

TELESYS SOFTWARE LIMITED

Annual Report

2003-2004

TELESYS SOFTWARE LIMITED

TELESYS SOFTWARE LIMITED

BOARD OF DIRECTORS

DIRECTOR

Mr.Satyakumar
Ms Usha Natrajan
Mr.Bhushan Babu
Mr.K.P.Anandan
Mr.Rajkumar Suriya Prakash

AUDITORS

M/s. N.R.Krishnamoorthy
Chartered Accountants
14/1, Anandhan Street,
T.Nagar, Chennai-17.

BANKERS

Tamilnadu Mercantile Bank
Mount Road Branch,
Chennai – 02

Union Bank Of India
IFB Branch,
Kodambakkam, Chennai,

REGISTERED OFFICE

861-A Vaigai Colony,
13th Main Road
Anna Nagar West,
Chennai - 600 040.

BRANCH OFFICE

124,Ambalathutaiyar Maduthu Street,
Pondicherry -605 001

SHARE TRANSFER AGENTS

M/s. Cameo Corporate Services Limited,
"Subramaniam Building", V Floor,
1, Club House Road,Chennai-600 002.
Phone (044) 28460390 (5 lines)
Fax: (044) 28460129

TELESYS SOFTWARE LIMITED

NOTICE

NOTICE is hereby given that the Twelfth Annual General Meeting of the members of Telesys Software Limited will be held on Wednesday, the 29th September, 2004 at 09.30 A.M at #48, Nalvar Thirumana Maligai, ,S.R.P.Koil Street,Agaram,Chennai-82 to transact following business:

ORDINARY BUSINESS:

01. To receive, consider and adopt the audited Balance Sheet as at 31st March 2004 and the Profit and Loss Account for the year ended on that date and the reports of the Board of Directors and Auditors thereon.
02. To Appoint a Director in place of Ms.Usha Natrajan who retires by rotation and being eligible offers himself for re-appointment.
03. To appoint Auditors of company to hold the office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the company. The remuneration may be fixed by the Board of Directors.

SPECIAL BUSINESS:

01. To consider and if thought fit to pass with or without modification the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Rajkumar Suriya Prakash who was appointed as an additional Director at the meeting of the Board of Directors held 30th September 2003 and who holds office as such upto the date of this Annual General Meeting and in respect of whom notice has been received from a member signifying his intention to propose Mr. R.Rajkumar Suriya Prakash as a candidate for the office of the Director of the Company be and is hereby appointed as a Director of the Company."

02. To consider and if thought fit to pass with or without modification if any, the following resolution as a Special Resolution.

"RESOLVED THAT a consent of the members of the Company be and is hereby given to the Board of Directors of the Company to make applications to the Madras Stock Exchange Limited for purpose of delisting the equity shares of the Company, which is already listed with the above mentioned Stock Exchanges, with immediate effect."

"FURTHER RESOLVED THAT board of Director of the Company be and is hereby authorized to make necessary applications and to do all other acts and things necessary in this regard for purpose of delisting the equity shares of the Company, which is already listed with the above mentioned Stock Exchanges, with immediate effect."

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03. To consider and if thought fit to pass with or without modification if any, the following resolution as a **Special Resolution**.

RESOLVED THAT pursuant to Section 21 and all other applicable provisions of the Companies Act, 1956 and subject to the approval of the Registrar of Companies, Chennai and such other authorities as may be required in this connection, the name of the Company be changed from M/s TELESYS SOFTWARE LIMITED, to M/s RAINBOW ENERGY LIMITED.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, things and deeds as may be required in this connection.

04. To consider and if thought fit to pass with or without modification if any, the following resolution as a **Special Resolution**.

RESOLVED THAT pursuant to Section 13, 21 and all other applicable provisions of the Companies Act, 1956 and subject to such other approvals/consents as may be required from such other authorities the unanimous consent of the shareholders of the company be and is hereby accorded to amend the Clause I of the Memorandum of Association of the Company as follows :

- I. The name of the Company is " RAINBOW ENERGY LIMITED"

RESOLVED FURTHER THAT the new name be substituted in the Articles of Association, Letter Heads, and all other stationeries and the Board of Directors of the Company be and is hereby authorised to do all such acts, things and deeds as may be required in this connection.

05. To consider and if thought fit to pass with or without modification if any, the following resolution as a **Special Resolution**.

RESOLVED THAT pursuant to Section 149 and all other applicable provisions of the Companies Act, 1956 and subject to such other approvals/consents as may be required from such other authorities, the unanimous consent of the shareholders of the company be and is hereby accorded to do following objects as mentioned in the Other Objects Clauses IIIC of the Memorandum of Association of the Company:

7. To carry on the business of manufacturing, buying, selling, importing, exporting or otherwise dealing in computer and related hardware, software, software development, data processing, word processing and microprocessor based control systems.

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RESOLVED FURTHER THAT for the purpose of giving effect to the aforesaid resolution the Board of Directors of the company be and is hereby authorised to do all such acts, things and deeds in this connection.

By order of the Board,
For Telesys Software Limited

(Y.SATHYA KUMAR)
DIRECTOR

PLACE: CHENNAI

DATE: 6th September 2004

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company.
2. The proxy form in order to be effective must be deposited at the Registered office of the company not less than 48 hours before commencement of the meeting
3. The Register of Members and the Transfer of book in respect of the Equity shares will remain closed from 23rd September 2004 to 29 September 2004 both days inclusive.
4. The Members' are requested to intimate to the Registrar and Transfer Agents, Cameo Corporate Services Limited #1, Subramaniam Building, Club House Road, Mount Road, Chennai-2, change of address, if any, at the earliest quoting their registered folio number.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT 1956

Item No:1

Mr. Rajkumar Suriya Prakash was appointed as an additional director of the Company by the Board of Directors pursuant to Section 260 of the Companies Act, 1956 with effect from 30th September 2003. The Company has received a notice in writing from a member under Section 257 of the Companies Act, 1956 signifying his intention to propose Mr. Rajkumar Suriya Prakash as a candidate for the office of director of the company.

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The Board recommends his appointment as a Director.

None of the Directors of the Company except Mr.Rajkumar Suriya Prakash is interested or concerned in passing of this resolution.

ItemNo:2

As the members are aware, the equity shares of the company are presently listed with Madras Stock Exchange Limited, and Mumbai Stock exchange Limited, now called MSE and BSE

In view of the extensive connectivity of BSE across India investors now find it convenient to trade in the company's securities. Since the listing fees paid to the regional stock exchange is disproportionately high and with no trading volume taking at MSE no purpose is solved by continuing the listing of our company's with M/s Madras Stock Exchange Limited, Chennai. This shall enable the company to save cost.

SEBI has recently formulated guidelines, by which the Companies are allowed to get the shares delisted from certain Stock Exchanges, provided the Company continues the listing with Bombay Stock Exchange.

Since there is no trading at the MSE and hence in order to save the cost and at the same time to provide sufficient liquidity to the investor, the Board of Directors has decided to get the shares delisted from MSE.

For this purpose the Company is required to obtain the consent of the shareholders by means of special resolution. Hence an item is included in notice of AGM, requesting your consent for the above proposal.

The Directors recommend the resolution for adoption by the Shareholders

Item No: 3 and 4

The company had amended its main objects to carry on the business of operations of power generation and related business. The company is in process of starting of activities related to the said business and in order that the name of the company to reflect the businesses carried on by the company this resolutions are placed before the members for their approval. Further the company had got the approval for the name availability from the Office of the Registrar of Companies, Chennai for the said name vide their letter No. NA/2228/STAT/2004 dated 08-06-2004.

The Directors recommend the resolution for adoption by the members.

Item No.5

With the company's main objects amended to carry on the business of power generation and related business, this enabling resolution shall help the company to undertake with the past expertise and personnel available with the company to undertake computer software development, hardware and related business mentioned in the other objects of the company. Further for the same the members approval is necessary. Hence this resolution. The Directors recommend the resolution for adoption by the members.

DIRECTORS' REPORT

Dear Members,

Your Directors have great pleasure in presenting the Twelfth Annual Report of the company with audited accounts for the year ended 31st March 2004.

Rupees in Lakhs

Financial Results:

	Year ended 31.03.2004	Year ended 31.03.2003
Revenue from Operations	296.15	805.87
Profit before Depreciation	63.93	124.22
Less: Depreciation	154.85	121.78
Less: Dim in Value of Investment	16.90	-
Profit/(Loss) before Tax	(107.82)	2.44
Less: Provisions for Tax-Current & Deferred	(30.56)	0.91
Profit/(Loss) After Tax	(77.26)	1.53
Balance carried forward to Balance Sheet	(28.88)	48.38

DIVIDEND:

To conserve the reserves & plough back the profits for expansion activities of the company your directors do not recommend any dividend for financial year 2003-2004.

REVIEW OF OPERATIONS: -**a) Industry Structure And Development:**

There has been considerable decline in software industry globally. The same trend has been observed in India also. There have been encouraging developments in the Power Sector in last year. The government has announced many reforms in this field. Looking to the immense potential in this sector the company has decided to enter in this field.

b) Business Performance

The turnover is 296¹ Lakhs in financial year 2003-2004 against 805 Lakhs in the financial year 2002-2003. The Company has incurred loss of Rs.77.26 lacs after tax compared to previous profit of Rs.1.53 lacs in the previous year, but the company has cash profit of Rs.73.44 lacs and your Directors are hopeful of maintaining and improving the turnover and profit in coming years by strategic business plans.

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c) Out Look

Being our country is a Power deficit country the outlook for the Power Generation shall be a lucrative business opportunity. Further with the Central and State Governments giving concessions and priority to this sector the outlook for the industry is good and encouraging. Moreover the attitude of bankers and institutions is also good towards the industry. With the accelerating pace of India's urbanization and industrialization and growing rural electrification, the country's power requirement is growing substantially.

d) Internal control systems and their adequacy:

Much has been done in cutting off expenditures in almost all areas. Manpower is carefully taken in by making systematic study of their skill and exposure in regard to the projects the company is handling. Greater care is shown on the effective utilization of these skills by coordinating all the individual efforts towards the corporate goal incurring minimal cost.

e) Human Resources and Industrial relations:

Your Directors wish to place on record their deep appreciation of the dedication and commitment of employees to the growth of your Company during the year. Your Directors also express their sincere gratitude to the Banks, Consultants, Auditors and shareholders for their continued patronage and Co-operation

F) Merger of companies:

The Company's subsidiary companies Namley M/s MILLENIUM WEB SOLUTIONS P LIMITED, M/s AAVISHKAR SOFTWARE LIMITED, SUN JAVA SOLUTIONS P LIMITED and M/s SCRIBE SOLUTIONS P LIMITED is got merged with M/S TELESYS SOFTWARE LIMITED by scheme of amalgamation vide by the court order 05/01/2004 and assets and liabilities of the transferee companies are transferred with effective date of merger -01/04/2004.

DIRECTORS

Mr.Y.Sathya kumar, Ms.Usha Natarajan ,Mr.Bhushan Babu ,Mr.K.P.Anandan are the directors of the company Mr.Rajkumar Suriya Prakash was appointed as Additional Directors. He seek accord from the members to continue so.

DEPOSITS:

The Company has not accepted any deposit from the public.

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DIRECTORS' RESPONSIBILITY STATEMENT:

As required under Section 217 of the Companies Act, the Directors hereby confirm that:

1. In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
2. The Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
3. The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. The Directors had prepared the annual accounts on a going concern basis.

AUDITOR AND AUDITOR REPORT:

M/s. N.R.Krishnamoorthy & Co, Chartered Accountant has expressed their inability to continue as auditor of the company due to personal reasons. A.Chinnappan Chartered Accountant has been appointed in the place of retiring auditor M/s. N.R.Krishnamoorthy & Co, Chartered Accountant, to hold the position till the conclusion of the ensuing AGM and is recommended for appointment Your company has received certificate from A.Chinnappan Chartered Accountant, to the effect that the appointment, if made, would be within the prescribed limits under 224(1B) of the companies Act, 1956.

CORPORATE GOVERNANCE:

Your company has always striven to incorporate appropriate standards for good corporate governance. It has taken adequate steps to ensure that all mandatory provisions of corporate governance as prescribed under the amended listing agreements of the stock exchanges, with which the company is listed, are complied with. A separate report on corporate governance is produced as a part of the annual report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS/OUTGO:

The Company has no activity relating to Conservation of energy or technology absorption. The Company did not have any foreign exchange earnings or outgo during the year.

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STATEMENT UNDER SECTION 217(2A) ON PERSONNEL:

Particulars of Employees pursuant to Section 217 (2A) of the Companies Act, 1956 are not applicable since none of the employees are in receipt of remuneration in excess of the limits specified herein during the period under review.

ACKNOWLEDGEMENTS:

Your Directors wish to place on record their deep appreciation of the dedication and commitment of employees to the growth of your Company during the year. Your Directors also express their sincere gratitude to the Banks, Consultants, Auditors and shareholders for their continued patronage and Co-operation

By order of the Board,
for Telesys Software Limited

(Usha Natarajan)
DIRECTOR

(SathyaKumar)
DIRECTOR

Place: Chennai

Date: 6th September 2004

STATEMENTS AND REPORTS ON CORPORATE GOVERNANCE:

A MANDATORY REPORTS ON CORPORATE GEVERNANCE :-

Company's Philosophy On Corporate Governance:

The company's Philosophy of corporate governance is aimed at exhibiting maximum transparency to the investors by providing them with more information. This is done not only with the information that are to be revealed under mandatory provisions but also with those information which according to the Management and the Board are relevant to the Investors and other Statutory Authorities to whom these Reports are addressed to.

Board of Directors:

The Board of Directors is comprised of 2 executive director or non-independent Directors and 3 non-executive independent Directors.

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Mr.Rajkumar Suriya Prakash:

Aged 35 years he is Mechanical Engineering. Considering his experience in the field of power sector & capabilities in the field of management of the company he is a precious treasure of the company. Hence the Board recommends his appointment as a Director.

Other company in which he is Director:

- IEC Fabchem Limited
- Chitra Bio Energy Limited

He is Chairman/Member of following Committees.

- a. Remuneration Committee - Chairman
- b. Audit Committee. - Member

Board Meetings: -

Number of Board meetings held and the dates on which it held are: Twelve Board meetings were held. Dates: 12th May 2003, 20th May 2003, 30th May 2003, 30th June 2003, 31st July 2003, 25th August 2003, 30th September 2003, 31st October 2003, 18th November 2003, 15th December 2003, 09th January 2004, 31st January 2004
Attendance of each Director at the Board meeting and last AGM

Name of the director	Particulars	No of Board meetings attended	Attendance at the last AGM
Mr. Satyakumar	Director	12	Yes
Ms. Usha Natrajan	Director	12	Yes
Mr. Bhushan Babu	Director	12	Yes
Mr. K.P.Anandan	Director	12	Yes
Mr. Rajkumar Suriya Prakash*	Director	5	No
*Appointed with effect from 30.09.2003			

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REMUNERATION TO DIRECTORS

The details of remuneration paid to Directors for the year ended March 31, 2004 is as follows:

Name of the director	Sitting Fees (Rs)	Salaries and perquisites (Rs)	Commission (Rs)	Total
Mr.Satyakumar	Nil	120000	Nil	120000
Ms Usha Natrajan	Nil	120000	Nil	120000
Mr.Bhushan Babu	9000	Nil	Nil	9000
Mr.K.P.Anandan	9000	Nil	Nil	9000
Mr.Rajkumar Suriya Prakash*	2000	Nil	Nil	2000

*Appointed with effect from 30.09.2003

The Company does not have a scheme for grant of stock options to the Directors.

Audit Committee:

There exist a qualified and independent audit committee comprised of Mr.Bhushan Babu, Mr.Rajkumar Suriya Prakash & Mr.K.P.Anandan, all non-executive Directors and Mr.Bhushan Babu is the Chairman of this Committee.

The committee oversees, *inter alia*, the financial reporting system, disclosure requirements and matters relating to appointment and remuneration of statutory auditors. The committee also reviews periodically the financial accounts, adherence to Accounting Standards, internal control systems, financial and risk management policies of the company;

Shareholders Grievance Committee:

The Share transfer,cum investor Grievance committee is constituted under the Chairmanship of Mr.Bhushan Babu, a non-executive Director. Ms.Usha Natrajan and Mr.K.P.Anandan are other members of this committee. Apart from looking into redressal of investors grievances the committee deals with various matters relating to the transfer and transmission of shares, issue of duplicate share certificates, approval of split and consolidation requests, other matters relating to transfer and registration of shares including dematerialisation. The Board has appointed Mr.Bhushan Babu, as the compliance officer as per the listing agreement Director. The company has received seven compliant during the financial year and all the compliant was attend to the satisfaction of the shareholder.

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Remuneration Committee: -

There exists a qualified and independent Remuneration Committee comprised of Mr.Bhushan Babu, Mr. Rajkumar Suriya prakash & Mr.K.P.Anandan all non-executive Directors. Mr.Rajkumar Suriya prakash is the Chairman of this Committee.

The committee oversees the fixation and justification of remuneration to various top executives including executive directors. The committee also ensures adherence to legal provisions in regard to remunerations.

General Body Meetings in last three financial years:

AGM/EGM	Date	Venue	Time	No of special resolution passed
AGM	30/09/2003	#48,Nalavar Thirumana Mandapam, SRP Koil Street, Agaram,Chennai.	10.00a.m.	-
EGM	19/3/2003	#48,Nalavar Thirumana Mandapam, SRP Koli Street, Agaram, Chennai.	10.30a.m	-
AGM	28/9/2002	#48,Nalavar Thirumana Mandapam, SRP Koli Street, Agaram,Chennai.	10.00a.m	-
EGM	15/7/2002	#48,Nalavar Thirumana Mandapam, SRP Koli Street, Agaram,Chennai.	10.15a.m	3
AGM	29/9/2001	#48,Nalavar Thirumana Mandapam, SRP Koli Street, Agaram, Chennai.	10.00 a.m	-

Postal Ballot

Apart from the above, in pursuance of Section 192A of the Companies Act, 1956 and Companies (Passing of the Resolution by Postal Ballot) Rules, 2001 postal ballots is being conducted seeking approval of the shareholders:

a) By way of Special Resolution : For amending the main objects clauses (IIIA) of the Company by way of deleting the entire present objects and substituting with new objects with objects to carry on the power generation and related businesses and to amend the Other Objects clause (III C) to include the carry on the business of computer software, hardware and related business.

The shareholders has already been sent the postal ballot forms for seeking their approval.The results would be announced in the AGM.

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Disclosures:

There are no materially significant transactions made by the company with its promoters, the Directors or the management, their subsidiaries or relatives etc. Which require separate disclosure. No penalties/strictures have been imposed on the company by any regulatory authority for non-compliance of any law.

Means of Communication:

- a) Quarterly results: The Company has published quarterly results in Trinity Mirror (English) and Makkal Kural (Vernacular).
- b) Management discussion and analysis forms part of the Directors' Report.

General Shareholder Information:

- The Twelfth Annual General Meeting of the company is scheduled to be held on Wednesday, 29th September, 2004 at 09.30 am at #48, Nalavar Thirumana Mandapam, SRP Koli Street, Agaram, Chennai-82
- The company's financial calendar is for a period of 12 months starting from April 1 to March 31 of the succeeding year. The period covered under this annual report is from April 1, 2003 to March 31, 2004
- Date of Book closure: 23rd September 2004 – 29th September 2004 (both days inclusive).
- The shares are listed and traded on the following stock exchanges

The Madras Stock Exchange Limited
Mumbai Stock Exchange Limited

- Listing fees for the period 2003-2004 has been paid to the stock exchanges.
- Stock code: Demat ISIN NO:INE042B01012

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Stock Market Data:

The high and low prices of shares during the year:

MONTH	HIGH	LOW
April 2003	1.45	0.85
May 2003	1.95	0.70
June 2003	2.62	0.88
July 2003	2.79	1.15
August 2003	2.00	1.10
September 2003	1.80	0.85
October 2003	1.20	0.70
November 2003	1.17	0.58
December 2003	3.33	0.87
January 2004	2.95	1.00
February 2004	1.50	0.85
March 2004	1.41	0.49
52 Week High:	3.33	
Week Low:	0.49	
All time High:	24.50	
All time Low:	0.49	

Registrars & Share Transfer Agents:

Cameo Corporate Services Limited,
#1, Subramaniam Building,
Club House Road, Mount Road, Chennai-2.

Share Transfer System :-

Presently, the share transfers in physical form are processed and the share certificates returned within a period of 10 to 15 days from the date of receipt, subject to the documents being clear in all respects. The Company has, as per SEBI guidelines offers the facility of transfer cum demat.

Distribution of shareholdings as on 31st March 2004

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S No	Category	Shares	%
A. Promoter's Holding	-	-	
1.Promoters:			
-Indian Promoter	453300	Nil	1.95
-Foreign Promoter	-	-	
2.Person acting in concert	-	-	
Sub Total	453300		1.95
B.Non-Promoter Holding	-	-	
3.Institutional Investors	-	-	
a. Mutual Fund	-	-	
b.Banks,Financial Institution, Insurance Companies (Central/State Govt./Institutions/ NonGovt.Institutions)	100	-	
c. FII's	-	-	
d. Foreign Institutional Investments (Foreign Company)	-	-	
Sub Total	100	-	
4.Others			
a. Private Bodies Corporate	2216968	9.51	
b. Indian Public	20555031	88.47	
c. N RI/OCBs	6500	0.03	
d. Any Other	3351		
Sub Total	22781850	98.05	
TOTAL	23235250	100.00	

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Distribution Schedule As On 31.3.2004

No of equity shares held	No of shareholders	%	No of shares	%
Upto 5000	29575	94.85	3592880	15.46
5001-10000	707	2.37	580062	2.50
10001-20000	416	1.34	639046	2.75
20001-30000	131	0.48	334524	1.44
30001-40000	51	0.16	179664	0.77
40001-50000	48	0.15	228305	0.98
50001-100000	72	0.23	535497	2.31
100001-and above	140	0.45	17145272	73.79
Total	31140	100	23235250	100

No of shares in physical mode: 16401050

No of shares in dematerialized mode:6834200

Out standing GDRs/ADRs/Warrants—Nil.

Address For Correspondence:

861-A Vaigai Colony

13th Main Road, Anna Nagar West, Chennai-600040.**Auditor certificate on compliance of conditions of corporate governance under clause 49 of the listing agreement:**

We have reviewed the report on the compliance of the mandatory conditions of corporate governance set out by Telesys Software Limited for the year ended 31st March 2004 with relevant records and documents maintained by the company and furnished to us for our review.

In our opinion and to the best of our information and according to the explanations given to us, the company has complied with the mandatory requirements specified in the said clause in the manner so required.

K.R.Krishnamoorthy & Co.,
Chartered Accountants

N.R.krishnamoorthy
(Partner)

Place : Chennai

Date : 6th September 2004

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AUDITORS' REPORT TO THE MEMBERS OF TELESYS SOFTWARE LIMITED

1. We have audited the attached Balance Sheet of Telesys Software Limited as at 31st March 2004, the Profit and Loss Account and the Cash Flow Statement 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.
2. 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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we enclose in the Annexure a statement of the matters specified in paragraphs 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i) 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;
 - ii) In our opinion, the company has kept proper books of account as required by law so far as appears from our examination of those books.
 - iii) The Balance Sheet, Profit and Loss Account dealt with by this report are in agreement with the books of account
 - iv) In our opinion, the Balance Sheet, Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - v) On the basis of written representations received from the directors, as on 31st March 2004, and taken on record by the Board of Directors, we report that none of directors is disqualified as on 31st March 2004 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - a. in the case of Balance Sheet, of the state of affairs of the company as at 31st March 2004;
 - b. in the case of the Profit and Loss Account, of the Loss for the year ended on that date;

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- vii) We have also examined the attached Cash Flow Statement of the company for the year ended 31st March 2004. The Statement has been prepared by the company in accordance with the requirements of clause 32 of the listing agreement entered into with the Stock Exchanges.

for **N R KRISHNAMOORTHY & CO.,**
Chartered Accountants

N R KRISHNAMOORTHY
Partner

Place: Chennai

Date: 30th June 2004

Annexure to the Auditors' Report

The Annexure referred to in Para 3 of the Auditors' Report to the members of M/s. Telesys Software Limited for the year ended 31st March 2004.

1. a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- b. All the assets have not been physically verified by the management during the year but there is regular programme of verification which, in our opinion, is reasonable having regard to the size of the company and then nature of its assets. No material discrepancies were noticed on such verification.
- c. The company has disposed of part of its fixed assets during the year. According to the information and explanations given to us, the said sale of assets has not affected the going concern status of the company.
2. a. The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- b. The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and nature of its business.
- c. The company is maintaining proper records of inventory. There were no discrepancies noticed on verification between the physical and the book stocks.
3. a. The Company has not taken any loans from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- b. The company has not granted any loans to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.

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4. *In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchases of fixed assets. During the course of audit, we have not observed any continuing failure to correct major weaknesses in internal controls.*
5.
 - a. *According to the information and explanations given to us, we are of the opinion that the transactions that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.*
 - b. *In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.*
6. *The company has not accepted any deposits from the public.*
7. *In our opinion, the company has an internal audit system commensurate with the size and nature of its business.*
8. *The Company has not been required by the Central Government to maintain cost records under section 209 (1) (d) of the Companies Act, 1956.*
9.
 - a. *The company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education, protection fund, employees' state insurance, income tax, sales tax, wealth tax, custom duty, excise duty, cess and other material statutory dues applicable to it.*
 - b. *According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty, excise duty and cess were in arrears as at 31st March 2004 for a period of more than six months from the date they became payable.*
 - c. *According to the information and explanations given to us, there are no dues of sales tax, income tax, customs duty, wealth tax, excise duty and cess, which have not been deposited on account of any dispute.*
10. *In our opinion, the accumulated losses of the company are not more than fifty percent of its net worth. The company has not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.*
11. *In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.*
12. *We are of the opinion that the company has maintained adequate records where the company has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.*
13. *In our opinion, the company is not a chit fund or a nidhi/ mutual benefit fund/ society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditors' Report) Order, 2003 are not applicable to the company.*

TELESYS SOFTWARE LIMITED

14. *In our opinion, the company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditors' Report) Order, 2003 are not applicable to the company.*
15. *In our opinion, the company has not given any guarantee for loans taken by others from banks or financial institutions.*
16. *According to the information and explanations given to us, we report that the company has not raised any term loan during the year.*
17. *According to the information and explanations given to us, we report that the company has not raised any short-term or long-term funds during the year.*
18. *According to the information and explanations given to us, during the year the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.*
19. *According to the information and explanations given to us, during the period covered by our audit report, the company has not issued any debentures.*
20. *The company has not raised any money by way of public issue during the year.*
21. *According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.*

for N R KRISHNAMOORTHY & CO.,
Chartered Accountants

N R KRISHNAMOORTHY
Partner

Place: Chennai

Date: 30th June 2004

TELESYS SOFTWARE LIMITED**BALANCE SHEET AS AT 31ST MARCH 2004**

SOURCES OF FUNDS:	SCH	As on 31.03.2004 Rs.	As on 31.03.2003 Rs.
Share Holders' Fund:			
Share Capital	1	232,352,500	232,352,500
Reserves & Surplus		35,111,472	39,787,771
Loan Fund:			
Secured Loans		-	-
Unsecured Loans		-	-
Deferred Tax Liability		4,640,507	5,501,352
		272,104,479	277,641,623
APPLICATION OF FUNDS			
Fixed Assets	3		
Gross Block at Cost		151,276,143	142,404,014
Less: Depreciation		45,961,814	42,545,191
Net Block		105,314,329	99,858,823
Goodwill (on Amalgamation)		75,918,200	-
Investments	4	13,682,795	132,255,503
Current Assets, Loans & Advances			
a) Inventories		12,342,552	-
b) Sundry Debtors	5	31,239,165	19,706,725
c) Cash & Bank Balances	6	1,435,014	102,951
d) Loans & Advances	7	34,803,234	23,363,004
	(A)	79,819,965	43,172,680
Less: Current Liabilities & Provisions	(B) 8	9,864,368	1,276,294
Net Current Assets	(A) - (B)	69,955,597	41,896,386
Miscellaneous Expenditure	9	4,345,215	3,632,914
(To the extent not written off or adjusted)			
Profit and Loss Account		2,888,343	-
		272,104,479	277,643,626
Notes on Accounts	12		

As per report of even date
for N R Krishnamoorthy & Co.,
Chartered Accountants

N R Krishnamoorthy
Partner

Y.SATHYA KUMAR
Director

USHA NATARAJAN
Director

Place: Chennai
Date: 30.6.2004

TELESYS SOFTWARE LIMITED**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2004**

PARTICULARS	SCH	2003-04 Rs.	2002-03 Rs.
INCOME			
Sales		29,615,000	80,586,725
Increase in Inventories		-	-
		29,615,000	80,586,725
EXPENDITURE			
Decrease in Inventories		8,241,350	7,513,469
Software Development Expenses	10	12,464,719	58,013,572
Operating and Administrative Expenses	11	1,565,241	2,028,565
Depreciation		15,484,571	12,178,327
Preliminary Expenses Written Off		951,608	608,807
		38,707,488	80,342,740
Profit before Tax		(9,092,488)	243,985
Less: Provision for diminution in value of Investments			1,690,200
		(10,782,688)	243,985
Less: Provision for Current Tax		-	19,196
Provision for Deferred Tax		-	71,875
Profit after Tax		(10,782,688)	152,914
Add: Deferred Tax Asset		3,056,074	-
		(7,726,614)	152,914
Add: Balance brought forward		4,838,271	4,685,357
Balance of Profit Transferred to Balance Sheet		(2,888,343)	4,838,271

Notes on Accounts 12

As per report of even date
for **N R Krishnamoorthy & Co.,**
Chartered Accountants

N R Krishnamoorthy
Partner

Y.SATHYA KUMAR
Director

USHA NATARAJAN
Director

TELESYS SOFTWARE LIMITED

Schedules and Annexure to and forming part of the Balance Sheet and Profit and Loss Account for the year ended 31st March 2004.

SCHEDULE- 1	2004	2003
SHARE CAPITAL	Rs.	Rs.
Authorised		
25000000 (25000000) Equity Shares of Rs.10/- each	250,000,000	250,000,000
Issued, Subscribed & Paid Up		
23235250 (23235250) Equity shares of Rs.10/- each	232,352,500	232,352,500

SCHEDULE - 2		
RESERVES AND SURPLUS		
Profit and Loss Account	-	4,838,271
Reserves & Surplus	161,972	-
(on amalgamation)		
Share Premium	34,949,500	34,949,500
	35,111,472	39,787,771

SCHEDULE- 4		
INVESTMENTS		
<u>Quoted Investments</u>		
i) IQ Infotech Limited	1,115,000	-
Cost of 665600 Equity Shares of face value Rs.10/- each		
Market Price - Rs.1.16 each		
ii) Mega Channel Computers Limited *	550,000	-
Cost of 364400 Equity Shares of face value Rs.10/- each		
iii) Shapre Infotech India Limited *	1,310,000	-
Cost of 776133 Equity Shares of face value Rs.10/- each		
iv) Omni Ax's Software Limited	1,506,450	-
Cost of 987500 Equity Shares of face value Rs.10/- each		
Market Price - Re. 0.41 each		
v) Pentagon Global Solutions Limited	25,000	-
Cost of 10000 Equity Shares of face value Rs.10/- each		
Market Price - Re. 0.84 each		
vi) SMR Universal Softech Limited	1,199,275	-
Cost of 489500 Equity Shares of face value Rs.10/- each		
Market Price - Rs. 1.29 each		
vii) Twin Cities Infotech Limited *	669,600	-
Cost of 487000 Equity Shares of face value Rs.10/- each		
viii) Integrated Hitech Limited		
Cost of 180000 Equity Shares of face value Rs.10/- each	1,800,000	-
Market Price - Re. 0.61 each		

*Since there was no trading, Market Price as on 31st March 2004 is not available

SCHEDULE - 3
FIXED ASSETS

2003 - 04

PARTICULARS	GROSS BLOCK			DEPRECIATION				NET BLOCK		
	As at 1.4.2003 Rs.	Additions Rs.	Deletions	As at 31.3.2004 Rs.	Up to 1.4.2003 Rs.	For the year Rs.	Deletions	Up to 31.3.2004 Rs.	As on 31.3.2004 Rs.	As on 31.3.2003 Rs.
Land & Building	-	1,781,671	-	1,781,671	-	-	-	-	1,781,671	-
Computers and Other Peripherals	78,501,220	14,250,000	32,516,470	60,234,750	48,174,559	14,881,366	20,123,483	42,932,442	17,302,308	30,326,661
Office Equipments	2,413,129	-	925,685	1,487,444	803,817	210,163	403,512	610,468	876,976	1,609,312
Furniture & Fixtures	4,153,252	200,000	-	4,353,252	2,015,582	388,902	-	2,404,485	1,948,767	2,137,670
Vehicles	26,288	-	-	26,288	10,279	4,140	-	14,419	11,869	16,009
Capital Work in Progress (Software under Development)	94,593,528	6,740,000	17,940,790	83,392,738	-	-	-	-	83,392,738	94,593,528
Total	179,687,417	22,971,671	51,382,945	151,276,143	51,004,237	15,484,571	20,526,995	45,961,814	105,314,329	128,683,180

TELESYS SOFTWARE LIMITED

Non-quoted Investments

iix) Aavishkar Software Limited

Cost of 1700000 Equity Shares of face value Rs.10/- each	-	34,000,000
--	---	------------

x) Scribe Solutions Private Limited

Cost of 970600 Equity Shares of face value Rs. 10/- each	-	29,118,000
--	---	------------

xi) Millennium Web Solutions Private Limited

Cost of 987800 Equity Shares of face value Rs.10/- each	-	34,573,000
---	---	------------

xii) Sun Java Solutions Private Limited

Cost of 987500 Equity Shares of face value Rs.10/- each	-	34,562,500
---	---	------------

xiii) Chitra Bio Energy Limited

Cost of 100000 Equity Shares of face value Rs.10/- each	1,000,000	-
---	-----------	---

xiv) Golden Palms (India) Limited

Cost of 1015000 Equity Shares of face value Rs.1/- each	152,250	-
---	---------	---

xv) Iamp Corporate Consulting Limited

Cost of 222800 Equity Shares of face value Rs.10/- each	2,785,000	-
---	-----------	---

xvi) Rajyoga Securities Limited

Cost of 155000 Equity Shares of face value Rs.10/- each	3,100,000	-
---	-----------	---

xvii) Sree Skandaguru Profiles (P) Limited

Cost of 50350 Equity Shares of face value Rs.10/- each	60,420	-
--	--------	---

xviii) Dynamic Securities Limited

Cost of 10000 Equity Shares of face value Rs.10/- each	100,000	-
--	---------	---

15,372,995	132,255,503
------------	-------------

Less: Provision for diminution in value of Investments

1,690,200	-
-----------	---

13,682,795	132,255,503
-------------------	--------------------

SCHEDULE- 5

SUNDRY DEBTORS

(Unsecured Considered Goods)

Exceeding six months

20,224,165	16,706,725
------------	------------

Others

11,015,000	3,000,000
------------	-----------

31,239,165	19,706,725
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TELESYS SOFTWARE LIMITED

SCHEDULE - 6**CASH & BANK BALANCE**

Cash on Hand	1,393,624	87,525
Balance with Scheduled Banks	41,390	15,426
	<u>1,435,014</u>	<u>102,951</u>

SCHEDULE - 7**LOANS & ADVANCES**

Unsecured Considered good Advances recoverable in cash or in kind for value to be received	32,628,512	15,878,635
Tax Deducted at Source	882,894	882,894
Advances and Deposits	1,291,828	6,601,475
	<u>34,803,234</u>	<u>23,363,004</u>

SCHEDULE- 8**CURRENT LIABILITIES AND PROVISIONS**

Provision for Taxation	2,673,067	1,122,455
Creditors for Expenses and Other Liabilities	7,191,301	153,839
	<u>9,864,368</u>	<u>1,276,294</u>

SCHEDULE - 9**MISCELLANEOUS EXPENDITURE**

Opening Balances	4,295,684	4,241,721
Add: ROC Fees paid	1,001,139	
	5,296,823	
Less: Written off during the year	951,608	608,807
	<u>4,345,215</u>	<u>3,632,914</u>

TELESYS SOFTWARE LIMITED

	2003-04	2002-03
	Rs.	Rs.
SCHEDULE - 10		
SOFTWARE DEVELOPMENT EXPENSES		
Salaries, Allowances & Incentives	540,450	544,860
Staff Welfares	113,419	54,135
Consumables & Computer Maintenance	214,850	474,577
Cost of Software Packages	11,596,000	56,940,000
	12,464,719	58,013,572

SCHEDULE - 11		
OPERATING AND ADMINISTRATIVE EXPENSES		
Salaries & Incentives	589,500	561,947
Travelling & Conveyance	125,980	252,011
Rent & Electricity	72,010	151,348
Postage & Telephones	174,784	155,871
Printing & Stationery	134,730	136,887
Repairs & Maintenance	26,000	207,326
Advertisement	24,000	25,450
Marketing Expenses	25,500	144,213
Directors' Sitting Fees	20,000	30,000
Loss on sale of assets	215,160	-
Loss on sale of shares	30,350	-
Auditors' Remuneration	37,500	37,500
Miscellaneous Expenses	89,727	326,012
	1,565,241	2,028,565

SCHEDULE-12

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

I Significant Accounting Policies

1. Basis of preparation of Financial Statements:

The Financial Statements have been prepared in accordance with the generally accepted accounting principles on accrual basis and comply with the accounting standards referred to in section 211 (3C) of the Companies Act, 1956 as adopted consistently by the company. The company follows the mercantile system of accounting and recognizes income and expenditure on accrual basis.

2. Revenue Recognition:

Revenue from software development is recognized based on software developed or time spent in person hours or person weeks and billed to customers as per the terms of specific contracts.

Revenue from software development services comprises income from time and materials fixed price contracts. Revenue is recognized in accordance with the terms of the contract with the customer. Revenue with respect to time and material contracts is recognized as related services are performed. Revenue from fixed price contracts is recognized in accordance with the percentage of completion method.

3. Fixed Assets:

Fixed assets are stated at historical cost less accumulated depreciation.

4. Investments:

Investments are classified as long-term investments and current investments. Long-term investments are stated at cost and any decline other than temporary, in the value of such investments is charged to the Profit and Loss Account. Current investments are stated at lower of cost and market value. Investments are held in the name of the company.

5. Depreciation:

Depreciation on fixed assets is provided on written down value basis at the rates prescribed in schedule XIV to the Companies Act, 1956. The expenditure incurred towards the acquisition of Assets for Research and Development have been capitalized and no depreciation has been provided for.

6. Taxes on Income:

The Company has made necessary provision for Income Tax, taking into account the allowances and exemptions under the Income Tax Act, 1961.

TELESYS SOFTWARE LIMITED

Deferred Tax resulting from timing difference between book and tax profits is accounted for under the liability method, at the current rate of tax, to the extent that the timing difference are expected to crystallize.

II Notes on Accounts

1. Additions to computer and peripherals during the year include the transfer from capital work in progress to the extent the product is developed.
2. Miscellaneous Expenditure represents preliminary expenses amortised over a period of five years and public issue expenses to be written off over a period of ten years.
3. In compliance with the Accounting Standard – 13 (Accounting for Investments), the company has made provision for diminution in value of its long-term investments of Rs. 16,90,200/-, as the decline in the market value of the shares is permanent in nature.
4. In compliance with the Accounting Standard – AS 22 relating to "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, the deferred tax asset arising during the year aggregating to Rs.30,56,074/- has been recognised in the Profit and Loss Account. Deferred Tax Asset arising on account of timing difference represents difference in depreciation.
5. The company is engaged in development of software, which as per Accounting Standard – 17 is considered the only reportable business.
6. Related Party Disclosure:

As per Accounting Standard 18, issued by the Institute of Chartered Accountants of India, the disclosure of transaction with the related parties are given below:

I Name of the related party:

Key Management Personnel (KMP) : Mr. Satya Kumar (Director)
Mrs. Usha Natarajan (Director)

II Disclosure of related party transaction:

Nature of transaction	Nature of Relationship	Amount
Directors' Remuneration	KMP	2,40,000
7. Auditors' Remuneration:	<u>2003-04</u>	<u>2002-03</u>
	Rs.	Rs.
Audit Fees	15,000	15,000
Income Tax Matters	4,500	4,500
Expenses reimbursed	18,000	18,000
	<hr/>	<hr/>
	37,500	37,500
	<hr/>	<hr/>

TELESYS SOFTWARE LIMITED

8. Contingent Liability

The company has preferred appeal against the demand raised by the Income Tax department for Rs. 4,41,083/- and Rs.70,000/- for the assessment year 2000-01 and 2001-02 respectively.

9. Expenditure in Foreign Currency – Nil

10. CIF Value of imports-Capital Goods –Nil

11. Salaries, allowances and incentives includes Directors' Remuneration-Rs.2,40,000/-

12. Earnings per Share:	<u>2003-04</u>	<u>2002-03</u>
Profit/(Loss) after tax as per Accounts	(77,26,614)	1,52,914
Weighted Average number of		
Equity Shares ¹	2,32,35,250	1,88,26,800
Basic earnings per share (Rs.)	(0.33)	0.008

13. Information pursuant to the provision part II of Schedule VI of the Companies Act, 1956 – Expenditure on employees drawing remuneration of Rs. 24 Lacs or more per annum when employed throughout the year or Rs. 2,00,000/- or more per month when employed for part of the year – Nil

14. Amalgamation:

- a. Pursuant to the Scheme of Amalgamation of the erstwhile Aavishkar Software Limited (ASL), Scribe Solutions Private Limited (SSPL), Millennium Web Solutions Private Limited (MWSPL) and Sun Java Solutions Private Limited (SJSPL) with the company as approved by the shareholders in the Court-convened meeting held on 19th March 2003 and subsequently sanctioned by the Honourable High Court of Madras on 5th January 2004, the assets and liabilities of the aforementioned companies were transferred to and vested in the company with retrospective effect from 1st April 2003. The Scheme has, accordingly, been given effect to in these accounts.
- b. The Scheme of Amalgamation has been given effect to from 1st of April 2003, whereas, the effective date for amalgamation sanctioned by the High Court is 1st of January 2003. As the Court Order was received subsequent to the finalisation of the accounts of the companies, the company in its meeting of board of directors passed a resolution to change the effective date of amalgamation to 1st of April 2003.
- c. The operations of ASL, SSPL, MWSPL and SJSPL include development and sale of computer software.
- d. The Amalgamation has been accounted for under the 'Pooling of Interest' method as prescribed by the Accounting Standard (AS-14) issued by the Institute of Chartered Accountants of India. Accordingly, the assets, the liabilities and other reserves of the erstwhile ASL, SSPL, MWSPL and SJSPL as at 1st April 2003 have been taken over at their book values subject to adjustments made for the differences in the accounting policies among these companies as specified in the Scheme of Amalgamation.

TELESYS SOFTWARE LIMITED

- e. The company had acquired a 100% holding in Aavishkar Software Limited, Scribe Solutions Private Limited, Millennium Web Solutions Private Limited and Sun Java Solutions Private Limited during the year 2002-03 by issuing a total of 1,32,25,350 Equity Shares on preferential allotment basis. Hence, no fresh issue of equity shares was made on amalgamation.
- 15. In view of the aforesaid amalgamation with effect from 1st April 2003, the figures of the current year are not comparable with those of the previous year.
- 16. The Company is engaged in the development of computer software. The production and sale of such software cannot be expressed in any generic unit. Hence it is not possible to give the quantitative details of sale and information as required under paragraphs 3, 4C and 4D of Part II of Schedule VI to the Companies Act, 1956.
- 17. Previous year's figures have been regrouped or restated wherever necessary to conform to the current year's presentation.

For N R KRISHNAMOORTHY & CO
Chartered Accountant

SATHYAKUMAR
Director

USHA NATARAJAN
Director

N R KRISHNAMOORTHY
Partner

Place: Chennai

Date: 30th June 2004

TELESYS SOFTWARE LIMITED**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2004****(Rs. in lakhs)**

	2003-04	2002-03
A. Cash Flow from Operating Activities:		
Net Profit/(Loss) before tax and extraordinary items	(107.83)	2.44
Adjustment for:		
- Depreciation	154.85	121.78
- Miscellaneous Expenditure written off	9.52	6.09
- Loss on sale of shares & assets	2.46	-
- Provision for diminution in value of investments	16.90	-
Operating Profit before Working Capital Changes	75.89	130.31
Adjustment for:		
- Trade Receivables & other assets	(95.80)	(68.61)
- Inventories	82.41	75.13
- Other Payables	59.46	(18.57)
Net Cash Generated from Operations	121.96	118.26
B. Cash Flow from Investing Activities:		
- Purchase of Fixed Assets	(87.21)	(111.28)
- Sale of Fixed Assets	163.91	-
- Loans and Advances	(40.84)	(6.78)
- Investments	(136.03)	-
Net Cash used in Investing Activities	(100.18)	(118.06)
C. Cash Flow from Financing Activities:		
- Proceeds from issue of Share Capital	-	-
- Proceeds from Long Term Borrowings	-	-
- Fees paid for increase in authorised capital	(10.01)	-
Net Cash from Financing Activities	(10.01)	-
D. Net increase in cash and cash equivalents	11.77	0.20
E. Cash and cash equivalents at the beginning of the year *	2.58	0.83
F. Cash and cash equivalents at the end of the year	14.35	1.03

Place: Chennai
Date: 30.6.2004Y.Sathya Kumar
DirectorUsha Natarajan
Director

* Cash and cash equivalent as on 1.4.2003 include balances of subsidiaries

AUDITORS' CERTIFICATE

We have checked the above Cash Flow Statement of Telesys Software Limited, derived from the financial statements for the year ended 31st March 2004 with the books and records maintained in the ordinary course of business and found the same in accordance therewith

for **N R KRISHNAMOORTHY & CO.**
Chartered Accountants

N R KRISHNAMOORTHY
Partner

Place: Chennai
Date: 30.6.2004

PART IV- BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE			
I. REGISTRATION DETAILS			
Registration No: 23621	(State Code) 18	(Refer Code List)	
Balance Sheet Date	31	03	2004
	DATE	MONTH	YEAR
II. CAPITAL RAISED DURING THE YEAR (Amount in Rs.Thousands)			
Public Issue = Nil		Rights Issue = Nil	
Bonus Issue =Nil		Private Placement =Nil	
III.POSITION OF MOBILIZATION & DEPLOYMENT OF FUNDS (Amount in Rs.Thousands)			
Total liabilities = 272104		Total Assets =272104	
SOURCE OF FUNDS		SOURCE OF FUNDS	
Paid up capital =232352		Reserves & Surplus =35111	
Secured Loans =nil		Unsecured Loans =nil	
Deferred Tax Liability =4641			
APPLICATION OF FUNDS		APPLICATION OF FUNDS	
Net Fixed Assets =105314		Investments =13683	
Goodwill=75918		Misc. Expenses =4345	
Net Current Assets =69956		Accumulated Losses =2888	
IV.PERFORMANCE OF COMPANY (Amount in Rs.Thousands)			
Turnover = 29615		Total Expenditure =38707	
Profit/Loss before tax =(10783)		Earning per Share in Rs. (0.33)	
Profit/Loss after tax =(7727)		Dividend Rate % =nil	
V.GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF COMPANY (as per monetary terms)			
Item Code No: 8471 -99 (ITC Code) Product Description: Development of software			
Item Code No: NA (ITC Code) Product Description:			
Item Code No: NA (ITC Code) Product Description:			
NOTE: For ITC Code of Products please refer to the publication Indian trade Classification based on harmonized commodity description and coding system by Ministry of Commerce, Directorate General of Commercial intelligence and statistics, Calcutta-700 001.			

TELESYS SOFTWARE LIMITED

861-A Vaigai Colony, 13th Main Road, Anna Nagar West, Chennai-600 040

ATTENDANCE SLIP

Please complete the Attendance slip and hand it over at the entrance of the Meeting Hall.

Name & Address of the Shareholders(s):

Ledger Folio No:

No. of Shares held :

I hereby record my presence at the Annual General Meeting of the Company, at #48, Nalvar Thirumana Maligai, S.R.P.Koil Street, Agaram, Chennai-82 to be held on Wednesday, 29th September 2004, at 09.30 A.M.

SIGNATURE OF THE SHAREHOLDER / PROXY*

*Strike out whichever is not applicable.

----- CUT HERE -----

TELESYS SOFTWARE LIMITED

861-A Vaigai Colony, 13th Main Road, Anna Nagar West, Chennai-600 040

FORM OF PROXY

Proxy No

Ledger Folio No.....

No.of.Shares.....

I/We _____ of _____ being a Member/
Members of **TELESYS SOFTWARE LIMITED** hereby appoint _____ or failing him/
her _____ of _____ as my/our proxy to vote for me/us on
my/our behalf at the Annual General Meeting of the Company to be held on Wednesday, the 29th September 2004,
at 09.30 A.M.

Signed this Day of2004

Affix
Re.1
Revenue
Stamp

BOOK - POST

If Undelivered Please Return to :-
REGISTERED OFFICE
861-A Vaigai Colony, 13th Main Road,
Anna Nagar West, Chennai - 600 040.