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	7,380	(89,792)
Adjustment to reconcile net income to net Cash provided by operating activities:		
Amortization and Depreciation	3,943	2,492
(Increase) Decrease in		
Accounts Receivable	(62,012)	(45,569)
Accrued corporation taxes		3,522
Deposits	(1,500)	0
(Decrease) Increase in		
Accounts Payable	28,271	0
Payroll taxes payable	6,321	0
Employee Advances	(2,270)	(3,050)
Total adjustments	27,247	42,605
Net Cash provided by operating activities	(19,867)	(132,397)
Cash Flow from Investing activities (Acquisition) or Sale of property	(8,130)	(6,349)
Net Cash used in investing activities		
Cash flows from financing activities		
Increase (Decrease) in Loans payable	16,980	36,015
Net Cash provided by financing activities		
Net increase in Cash	(11,017)	(102,731)
Cash at beginning of period	8,637	111,368
Cash at end of period	(2,380)	8,637

See accompanying notes and accountant's report

For and on Behalf of the Board of Directors

Place: New Jersey
Date: October 13 2002Rajiv Goyal Shivanand Ijju
Director Director

**AUDITOR'S REPORT TO THE BOARD OF
CYBERMATE INFOTEK LIMITED ON THE
CONSOLIDATED FINANCIAL STATEMENTS OF
CYBERMATE INFOTEK LIMITED AND ITS
SUBSIDIARY**

We have examined the attached consolidated Balance Sheet of Cybermate Infotek Limited and its subsidiary Cybermate Infotek Limited Inc., as at 31st March' 2002, the consolidated Profit and Loss Account and also the consolidated cash flow statement for the year then ended.

The financial statements are the responsibility of the Cybermate Infotek Limited's management. Our responsibility is to express an opinion on these financial statements based on our audit. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material aspects, in accordance with an identified financial reporting framework and are free of material misstatements. 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 the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statement of the subsidiary, whose statements reflect total assets of Rs. 57,80,236/- as at 31.12.2001 and total revenues of Rs. 2,63,87,641/- for the year then ended. These financial statements have been audited by other auditor whose report has been furnished to us, and in our opinion, in so far as it relates to the amounts included in respect of the subsidiary is based solely on the report of the other auditor.

We report that the consolidated financial statements have been prepared by the company in accordance with the requirements of Accounting Standard (AS 21), Consolidated Financial Statements", issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Cybermate Infotek Limited and its subsidiary Cybermate Infotek Ltd. Inc. included in the Consolidated Financial Statements.

On the basis of the information and explanation given to us and read with the accounting policies and notes to the consolidated financial statements and on the consolidation of the separate audit report on audited financial statements of Cybermate Infotek Ltd. and its aforesaid subsidiary Cybermate Infotek Ltd. Inc. we are of the opinion that:

- a. The Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of Cybermate Infotek Ltd. and its Subsidiary Cybermate Infotek Ltd, Inc. as at 31st March 2002; and
- b. The consolidated profit and loss account gives a true and fair view of the consolidated results of operations of Cybermate Infotek Ltd. and its subsidiary Cybermate Infotek Ltd. Inc. for the year ended.

for B.RAMA RAO & Co.
Chartered Accountants

Place: Hyderabad
Date: October 31, 2002

G.V.RANGA BABU
PARTNER

**CONSOLIDATED BALANCE SHEET OF CYBERMATE INFOTEK LIMITED
& IT'S SUBSIDIARY CYBERMATE INFOTEK LIMITED INC. USA**

	Schedule No.		31.03.2002 Rs.
SOURCES OF FUNDS			
1. SHAREHOLDERS' FUNDS			
(a) Capital	1		9,74,13,000
(b) Reserves and Surplus	2		10,58,16,258
2. LOAN FUNDS			
(a) Secured Loans	3		2,43,35,711
(b) Unsecured Loans	4		<u>82,99,000</u>
TOTAL			<u>23,58,63,969</u>
APPLICATION OF FUNDS			
1.A. Fixed Assets	5		
Gross Block		9,08,21,790	
Less: Depreciation		3,12,90,692	
Net Block			5,95,31,098
B. Advances on Capital Account			1,48,750
2. Investments	6		79,00,000
3. Current Assets, Loans & Advances	7		
(a) Inventories		7,78,88,064	
(c) Sundry Debtors		6,72,09,321	
(d) Cash and Bank balances		2,98,754	
(e) Loans and Advances		3,90,59,365	
TOTAL			18,44,55,504
Less : Current Liabilities & Provisions			
i. Current Liabilities	8 (a)	2,64,52,848	
ii. Provisions	8 (b)	29,66,385	2,94,19,233
Net Current Assets			15,50,36,271
3. Miscellaneous Expenditure	9		1,32,47,850
TOTAL			<u>23,58,63,969</u>
Statement of significant Accounting Policies & Notes forming part of Accounts	14		

As per our report of even date

For B.RAMA RAO & CO.
Chartered Accountants

For and on behalf of the Board of Directors

G.V.RANGA BABU
PartnerP.C.Pantulu
Managing DirectorK.S.Shiva Kumar
DirectorDate : 31 October' 2002
Place : Secunderabad

**CONSOLIDATED PROFIT AND LOSS ACCOUNT OF CYBERMATE INFOTEK LIMITED &
IT'S SUBSIDIARY CYBERMATE INFOTEK LIMITED INC. USA FOR THE YEAR
ENDED 31ST MARCH 2002**

	Schedule	31.03.2002
	No.	Rs.
INCOME		
Revenue	10	7,19,79,316
Increase/ (Decrease) in Stock	11	44,77,922
Other Income	-	54,69,050
TOTAL		8,19,26,288
EXPENDITURE		
Operating Expenses	12	10,23,90,978
Financial Charges	13	41,65,822
Depreciation		1,05,10,733
TOTAL		11,70,67,533
Profit for the year		-35,141,245
Provision for tax		14,16,000
Profit after tax		-3,65,57,245
Balance brought forward from the previous year		4,96,47,185
Profit available for appropriation		1,30,89,940
Appropriations:		
Transfer to General Reserve		10,70,060
Balance carried to Balance Sheet		1,20,19,880
Statement of significant Accounting Policies & Notes forming part of Accounts	14	

As per our report of even date

For B.RAMA RAO & CO.
Chartered Accountants

For and on behalf of the Board of Directors

G.VRANGA BABU
Partner

P.C.Pantulu
Managing Director

K.S.Shiva Kumar
Director

Date : 31 October 2002
Place : Secunderabad

31.03.2002

Rs.

SCHEDULE - I**SHARE CAPITAL****Authorised**

150,00,000 Equity Shares of Rs. 10/- each fully paid up 15,00,00,000

Subscribed & Paid up

97,41,300 Equity Shares of Rs. 10/- each fully paid up 9,74,13,000

TOTAL 9,74,13,000**SCHEDULE - 2****RESERVES & SURPLUS**

General Reserve 80,86,378

Profit and Loss Account 1,20,19,880

Share Premium 8,57,10,000

TOTAL 10,58,16,258**SCHEDULE - 3****SECURED LOANS**

Hire Purchase 9,11,199

State Bank of India Term Loan 60,00,000

Working Capital Loan 1,54,69,094

Union Rent From UBI 19,55,418

TOTAL 2,43,35,711**SCHEDULE - 4****UNSECURED LOANS**

Security Deposits 82,99,000

TOTAL 82,99,000

SCHEDULE - 5

FIXED ASSETS

Name of Asset	Gross Block Additions / Gross Block			Depreciation			Net Block
	on 1.4.01	(Deletions)	As on	Upto	During	Total	as on
	Rs.	Rs.	31.3.02 Rs.	the Year Rs.	the Year Rs.	Rs.	31.03.02 Rs.
1) Motor Vehicles	1734645	0	1734645	342879	164791	507670	1226975
2) Computers & Peripherals	39984241	405563	40389804	18985057	6553792	25538849	14850955
3) Office Equipment	1173419	0	1173419	206682	74277	280959	892460
4) Furniture	5331886	0	5331886	547463	337508	884971	4446915
5) Electrical Equipment	3194253	79100	3273353	239599	181855	421454	2851899
6) Buildings	25952603	1982650	27935253	458279	452652	910931	27024322
7) Web Development Expenses	10818430	165000	10983430	0	2745858	2745858	8237573
TOTAL	Rs.88189477	2632313	90821790	20779959	10510733	31290692	59531098

Advances on Capital Account

148750

1975900

31.03.2002

Rs.

**SCHEDULE-6
INVESTMENTS****(Investments Non Trade Unquoted)**

Twin Cities Investments and Finances Ltd	1,00,000
Advance for Purchase of Portal	<u>78,00,000</u>
TOTAL	<u>79,00,000</u>

**SCHEDULE-7
CURRENT ASSETS, LOANS AND ADVANCES****CURRENT ASSETS**

a) Inventories	
Stock of Software	25,00,000
Work In Progress	<u>7,53,88,064</u>
TOTAL	<u>7,78,88,064</u>

b) Sundry Debtors (Unsecured, Considered Good) Not over six months old	<u>6,72,09,321</u>
TOTAL	<u>6,72,09,321</u>

c) Cash & Bank Balances	
i. Cash on hand	23,646
ii. Balance with Scheduled Banks	<u>2,75,108</u>
TOTAL	<u>2,98,754</u>

LOANS AND ADVANCES

Advances Recoverable in cash or kind or for value to be received	12,38,256
Loans to others	32,80,399
Inter Corporate Deposits	<u>2,86,93,647</u>
Deposits with Others	13,29,624
Advance Tax Paid	37,25,705
TDS	<u>7,91,734</u>
TOTAL	<u>3,90,59,385</u>

**SCHEDULE-8
CURRENT LIABILITIES & PROVISIONS****(a) CURRENT LIABILITIES**

Sundry Creditors	44,92,778
Other Current Liabilities	<u>1,57,22,620</u>
Loan from Others	<u>62,37,450</u>
TOTAL	<u>2,64,52,848</u>

(b) PROVISIONS

Provision for Tax	<u>29,66,385</u>
TOTAL	<u>29,66,385</u>

31.03.2002

Rs.

SCHEDULE-9

MISCELLANEOUS EXPENSES

to the extent not written off

Public Issue Expenses	17,05,181
Product Development Expenses	16,42,669
Software Products	99,00,000
TOTAL	<u>1,32,47,850</u>

SCHEDULE-10

Revenue

7,19,79,316

SCHEDULE-11

INCREASE / (DECREASE) IN STOCK

Opening Stock	
Software (Products)	25,00,000
In Process	7,09,10,142
	<u>7,34,10,142</u>

Less:

Closing Stock	
Software (Products)	25,00,000
In Process	7,53,88,064
	<u>7,78,88,064</u>

INCREASE IN STOCK

44,77,922

SCHEDULE - 12

OPERATING AND OTHER EXPENDITURE

Salaries	2,31,09,824
Directors Remuneration	42,66,798
Administration Expenses	77,47,926
Consultancy & Professional Fee	6,14,54,173
Rent, Rates & Taxes	23,95,560
Business Promotion Expenses	4,52,478
Audit Fee	1,00,000
Insurance	3,11,688
Bank Charges	5,47,239
AGM Expenses	1,97,430
Security Charges	72,969
Overseas Marketing Expenses	11,92,999
Miscellaneous Expenses Written off	5,41,894
TOTAL	<u>10,23,90,978</u>
Interest	<u>41,65,822</u>
TOTAL	<u>41,65,822</u>

	Year ended 31.03.2002 Rs.
Cash Flow from Operating Activities	
Net Profit before Interest and Tax	1,10,49,011
Depreciation	1,05,10,733
Miscellaneous Expenses Written off	5,40,839
Operating Profit before working capital	2,21,00,583
Changes in working Capital	
Increase / (Decrease) in Sundry Debtors	95,22,444
Increase / (Decrease) in Inventories	(44,77,922)
Increase / (Decrease) in Loans and Advances	(2,96,084)
Increase / (Decrease) in Current Liabilities	84,29,685
Cash generated from Operations	1,31,78,123
Net Cash from Operating Activities	3,52,78,708
Cash Flow from Investing activities	
Purchase of Fixed Assets	(26,10,567)
Purchase of Investments	(4,70,80,278)
Decrease in Capital Advances	18,27,150
Net Cash from Investing Activities	(4,78,63,685)
Cash Flow From Financing Activities	
Proceeds from Issuance of Share Capital	34,20,000
Increase in Share Premium	17,10,000
Decrease in Secured Loans	(10,41,079)
Proceeds from Bank over draft	40,65,398
Increase in Unsecured Loans	(10,55,000)
Increase in Long Term Borrowing	0
Net Cash used in Financing Activities	70,99,319
Net increase in Cash and Cash equivalents	(54,85,671)
Cash and Cash Equivalents at the beginning of the year	56,67,487
Cash and Cash Equivalents at the end of the year	1,81,817

Notes:

1. Cash and cash equivalents include cash and bank balances in current and deposit accounts:
2. The cash flow statement has been prepared in accordance with the requirements of Accounting standard 3 'Cash flow Statement and Accounting Standard 21 'consolidated financial statements' issued by the Institute of Chartered Accountants of India. As this is the first year of adoption of AS 21, the figures of previous year have not been given.

As per our report of even date

For B.Rama Rao & Co.

Chartered Accountants

G.V.RANGA BABU

Partner

Place:Secunderabad

Date: 31 October' 2002

For and on behalf of the Board of Directors

P.C.PANTULU

Managing Director

K.S.SHIVA KUMAR

Director



PROXY FORM

Folio No.:

I/We of in the district of being a Member/Members of the above named Company, hereby appoint Mr/ Mrs/Kum in the District of as my/our proxy to attend and vote for me/us on my/our behalf at the Eighth General Meeting of the Company to be held at Sundaraya Vignan Kendra, # 1-8-1/B/25/A, Baghlingampally, Hyderabad - 500 044 A.P India, on Monday the 16th December' 2002 at 10.00 a.m. and at any adjournment thereof.

Signed this day of 2002.

Address

Signature

Note: The proxy form duly completed must be deposited at the Registered Office of the Company addressed to SECRETARIAL DEPARTMENT Cybermate Infotek Ltd. at Plot 11, Sripuri Colony, Karkhana, Secunderabad- 500015. A.P. Not less than 48 Hrs. before the time for holding the meeting. A proxy need not be Member.



ATTENDANCE SLIP

I hereby record my presence at the Eight annual General Meeting of the company at Sundaraya Vignan Kendra, # 1-8-1/B/25/A, Baghlingampally, Hyderabad - 500 044 A.P India, on Monday the 16th December' 2002 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.

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