

TELESYS SOFTWARE LIMITED



Annual Report

2004-2005

TELESYS SOFTWARE LIMITED

BOARD OF DIRECTORS

DIRECTOR

Mr. Satyakumar
Ms. Usha Natrajan
Mr. Bhushan Babu
Mr. Rajkumar Suriya Prakash
Mr. Lakshmi Pathy

AUDITORS

Mr. Chinnappan
Chartered Accountant

BANKERS

Tamilnadu Mercantile Bank,
Mount Road Branch, Chennai - 02

REGISTERED OFFICE

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

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 Thirteenth Annual General Meeting of the members of Telesys Software Limited will be held on Thursday, the 29th September, 2004 at 09.30 A.M at 861-A Vaigai Colony, 13th Main Road, Anna Nagar West, Chennai - 600 040. to transact following business:

ORDINARY BUSINESS:

01. To receive, consider and adopt the audited Balance Sheet as at 31st March 2005 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 Mr.Rajkumar Suriya Prakash who retires by rotation and being eligible offers himself for re-appointment.
03. To Appoint a Director in place of Mr.Bhusan Babu who retires by rotation and being eligible offers himself for re-appointment.
04. 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.LakshmiPathy who was appointed as an additional Director at the meeting of the Board of Directors held on 13th July 2005 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. Lakshmi Pathy, 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 for, with or without modifications, to pass the following as an Special Resolutions:

RESOLVED THAT Corporate Guarantee extended by the Company at their Board Meeting held on the 18th Day of March 2005 to Andhra Bank, Sowcarpet Branch and Union Bank of India, Ashok Nagar Branch, Chennai on behalf of M/s.Chitra Bio Energy Ltd, Chennai for a Sum of Rs:20.48 Crores (Rupees Twenty Crores and Forty Eight Lakhs Only) for the Term Loan extended by the said Bankers to the said Company for their Bio Mass based Power Project be and is hereby approved and ratified.

**By order of the Board,
For Telesys Software Limited**

**(Y.SATYA KUMAR)
DIRECTOR**

PLACE: CHENNAI

DATE: 6th September 2005

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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 2005 to 29th September 2005 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.N.Lakshmipathy 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 13th July 2005. 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. N. Lakshmi Pathy as a candidate for the office of director of the company.

The Board recommends his appointment as a Director.

None of the Directors of the Company except Mr.N.Lakshmi Pathy is interested or concerned in passing of this resolution.

ItemNo:2

The Directors have passed resolution in their meeting held on the 18th Day of March 2005 to extend Corporate Guarantee to Andhra Bank, Sowcarpet Branch and Union Bank of India, Ashok Nagar Branch Chennai on behalf of M/s. Chitra Bio Energy Limited, Chennai for Rs: 20.48 Crores (Rupees Twenty Crores and Forty Eight Lakhs Only) for the Term Loan extended by the said Bankers to the said Company for their Bio Mass Based Power Project.

Due to Urgency, the Board of Directors have passed the aforesaid resolution to extend the aforesaid Corporate Guarantee. The Corporate Guarantee Extended on behalf of M/s.Chitra Bio Energy Ltd, Chennai is more than the 60% of the paid up Share Capital and Free reserves of the Company.

As per Section 372A of the Companies Act, 1956 the Company has to obtain permission from its shareholders within Twelve months from the date of the Corporate Guarantee Extended.

Hence this resolution is put up before the Shareholders for their approval and ratification.

None of the Directors are interested in the aforesaid resolution.

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DIRECTORS' REPORT

Dear Members,

Your Directors have great pleasure in presenting the Thirteenth Annual Report of the company with audited accounts for the year ended 31st March 2005.

Rupees in Lakhs

Financial Results:	Year ended 31.03.2005	Year ended 31.03.2004
Revenue from Operations	240.00	296.15
Profit before Depreciation	22.21	63.93
Less: Depreciation	73.99	154.85
Less: Goodwill Written Off	151.84	--
Less: Dim in Value of Investment	(16.90)	16.90
Profit/(Loss) before Tax	(186.72)	(107.82)
Less: Provisions for Tax-Current & Deferred	(15.51)	(30.56)
Profit/(Loss) After Tax	(171.21)	(77.26)
Balance carried forward to Balance Sheet	(198.47)	(27.26)

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 2004-2005.

REVIEW OF OPERATIONS: -

a) Industry Structure And Development:

The Software Industry is showing a declining trend. The company is also finding it difficult to compete with MNC Software Companies. There have been encouraging developments in the Power Sector in last year and had planned to enter in power Sector and resolutions was passed unanimously through postal ballot changing the object and the name of the company where by enabling the company to enter power sector. However the Registrar of Companies, Chennai did not approve the same. Hence the company has invested its surplus funds in M/S. Chitra Bio Energy Limited, which is setting up 7.5 MW Bio mass Power Plant in Pudukottai District.

b) Business Performance

The turnover is Rs.229 Lakhs in financial year 2004-2005 against Rs.296.15 Lakhs in the financial year 2003-2004. The Company has incurred loss of Rs171.21 lacs after tax compared to previous Loss of

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Rs. 77.26 lacs in the previous year, but the company has cash profit of Rs.31.72 lacs and your Directors are hopeful of maintaining and improving the turnover and profit in coming years by strategic business plans

c) Out Look

Telesys software ltd has presently taken initiative to invest its surplus funds in the power sector. Its has identified M/S Chitra Bio Energy limited to be its beneficiary towards giving support funds and also corporate Guarantee for the Loan availed by the Project. The company has evolved a broad outlook towards entering the power sector. The reason for choosing a biomass based power generation is due its inherent policy to stick to renewable energy and eco friendly project. As the revenue generation is a steady source of income in this project we are sure that the investor interest will be taken care of. This is in addition to our core business of software development.

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

DIRECTORS

During the year Mr.Lakshmipathy was appointed as additional director.Mr.Rajkumar suriyaprakash and Mr.Bhushan Babu who retires by rotation offer themselves for reappointment.Mr.Y.Satyakumar, Ms.Usha Natarajan are the other directors of the company.

DEPOSITS:

The Company has not accepted any deposit from the public.

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;

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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:

The board recommends the appointment of Mr.A.Chinnappan, Chartered Accountant as the auditor of the company from the conclusion ensuing the Annual General Meeting until the conclusion the next AGM of the company on such remuneration as may be fixed by the board. A letter from the auditor about the compliance under Sec 224(1B) of the companies Act has been duly received.

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.

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 Natrajan)
(DIRECTOR)**

**(Y. Satyakumar)
DIRECTOR**

Place: Chennai

Date: 6th September 2005

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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.

Mr.Rajkumar Suriya Prakash:

Aged 38 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 |

Mr.Bhushan Babu

Aged 28Years,M.B.A-Information Technology, has an experience of 6 Years with various corporate viz., M/s. International Data Systems, M/s Pentamedia graphics in the field of administration, strategy development, operations and also design and Development he is a precious treasure of the company. Hence the Board recommends his appointment as a Director

He is Chairman/Member of following Committees.

- | | | |
|----|----------------------------------|------------|
| a. | Shareholders Grievance Committee | - Chairman |
| b. | Audit Committee. | - Member |

Mr.Lakshmiopathy

Aged 40 years, a commerce graduate, with enormous experience in accounts, exports procedure with various corporate at senior levels and he will be taking care of administration and Audit procedure in the

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company and he his appointment will strengthen the board. Hence the board recommends his appointment as a director

He is Chairman/Member of following Committees.

- a. Audit Committee - Chairman
b. Shareholder Grievance Committee - Member

Board Meetings: -

Number of Board meetings held and the dates on which it held are: Nine Board meetings were held. Dates: 30th June 2004, 31st July 2004, 06th September 2004, 14th September 2004, 15th October 2004, 29th October 2004, 19th December 2004, 31st January 2005, 18th March 2005.

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	9	Yes
Ms. Usha Natrajan	Director	9	Yes
Mr. Bhushan Babu	Director	9	Yes
Mr. Rajkumar Suriya Prakash	Director	9	Yes
Mr. Lakshmi Pathy *	Director	-	No
Mr.K.P.Anandan **	Director	4	No

* Appointed with effect from 13th July 2005

** Resigned with effect from 14th September 2004

REMUNERATION TO DIRECTORS

The details of remuneration paid to Directors for the year ended March 31, 2005 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	20000	Nil	Nil	20000
Mr. Rajkumar Suriya Prakash	Nil	Nil	Nil	Nil

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

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Audit Committee:

There exist a qualified and independent audit committee comprised of Mr.Bhushan Babu, Mr.Rajkumar Suriya Prakash & Mr.Lakshmiopathy all non-executive Directors and Mr.Lakshmiopathy 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.Lakshmiopathy 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.

Remuneration Committee: -

There exists a qualified and independent Remuneration Committee comprised of Mr. Bhushan Babu, Mr. Rajkumar Suriya prakash & Mr.Satya Kumar consisting of two non executive and one 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	29/09/2004	#48,Nalavar Thirumana Mandapam, SRP Koli Street, Agaram, Chennai.	9.30 A.M.	4
AGM	30/09/2003	#48,Nalavar Thirumana Mandapam, SRP Koli Street, Agaram, Chennai.	10.00AM	-
EGM	19/3/2003	#48,Nalavar Thirumana Mandapam, SRP Koli Street, Agaram, Chennai.	10.30 a.m	-
AGM	28/9/2002	#48,Nalavar Thirumana Mandapam, SRF Koli Street, Agaram, Chennai.	10.00 a.m	-
EGM	15/7/2002	#48,Nalavar Thirumana Mandapam, SRP Koli Street, Agaram, Chennai.	10.15 a.m	3

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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:

By Way of Special Resolution: The Company has extended Corporate Guarantee at their Board Meeting held on the 18th Day of March 2005 to Andhra Bank, Sowcarpet Branch and Union Bank of India, Ashok Nagar Branch, Chennai on behalf of M/s. Chitra Bio Energy Ltd, Chennai for a Sum of Rs: 20.48 Crores (Rupees Twenty Crores and Forty Eight Lakhs Only) for the Term Loan extended by the said Bankers to the said Company for their Bio Mass based Power Project be and is hereby approved and ratified.

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

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 Thirteen Annual General Meeting of the company is scheduled to be held on Thursday, **29th September**, 2004 at 09.30 am at #861-A Vaigai Colony, 13th Main Road, Anna Nagar West, Chennai-40.
- 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, 2004 to March 31, 2005
- Date of Book closure: 23rd September 2005 - 29th September 2005 (both days inclusive).
- The shares are listed and traded on the following stock exchange
Mumbai Stock Exchange Limited
- Listing fees for the period 2005-2006 has been paid to the stock exchange.
- 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 (in Rs.)	LOW (in Rs.)
April 2004	0.94	0.52
May 2004	1.09	0.51
June 2004	0.97	0.51
July 2004	0.67	0.46
August 2004	0.88	0.52
September 2004	0.91	0.55
October 2004	1.08	0.60
November 2004	1.71	0.60
December 2004	2.25	0.93
January 2005	3.15	1.54
February 2005	4.95	1.82
March 2005	3.70	1.81
52 Week High:	Rs. 4.95	
52 Week Low:	Rs. 0.46	
All time High:	Rs.24.50	
All time Low:	Rs. 0.46	

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.

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Distribution of shareholdings as on 31st March 2005

S No	Category	Shares	%
A.	PROMOTER'S HOLDING		
1.	Promoters: -		
	Indian Promoter	1325000	5.70
	Foreign Promoter	Nil	Nil
2.	Person acting in concert	-	-
	Sub Total	1325000	5.70
B.	NON-PROMOTER HOLDING		
3.	Institutional Investors	-	-
	a. Mutual Fund	-	-
	b. Banks, Financial Institution, Insurance Companies (Central/State Govt./Institutions/ NonGovt. Institutions)	100	0.01
	c. FII's	-	-
	d. Foreign Institutional Investments (Foreign Company)	-	-
	Sub Total	100	0.01
4.	Others		
	a. Private Bodies Corporate	10070548	43.34
	b. Indian Public	11791822	50.75
	c. N RI/OCBs	4900	0.02
	d. Any Other	42880	0.18
	Sub Total	21910250	94.30
	TOTAL	23235250	100.00

Distribution Schedule As On 31.3.2005

No of equity shares held	No of shareholders	%	Shares in Amount (Rs.)	%
Upto 5000	28532	94.63	34749130	14.96
5001-10000	773	2.56	6476320	2.79
10001-20000	413	1.37	6352940	2.73
20001-30000	145	0.48	3721900	1.60
30001-40000	52	0.17	1830380	0.79
40001-50000	60	0.20	2841950	1.22
50001-100000	75	0.25	5496190	2.37
100001-and above	102	0.34	170883690	73.54
Total	30152	100.00	232352500	100.00

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No of shares in physical mode: 15838150
No of shares in dematerialized mode:7397100
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:

I 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 2005 with relevant records and documents maintained by the company and furnished to us for my review.

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

Place: Chennai
Date: 6th September 2005

A.Chinnappan
Chartered Accountant

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AUDITORS' REPORT TO THE MEMBERS OF TELESYS SOFTWARE LIMITED

1. I have audited the attached Balance Sheet of Telesys Software Limited as at 31st March 2005, 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. My responsibility is to express an opinion on these financial statements based on our audit.
2. I conducted my audit in accordance with auditing standards generally accepted in India. Those standards require that I 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. I believe that my audit provides a reasonable basis for my 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, I enclose in the Annexure a statement of the matters specified in paragraphs 4 and 5 of the said order.
4. Further to my comments in the Annexure referred to above, I report that:
 - i) I have obtained all the information and explanations, which to the best of my knowledge and belief were necessary for the purposes of my audit;
 - ii) In my opinion, the company has kept proper books of account as required by law so far as appears from my 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 my 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 2005, and taken on record by the Board of Directors, I report that none of directors is disqualified as on 31st March 2005 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 my opinion and to the best of my information and according to the explanations given to me, 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;

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- a. in the case of Balance Sheet, of the state of affairs of the company as at 31st March 2005;
 - b. in the case of the Profit and Loss Account, of the Loss for the year ended on that date;
- vii) I have also examined the attached Cash Flow Statement of the company for the year ended 31st March 2005. 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.

Place: Chennai
Date: 29th June 2005

A.Chinnappan
Chartered Accountant

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 2005.

1.
 - a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - b. All the assets have been physically verified by the management during the year and there is regular programme of verification which, in my opinion, is reasonable having regard to the size of the company and the 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 me, 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 my 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. The Company has neither taken nor granted any loans, secured and unsecured to/from companies, firms and other parties listed in the register maintained under section 301 of the Companies Act 1956.

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4. In my opinion and according to the information and explanations given to me, 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, I have not observed any continuing failure demanding correction of weaknesses in internal control system.
5. The company has not entered into any contracts or arrangements attracting provisions of Section 301 of the Companies Act 1956 requiring the maintenance of a register under the above section.
6. The company has not accepted any deposits from the public.
7. In my 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 such as sales tax, Income tax, education cess and other material statutory dues applicable to it.
 - b. According to the information and explanations given to me, no undisputed amounts payable in respect of income tax sales tax and cess were in arrears as at 31st March 2005 for a period of more than six months from the date they became payable.
 - c. According to the information and explanations given to me, there is a due of Income Tax of Rs.13,45,126/- for Asst Year 2002-03 Vide Asst Order Dt.16/03/05 against which the company has gone on appeal.
10. In my 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 this audit and the immediately preceding financial year.
11. In my opinion and according to the information and explanations given to me, the company has not availed any loan from financial institution, bank or debenture holders and hence the question of default in repayment doesn't arise.
12. The company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly Clause 4(xii) of the order is not applicable.
13. In my 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.

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14. The company is dealing and trading in shares and proper records have been maintained of the transactions and contracts. However 15,18,000/- Equity Shares of Rs.10/- each of M/S. Chitra Bio Energy Limited held in the name of the company were pledged with Andhra Bank Sowcarpet Branch and Union Bank of India Ashok Nagar Branch against loan availed by M/S. Chitra Bio Energy Limited
15. The company has given guarantee to Andhra Bank, Sowcarpet Branch for Rs.20.48 Crores against Term Loan sanctioned to M/S.Chitra Bio Energy Limited and the terms and conditions whereof are not prejudicial to the interest of the company
16. According to the information and explanations given to me, I report that the company has not raised any term loan during the year.
17. According to the information and explanations given to me, I 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 me, 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 me, during the period covered by this 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 me, no fraud on or by the company has been noticed or reported during the course of the audit.

Place: Chennai
Date: 29th June 2005

A.Chinnappan
Chartered Accountant

TELESYS SOFTWARE LIMITED

BALANCE SHEET AS AT 31ST MARCH 2005

SOURCES OF FUNDS:	SCH	As on 31.03.2005 Rs.	As on 31.03.2004 Rs.
Share Holders' Fund:			
Share Capital	1	232,352,500	232,352,500
Reserves & Surplus		34,949,500	34,949,500
Loan Fund:			
Secured Loans		-	-
Unsecured Loans		-	-
Deferred Tax Liability		3,033,448	4,640,507
		<u>270,335,448</u>	<u>271,942,507</u>
APPLICATION OF FUNDS			
Fixed Assets	3		
Gross Block at Cost		148,344,472	151,276,143
Less: Depreciation		53,360,523	45,961,814
Net Block		<u>94,983,949</u>	<u>105,314,329</u>
Goodwill (on Amalgamation)		60,734,560	75,918,200
Investments in Equity Shares	4	36,929,245	13,682,795
Current Assets, Loans & Advances			
a) Inventories		-	12,342,552
b) Sundry Debtors	5	35,216,725	31,239,165
c) Cash & Bank Balances	6	1,355,592	1,435,014
d) Loans & Advances	7	<u>21,429,083</u>	<u>34,803,234</u>
(A)		58,001,400	79,819,965
Less: Current Liabilities & Provisions (B)	8	<u>3,554,067</u>	<u>9,864,368</u>
Net Current Assets	(A) - (B)	54,447,333	69,955,597
Miscellaneous Expenditure (To the extent not written off or adjusted)	9	3,393,607	4,345,215
Profit and Loss Account		19,846,754	2,726,372
		<u>270,335,448</u>	<u>271,942,507</u>
Notes on Accounts	12		

For on Behalf of Board of Directors

As per report of even date

Y.SATYAKUMAR
Director

USHA NATRAJAN
Director

A.CHINNAPPAN
Chartered Accountant

Place: Chennai
Date: 29.06.2005

TELESYS SOFTWARE LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2005

PARTICULARS	SCH	2004-05 Rs.	2003-04 Rs.
INCOME			
Sales		22,922,000	29,615,000
Other Income		1,078,288	-
Prov for Diminution Reversed		1,690,200	-
		<u>25,690,488</u>	<u>29,615,000</u>
EXPENDITURE			
Decrease in Inventories		12,342,552	8,241,350
Software Development Expenses	10	6,180,000	12,464,719
Operating and Administrative Expenses	11	2,305,420	1,565,241
Depreciation		7,398,709	15,484,571
Preliminary Expenses Written Off		951,608	951,608
Goodwill Written Off		15,183,640	-
		<u>44,361,929</u>	<u>38,707,489</u>
Profit before Tax		(18,671,441)	(9,092,489)
Less: Provision for diminution in value of Investments		-	1,690,200
		<u>(18,671,441)</u>	<u>(10,782,689)</u>
Less: Provision for Current Tax		56,000	-
Provision for Deferred Tax		-	-
Profit after Tax		(18,727,441)	(10,782,689)
Add: Deferred Tax Asset		1,607,059	3,056,074
		<u>(17,120,382)</u>	<u>(7,726,615)</u>
Add: Balance brought forward		(2,726,372)	4,838,271
Add: Reserves & Surplus of (Amalgamated Company)		-	161,972
Balance of Profit Transferred to Balance Sheet		<u>(19,846,754)</u>	<u>(2,726,372)</u>
Notes on Accounts	12		

For on Behalf of Board of Directors

As per report of even date

Y.SATYAKUMAR
Director

USHA NATRAJAN
Director

A.CHINNAPPAN
Chartered Accountant

Place: Chennai
Date: 29.06.2005

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 2005.

SCHEDULE- 1	2005	2004
SHARE CAPITAL	Rs.	Rs.
Authorised		
25000000 (25000000) Equity Shares of Rs.10/- each	<u>250,000,000</u>	<u>250,000,000</u>
Issued, Subscribed & Paid Up		
Equity shares of Rs.10/- each	<u>23235250</u>	<u>(23235250)</u>
	<u>232,352,500</u>	<u>232,352,500</u>
SCHEDULE - 2		
RESERVES AND SURPLUS		
Share Premium	<u>34,949,500</u>	<u>34,949,500</u>
	<u>34,949,500</u>	<u>34,949,500</u>
SCHEDULE -3		
FIXED ASSETS		
(Separate Attachment Attached)		
SCHEDULE- 4		
INVESTMENT		
<u>Quoted Investments</u>		
i) IQ Infotech Limited	225,091	1,115,000
Cost of 122019 (665600) Equity Shares of face value Rs.10/- each (Market Price - Rs.8.39 each)		
ii) Mega Channel Computers Limited	-	550,000
Cost of 364400 Equity Shares of face value Rs.10/- each		
iii) Shapre Infotech India Limited *	1,760,000	1,310,000
Cost of Equity Shares of Face value Rs.10/- each	1133933	(776133)
iv) Omni Ax's Software Limited	173,029	1,506,450
Cost of 89564 (987500) Equity Shares of face value Rs.10/- each (Market Price - Re.3.69 each)		
v) Pentagon Global Solutions ltd	-	25,000
Cost of 10000 Equity Shares of face value Rs.10/- each		
vi) SMR Universal Softech Limited	1,199,275	1,199,275
Cost of 489500 Equity Shares of face value Rs.10/- each (Market Price - Rs.2.09 each)		
vii) Twin Cities Infotech Limited *	879,600	669,600
Cost of 687000(487000) Equity Shares of face value Rs.10/- each		

SCHEDULE - 3
FIXED ASSETS

PARTICULARS	GROSS BLOCK			DEPRECIATION				NET BLOCK	
	As at 1.4.2004 Rs.	Additions Rs.	Deletions	As at 31.3.2005 Rs.	Up to 1.4.2004 Rs.	For the year Rs.	Up to 31.3.2005 Rs.	As on 31.3.2005 Rs.	As on 31.3.2004 Rs.
Land & Building	1,781,671	1,781,671	-	-	-	-	-	-	1,781,671
Computers, Softwares & Peripherals	60,234,750	6,881,228	5,000,000	115,115,978	42,932,442	6,920,923	49,853,365	65,262,613	17,302,308
Office Equipments	1,487,444	-	-	1,487,444	610,468	121,987	732,455	754,989	876,976
Furniture & Fixtures	4,353,252	-	4,353,252	2,404,485	352,726	2,757,211	1,596,041	-	1,948,766
Vehicles	26,288	-	-	26,288	14,419	3,073	17,492	8,796	11,869
TOTAL	67,883,405	59,881,228	6,781,671	120,982,962	45,961,814	7,398,709	53,360,523	67,622,439	21,921,590
Capital Work in Progress (Software under Development)	83,392,738	3,850,000	59,881,228	27,361,510	-	-	-	273,61,510	83,392,738
Total	151,276,143	63,731,228	66,662,899	148,344,472	45,961,814	7,398,709	53,360,523	94,983,949	105,314,328

Note : Deletions under capital work in progress of Rs.59881228/- represents work completed and transferred to computer ,Software & Peripherals

TELESYS SOFTWARE LIMITED

	2005 Rs.	2004 Rs.
viii) Integrated Hitech Limited		
Cost of 180000 Equity Shares of face value Rs.10/- each	-	1,800,000
* Since there was no trading, Market Price as on 31st March 2005 is not available		
<u>Non-quoted Investments</u>		
ix)Chitra Bio Energy Limited		
Cost of 1518000 (120000) Equity Shares of face value Rs.10/- each	28,960,000	1,000,000
x) Golden Palms (India) Limited		
Cost of 1015000 Equity Shares of face value Rs.1/- each	152,250	152,250
xi) Iamp Corporate Consulting Limited		
Cost of 222800 Equity Shares of face value Rs.10/- each	-	2,785,000
xii) Rajyoga Securities Limited		
Cost of 17500 (155000) Equity Shares of face value Rs.10/- each	35,000	3,100,000
xiii)Sree Skandaguru Profiles (P) Limited		
Cost of 13667 (50350) Equity Shares of face value Rs.10/- each	410,000	60,420
xiv) Dynamic Securities Limited		
Cost of 10000 Equity Shares of face value Rs.10/- each	100,000	1,00,000
xv) Gigo Softlogic P ltd		
Cost of 26200 equity shares of Face value of Rs.10/- each	260,000	-
xvi) Mardia Sons holdings P ltd		
Cost of 88700 shares of of Face Value of Rs.10/- each	175,000	-
xvii) Axe End India P Ltd		
Cost of 88700 shares of of Face Value of Rs.10/- each	2,600,000	-
	36,929,245	15,372,995
Less: Provision for dimunition in value of Investments	-	1,690,200
	<u>36,929,245</u>	<u>13,682,795</u>

TELESYS SOFTWARE LIMITED

	2005 Rs.	2004 Rs.
SCHEDULE- 5		
SUNDRY DEBTORS		
(Unsecured Considered Goods)		
Exceeding six months	6,421,725	20,224,165
Others	<u>28,795,000</u>	<u>11,015,000</u>
	<u>35,216,725</u>	<u>31,239,165</u>
SCHEDULE - 6		
CASH & BANK BALANCE		
Cash on Hand	1,187,122	1,393,624
balance with Scheduled Banks	<u>168,470</u>	<u>41,390</u>
	<u>1,355,592</u>	<u>1,435,014</u>
SCHEDULE - 7		
LOANS & ADVANCES		
Unsecured Considered good Advances recoverable in cash or in kind for value to be received	16,571,693	32,628,512
Share Application Money-Rajyoga Securites Limited	4,100,000	-
Tax Deducted at Source	103,703	882,894
Advances and Deposits	<u>653,687</u>	<u>1,291,828</u>
	<u>21,429,083</u>	<u>34,803,234</u>
SCHEDULE- 8		
CURRENT LIABILITIES AND PROVISIONS		
Provision for Taxation	229,067	2,673,067
Creditors for Expenses and Other Liabilities	<u>825,000</u>	<u>7,191,301</u>
	<u>3,554,067</u>	<u>9,864,368</u>
SCHEDULE - 9		
MISCELLANEOUS EXPENDITURE		
Opening Balance	4,345,215	4,295,684
Add: ROC Fees paid	-	1,001,139
	4,345,215	5,296,823
Less: Written off during the year	<u>951,608</u>	<u>951,608</u>
	<u>3,393,607</u>	<u>4,345,215</u>
SCHEDULE - 10		
SOFTWARE DEVELOPMENT EXPENSES		
Salaries, Allowances & Incentives	357,500	540,450
Staff Welfare	40,000	113,419
Consumables & Computer Maintenance	32,500	214,850
Cost of Software Packages	<u>5,750,000</u>	<u>11,596,000</u>
	<u>6,180,000</u>	<u>12,464,719</u>

TELESYS SOFTWARE LIMITED

	2005 Rs.	2004 Rs.
SCHEDULE - 11		
OPERATING AND ADMINISTRATIVE EXPENSES		
Salaries & Incentives	506,500	589,500
Travelling & Conveyance	93,850	125,980
Rent & Electricity	67,500	72,010
Postage & Telephones	334,260	174,784
Printing & Stationery	138,000	134,730
Repairs & Maintenance	20,000	26,000
Advertisement	27,000	24,000
Marketing Expenses	15,000	25,500
Directors' Sitting Fees	20,000	20,000
Loss on sale of assets	-	215,160
Loss on sale of shares	52,786	30,350
Auditors' Remuneration	25,000	37,500
Miscellaneous Expenses	58,858	89,727
Listing Fees	163,000	-
Consultancy Charges	25,000	-
Income Tax Paid	758,666	-
	<u>2,305,420</u>	<u>1,565,241</u>

For on Behalf of Board of Directors

As per report of even date

Y.SATYAKUMAR
Director

USHA NATRAJAN
Director

A.CHINNAPPAN
Chartered Accountant

Place: Chennai
Date: 29.06.2005

TELESYS SOFTWARE LIMITED

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 at the time of invoicing them to customers

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 Company has provided depreciation only on the assets utilized during the year.

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.

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.

TELESYS SOFTWARE LIMITED

6. Contingent Liability

The company has preferred appeal against the demand raised by the Income Tax department for Rs. 13,45,126/- for the assessment year 2002-03 vide order Dt.16/03/05

7. Expenditure in Foreign Currency - Nil

8. CIF Value of imports-Capital Goods -Nil

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

10.Earnings per Share:	<u>2004-05</u>	<u>2003-04</u>
Profit/(Loss) after tax as per Accounts	(17120382)	(77,26,615)
Weighted Average number of Equity Shares	2,32,35,250	2,32,35,250
Basic earnings per share (Rs.)	(0.74)	(0.33)

11. 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

12.As the Company is engaged in the development of software, it is not possible to give the quantitative details.

13.Previous year's figures have been regrouped or restated wherever necessary to conform to the current year's presentation.

For on Behalf of Board of Directors

As per report of even date

Y.SATYAKUMAR
Director

USHA NATRAJAN
Director

A.CHINNAPPAN
Chartered Accountant

Place: Chennai
Date: 29.06.2005

TELESYS SOFTWARE LIMITED

	(Rs. in lakhs)	
	2004-05	2003-04
A. Cash Flow from Operating Activities:		
Net Profit/(Loss) before tax and extraordinary items	(186.71)	(107.83)
<i>Adjustment for:</i>		
- Depreciation	73.99	154.85
- Miscellaneous Expenditure written off	9.52	9.52
- Loss on sale of shares & assets	0.52	2.46
- Profit on Sale of Assets	(1.06)	-
- Goodwill Written off	151.84	-
- Provision for diminution in value of investments	(16.90)	16.90
Operating Profit before Working Capital Changes	31.20	75.89
<i>Adjustment for:</i>		
- Trade Receivables & other assets	(1.65)	(95.80)
- Inventories	123.42	82.41
- Other Payables	(63.66)	59.46
Net Cash Generated from Operations	89.31	121.96
B. Cash Flow from Investing Activities:		
- Purchase of Fixed Assets	(38.50)	(87.21)
- Sale of Fixed Assets	18.87	163.90
- Loans and Advances	145.62	(40.84)
- Investments	(216.09)	(136.03)
Net Cash used in Investing Activities	(90.10)	(100.18)
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	(0.79)	11.77
E. Cash and cash equivalents at the beginning of the year	14.35	2.58
F. Cash and cash equivalents at the end of the year	13.56	14.35

Place: Chennai
Date: 29/06/05

Y.SatyaKumar
Director

Usha Natrajan
Director

AUDITORS' CERTIFICATE

I have checked the above Cash Flow Statement of Telesys Software Limited, derived from the financial statements for the year ended 31st March 2005 with the books and records maintained in the ordinary course of business and found the same in accordance therewith

Place: Chennai
Date: 29.6.2005

A.Chinnappan
Chartered Accountant

TELESYS SOFTWARE LIMITED

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	2005
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 =270335	Total Assets = 270335	
SOURCE OF FUNDS		
Paid up capital =232353	Reserves & Surplus =34949	
Secured Loans =nil	Unsecured Loans =nil	
Deferred Tax Liability =3033		
APPLICATION OF FUNDS		
Net Fixed Assets =94984	Investments =36929	
Net Current Assets =54447	Goodwill=60735	
Accumulated Losses = 19846	Misc. Expenses =3394	
IV.PERFORMANCE OF COMPANY (Amount in Rs.Thousands)		
Turnover = 22922	Total Expenditure =44362	
Profit/Loss before tax =(18671)	Profit/Loss after tax =(17120)	
Earning per Share in Rs. (0.74)	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

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 # 861-A Vaigai Colony, 13th Main Road, Anna Nagar West, Chennai-40. to be held on Thursday, 29th September 2005, at 09.30 A.M.

SIGNATURE OF THE SHAREHOLDER / PROXY*

*Strike out whichever is not applicable.

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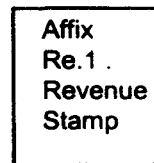
TELESYS SOFTWARE LIMITED
861-A Vaigai Colony, 13th Main Road, Anna Nagar West, Chennai-600 040

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 Thursday,
the 29th September 2005, at 09.30 A.M.

Signed this Day of2005



BOOK POST

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