



7th ANNUAL REPORT
2004-2005



Prithvi Information
Solutions Limited

The future's here

“



Traversing through the sand of Challenges

Wading through the waves of Possibilities

Climbing the mountains of Innovation

We rise towards the sky of a greater Tomorrow

Benchmarking it with our learning of the Past

And our imagination of the Future ”

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S I G N A T U R E S

BOARD OF DIRECTORS

Ms. V. Madhavi	Chairperson & Whole Time Director
Mr. V. Satish Kumar	Managing Director
Mr. P. C. Shrimal	Director (upto 14-02-2005)
Mr. G. Srikanth Reddy	Wholetime Director
Mr. K. Ramesh Kumar	Alternate Director to Mr. G. Srikanth Reddy
Ms. V. Shilpa	Alternate Director to Ms. V. Madhavi (with effect from 19-04-2005)

CHIEF FINANCE OFFICER & COMPANY SECRETARY

Mr. P. S. Shastry

AUDITORS

M/s. Patwari & Co.,
Chartered Accountants
Hyderabad

REGISTERED & CORPORATE OFFICE

10Q3-A1, 10th Floor, Cyber Towers
HITEC City, Madhapur
Hyderabad

GLOBAL DELIVERY CENTRES IN INDIA

Flat # 7004 to 7007, 7012
Emerald House, S.D. Road
Secunderabad

7th Floor, Sona Towers,
71 Millers Road
Bangalore

OVERSEAS OFFICES

U.S.A.	Pennsylvania	Pittsburgh
	Vancouver	Springfield
	Ohio	Lewis Center
	Texas	Sugar Land
	California	San Ramon
	North Carolina	Durham

Singapore

BANKERS

UCO Bank
UTI Bank
ING Vysya Bank
National City Bank, USA
PNC Bank, USA

FROM THE CHAIRPERSON'S DESK



LETTER TO SHAREHOLDERS

2004-2005 marks yet another milestone in the spectacular growth history of Prithvi.

What started off way back in 1998 as a close-knit team of 4, handling a sole client, Prithvi surely has come a long way to garner 85 clients and a strong group of 900 people. And the growth is not just in terms of manpower, but we have also scaled staggering heights of revenues, profitability and the services offered.

The various initiatives taken by the company helped achieve a significant revenue growth of 25% and a bottom-line growth of 40% as opposed to the projected 10% and 15% growth respectively.

This year saw yet another international breakthrough with the opening of our Bangalore development centre having a seating capacity of 50. This delivery centre was meant for a single client with whom the Company had entered into a Build Operate Transfer Agreement.

It is a well-known fact that as of today, IT is taking the world by storm with India being recognised as the powerhouse of skilled IT professionals. But what is not known is that, India makes up for a mere 2% market share of the total business.

At Prithvi, we identify this as the biggest opportunity. Our out-of-the-box thinking has helped us establish our strong presence in the US market and shortly, we will be taking a plunge into the Indian arena. What's more! The strategy think-tank at Prithvi has already prepared blueprints for a well-designed entry into Knowledge Process Outsourcing (KPO).

The internal changes and the new initiatives implemented changed Prithvi's perception from being a Technology Outsourcing Company to being a Business Solution Provider. This has resulted into our customers asking us for more services and effective solutions. Consequently there has been a key thrust in moving most of the work to India.

In order to achieve our long-term goal of being the 'One-Stop-Shop' for our customers, we have geared our marketing efforts to meet international challenges. We have also expanded and realigned our services. These include initiatives in terms of business consulting and process outsourcing, not to mention the processes deployed internally in the organisation. We are also planning to create an Advisory Board

with leading eminaries in their respective fields. The Advisory Committee will help the Company in strategizing the new initiatives.

As for internal processes, the Company has created Domain Competency Group, Information Security Management Systems & Business Continuity Processes. Of the three, the former is meant to accelerate the domain enablement of its people, thereby helping the Company to understand and serve its customers in a much better way.

Prithvi is an ISO 9001-2001 certified firm since 2001. We are taking a step further in the quality initiative by getting the company to be assessed for Capability Maturity Model.

The Company has 6 offices in USA and an aggressive sales team of 20, raring to go a step further and do up selling & cross-selling to our various existing customers.

At Prithvi, we understand that people are key to our business-success. The past year saw our team strength increase from 537 to 900. Implementation of an Appraisal System is also under consideration to appreciate the achievements of individuals, apart from that of the team and the organization as a whole. We hope that this initiative will help identify our leaders of the future, who will drive the organisation further and also help the employees to perform both tangibly and intangibly. The Company is also taking up mentoring of its team so as to align its goals to that of the organisation.

The Company is building Best Practices on Corporate Governance and is planning to induct new independent directors on its board. During the year, Mr. P.C. Shrimal resigned from the board due to his pre-occupation with personal commitments. We take this opportunity to thank him for serving the Company's Board all these years with his valuable suggestions and guidance that have immensely helped our organisation.

The future at Prithvi undoubtedly looks bright with an order booking of US\$ 130Million for the next two years and the inflow continues. The Company is planning to open its Global Delivery Centre in Hyderabad with a capacity of over 1500 people in the coming year.

In the years to come, the Company intends to expand and reach out to other cities at a national as well as international level for its manpower requirement. Our Sales Team will be increasing the existing active customer base from 55 to 75 in the next year and is also planning to ramp up its operations in Europe.

We wish to sincerely thank all our shareholders for the support, advice and guidance that they have given to our Company.

Place : Hyderabad

Date : May 28, 2005

V. Madhavi

PRITHVI OVERVIEW

At Prithvi we provide business solutions to our customers by strategically harnessing the power of Information Technology and help them maximize their business values in the new economy.

INDUSTRY OVERVIEW

The role of IT has evolved from simply supporting business enterprises to enabling them to meet their business objectives. To succeed in today's marketplace, companies must respond rapidly to market trends, create new business models and improve productivity.

In order to improve their return on investments, IT departments of many companies have placed a greater emphasis on lowering costs and improving performance by accessing the latest technology expertise and accelerating the delivery of new systems and solutions. To accomplish these objectives, many IT departments have shifted all or a portion of their IT development, integration and maintenance requirements to outside IT vendors that provide high quality, timely and cost-effective solutions and services. This outsourcing enables companies to eliminate or reduce the large in-house IT staff otherwise required to evaluate, implement and manage IT initiatives. Eventually reducing their present and future investment requirements.

Because of increasing trend towards leveraging offshore delivery capabilities to attain high quality IT solutions and services at a lower cost, companies are turning to providers with a global delivery model that combines onsite client teams with offshore delivery centres. IT vendors with offshore delivery capabilities that are able to offer products and services at a lower total cost of ownership are increasingly being preferred by clients globally, for the quality of their services, their responsiveness to clients and their on-time delivery capabilities.

India has been recognized as a leading destination for offshore technology services. In June 2004, the Gartner Strategic Analysis Report indicated that through 2008 India may remain a dominant offshore service provider. A NASSCOM-KPMG report published in 2004 indicated that the total Indian IT services and IT-enabled services export market was nearly \$10 billion in 2003 and is projected to grow to \$49 billion by 2009, representing a compound annual growth rate of approximately 30%. There are several key factors contributing to this growth. These include:

- High quality delivery capabilities of Indian organizations
- Accelerated delivery through round-the-clock

execution for global clients

- Significant cost savings
- A large pool of skilled IT professionals

Utilizing a global delivery model presents a number of challenges to IT service providers. The global implementation of value added IT solutions and services requires providers to continually attract, train and retain highly skilled software development professionals with the advanced technical skills necessary to keep pace with continuing changes in the IT industry, evolving industry standards and changing customer requirements. These skills are necessary to design, develop and deploy high quality technology solutions in a cost-effective and timely manner. In addition, IT vendors must have the infrastructure and communication capabilities to seamlessly integrate onsite and offsite execution capabilities and deliver consistent solutions worldwide. These IT vendors must also have strong training and employee development capabilities, technology competency centres and long-term relationship development and management skills in order to compete effectively.

COMPANY'S OVERVIEW

The Company was incorporated on July 24, 1998 with Mr. V. Satish and Ms. V. Madhavi as its promoters.

The Company is a global provider of customized IT solutions and software services to clients with bulk of its operations in USA. The company provides software solutions across a host of technologies and platforms. We have software solutions design/development centers and marketing offices in Pittsburgh, California, Columbus and New Jersey and a marketing office in Singapore. Its offshore Development Centers are in Hyderabad and Bangalore in India.

PRESENT SCENARIO

The Company's strong domain skills and customer-centric approach, has resulted in several strategic client relationships. The Company has invested in building a strong sales team and has a core team of 20 sales personnel covering the offices in USA. Several of the Company's senior executives are based in client geographies and are focused on developing client relationships at senior levels. With the sales and marketing team organised by industry, service offerings and geography, the Company has been able to effectively cross-sell services to the existing client

base and win new businesses.

The Company has earned goodwill from its clients who give repeat business and also refer us to other potential clients. This helps further improve relationships and reduce marketing costs.

Strong US Presence

Prithvi in order to service its customers in an effective manner has 5 offices in United States Of America. We have software solutions design/development centers and marketing offices in Pittsburgh, California, Columbus and New Jersey and a marketing office in Singapore.

The Company is working in the following Verticals:

- Hi-Tech & Startup
- Healthcare
- Manufacturing
- Telecom Rf Engineering
- Retail
- BFSI
- E-Governance

The Company has taken the following new initiatives in order to serve its customers better and has adapted an integrated solution provider approach to become a 'One-Stop-Shop' for its customers:

- Business Consulting
- Process Outsourcing
- Embedded Technologies

GROWTH STRATEGIES

We have enabled ourselves to maintain and enhance our position in the respective domains. We intend to grow in a balanced phase by consolidating our strengths and improving our existing facilities. The future business model covering the period up to 2005 revolved around the following ideologies:

Achieve critical size

We believe that achieving a significant mass and momentum is very critical to long-term survival and growth. We will leverage on our strong presence in the US market to increase our client base there.

Partnership with clients

Leverage on strong marketing and client base

to build critical size. Follow the 'Toehold, Foothold and Household' strategy to increase its revenues and deepen relationships with clients.

Multi-Domain and Technology presence

We believe in having the ability to deliver solutions across domains and technologies and de-risking the revenue stream.

Cost-effective solutions and margins improvement

We believe in delivering cost effective quality solutions. We will increase the offshore component in our assignments steadily and significantly and build flexible frameworks, which will enable us to deliver cost effective quality solutions and improve margins. Simultaneously, we propose to expand our

offshore software and technology development facilities at Hyderabad.

Stay ahead of competition

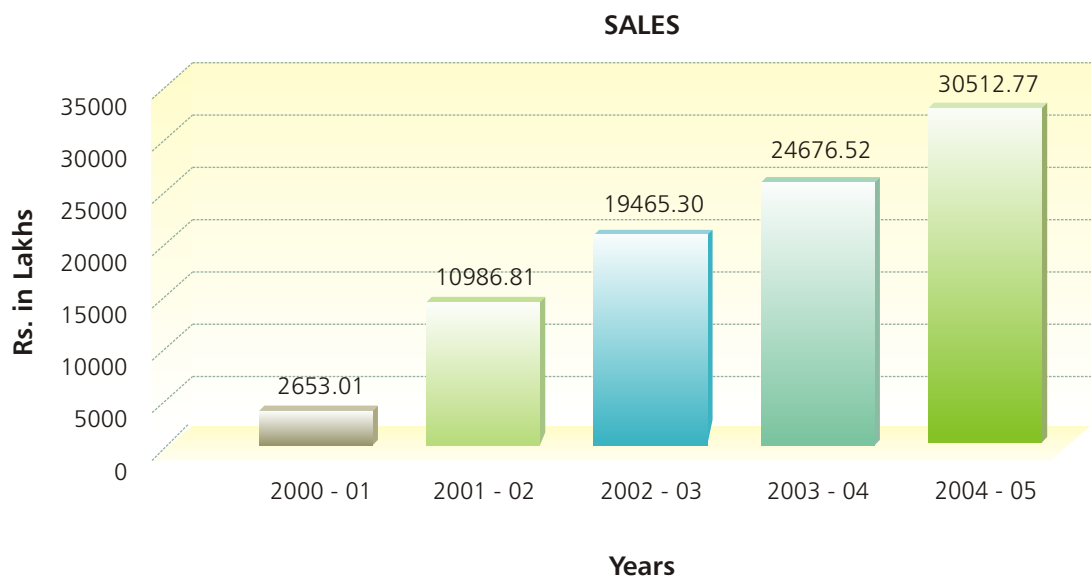
We propose to tap untouched sectors like biotechnology and e-governance to stay ahead of the competition. We have sent one of our senior persons to the Carnegie Mellon University to co-develop some solutions for the biotechnology sector. We have built a good presence in the US government sector following the successful completion of our assignments with the State of Ohio. E-Governance has not been tapped by many Indian IT companies, which we intend to leverage. We will in turn expand our range of e-governance solutions.

5 YEAR FINANCIAL HIGHLIGHTS

Statement of Assets & Liabilities for the period

(Rs. in Lakhs)

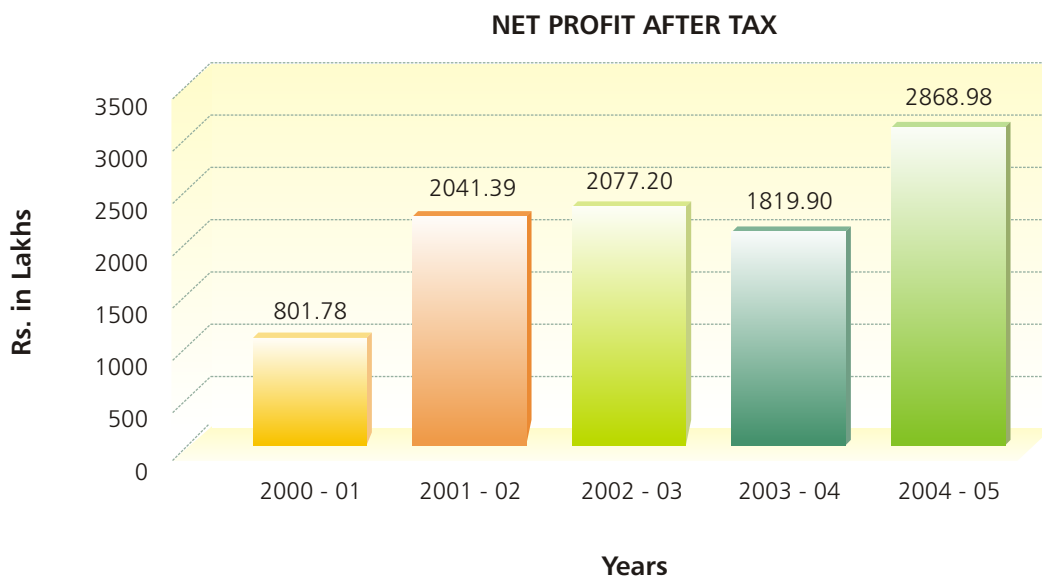
Particulars	2000- 01	2001- 02	2002-03	2003- 04	2004- 05
Gross Block	171.87	169.85	177.32	234.53	248.12
Current Assets, Loans and Advances	1366.70	4245.48	5853.20	7448.85	10672.29
Liabilities and Provisions	334.13	1139.55	640.81	435.44	318.67
Net Worth	1181.99	3232.62	5324.44	7153.41	10471.46
Share Capital	607.00	607.00	607.00	607.70	607.70
Reserves	611.74	2653.13	4730.33	6554.78	9423.76



Statement of Profits and Losses for the period

(Rs. in Lakhs)

Particulars	2000- 01	2001- 02	2002- 03	2003- 04	2004- 05
Total Sales	2653.01	10986.81	19465.30	24676.52	30512.77
Operating Profit	821.22	2104.70	2186.20	1868.31	2932.75
Net Profit before Tax	801.78	2041.79	2153.96	1821.29	2869.40
Provision for Tax		0.40	76.76	1.39	0.42
Net profit after Tax	801.78	2041.39	2077.20	1819.90	2868.98



Note: The figures given above for all the five years have been reclassified, rearranged and recasted wherever considered necessary to reflect the operation of the company on the basis of a uniform practice.

ACCOLADES

Prithvi was ranked the 6th largest Exporter in the State of AP for the year 2001-02 (as per STPI)

6

Prithvi was ranked the 19th largest Exporter in India for the year 2002-03 (as per STPI)

19

Prithvi was ranked the 306th largest company in the unlisted category (in terms of revenue) by Business Standard for the year 2001-02

306

Prithvi was ranked the 190th largest company in the unlisted category (in terms of revenue) by Business Standard for the year 2002-03

190

Awarded Business Initiative Directions Quality Summit Award for Excellence and Business prestige in Gold Category for the year 2003, by BID (Business Initiative Directions), Spain

Gold
Category

Prithvi has been voted as one of the top 10 software companies in Western Pittsburgh by Pittsburgh Technology Council, USA

Top
10

Dun & Bradstreet has rated the Company at 5A2, which translates to a "Good" Rating

Good
Rating

Prithvi was ranked the fifth largest unlisted IT firm in India by Business Standard

5

MILESTONES

Year	Major event
1998	<ul style="list-style-type: none">• Company was founded with offshore development contract from Merrill Lynch worth US\$ 10,000
1999	<ul style="list-style-type: none">• Achieved Rs. 1Crore in revenues
2000	<ul style="list-style-type: none">• Ranked amongst the top 50 IT companies in Andhra Pradesh• Converted into Public Limited Company
2001	<ul style="list-style-type: none">• Ranked as the 6th Largest IT / Software Exporter in the State of AP for the year as per STPI• Achieved Rs. 100 Crores in revenue• Received first order for development of software from the State of Ohio
2002	<ul style="list-style-type: none">• ISO 9001:2000 certification• Ranked by Business Standard as the 306th largest company in India in the unlisted category based on revenues
2003	<ul style="list-style-type: none">• Awarded Business Initiative Directions Quality Summit Award for Excellence and Business prestige in Gold Category for the year, by BID (Business Initiative Directions), Spain• Ranked by STPI as the 19th Largest IT / software exporter in India• Micro Strategy• Achieved Rs. 200 Crores in revenues• Ranked by Business Standard as the 190th largest company in India in the unlisted category based on revenues
2005	<ul style="list-style-type: none">• Achieved Rs.300 Crores in revenues• Dun & Bradstreet has rated the Company at 5A2, which translates to a "Good" Rating

CLIENTELE

Our client base has increased purely due to the large and referral driven customer base. Our client base spans across 85 US organizations, which are amongst the best names in their respective sectors. Notable clients include John Hopkins University Hospital, Merrill Lynch, State of Ohio, T-Mobile, Meijers McKesson. A key feature of the company's business is the 76% of repeat business and strong referrals from our existing clients. Our strong domain skills and customer-centric approach, has resulted in several strategic client relationships. We have invested in building a strong sales team and have a core team of 20 sales personnel covering the offices in USA and the Asia-Pacific region. Several of our executives are based in client geographies and are focused on developing client relationships at senior levels. With the sales and marketing team organised by industry, service offerings and geography, we have been able to effectively cross-sell services to the existing client base and win new businesses.

VOICES THAT MATTER

"We are impressed with Prithvi's capability to be a complete IT partner. It has revolutionized our data services and we are impressed with the organization's efficiency and proficiency above its contemporaries. It has demonstrated an ability to provide onsite support by providing outstanding consultants at a very short notice. The added flexibility of onsite-offsite consultation worked much to our advantage and it is genuinely appreciated."

From a State Governor's Office

"We have worked with Prithvi on custom development projects in the past and have them under consideration for future projects as well. I regard them as a good business partner and expect to maintain a working relationship with them for the foreseeable future."

From a leading Healthcare Provider in USA

"Prithvi Information Solutions has been one of Xenii's most important operational contractors. Prithvi has built several different phases of Xenii's website, and we are very pleased with the quality of Prithvi's work product. Xenii has every intention of continuing to use Prithvi for the continued development of the website as it plans its expansion."

From a leading Private Client Management Company

"I am very happy of our relationship with Prithvi. I feel the executives have been very upfront and they have been very responsive and very aggressive, and continue to align with the client company itself."

From a world's leading Telecom OEM

"Prithvi is putting the right expertise in place to dominate the next generation of IT and Consulting."

From a leading Retail Chain in USA

MARKET SEGMENTATION

Prithvi provides a broad range of outsourcing services to its clients. Prithvi's clients are of various sizes and operate in various domains. Prithvi has divided its clients into 3 segments, each with its dedicated team of sales personnel who understand the challenges faced by clients in their segments and are able to address them better.

1. SMALL AND MEDIUM BUSINESSES

Companies with revenues of less than US\$ 100 million

Segment Overview

Small and medium businesses usually have individual differences in business processes, some of which give them distinct competitive advantages. These organizations are acutely aware of the need to nurture and improve such differences and much of the organizations' focus is in this direction.

Those in top management positions have a great deal of influence in deciding the kind of business and technology solutions that they will adopt. Outsourcing engagements usually have a strategic impact on such organizations. In many cases, members of the top management are themselves the Chief Patrons of outsourcing engagements. Design of solutions requires an in-depth understanding of not only the business processes but also the constraints faced by the organization.

Prithvi's Segment Business Strategy

Target companies in this category are considered to be difficult to work with as compared to larger clients. The criticality of outsourcing engagements means that the impact of project risk is much higher for these companies, which

understandably leads to greater concern in the client organization.

Prithvi's strategy has been to identify and educate clients about possible generic and engagement-specific risks and to design innovative work contracts that mitigate them, while keeping Prithvi's exposure under control. Prithvi's agility in responding to unique challenges allows it to undertake new engagements at a speed that matches clients' expectations.

Many of Prithvi's client relationships in this segment have moved on from a single engagement to a point where Prithvi handles almost all of the outsourcing requirements of the client organization.

Competitive Strengths

- Technology Competence and mature service delivery processes
- Speed of designing innovative work contracts that address client concerns
- Broad range of service lines that provide a single point of contact for many needs

2. LARGE CORPORATE CLIENTS

Companies with revenues of more than US\$ 100 million

Segment Overview

Large businesses usually have advanced Information Technology capabilities in-house. They deal with multiple vendors to meet their technology and process outsourcing needs. Most engagements are awarded after a fairly complex evaluation process, which sometimes involves competitive bidding.

Chief Patrons of large engagements are usually in the senior managerial level where as middle level managers handle smaller engagements. There are a number of influencers to the decision making process. The most lucrative outsourcing engagements from such clients tend to be fairly large and vendors need to have substantial resources at their disposal to be able to handle such requirement.

Prithvi's Segment Business Strategy

Prithvi has been working with a number of large corporate clients on small to moderate sized engagements. Prithvi's business alliances with companies like Microsoft, MicroStrategy, Sybase, etc. have enabled it to offer joint solutions to many organizations in this segment. However, Prithvi has not been able to compete for larger outsourcing engagements owing to resource constraints. The bulk of Prithvi's engagements with these companies so far have been executed on-site.

Competitive Strengths

- Business alliances with key technology companies
- Technology Competence and mature service delivery processes
- Focus on information security, risk management and business continuity planning

3. US GOVERNMENT CLIENTS

US Federal and State Governments

Segment Overview

The US Federal and State Governments and Government Agencies form one of the largest customers of technology and process outsourcing services. Most outsourcing engagements are managed through web-based sourcing portals. Engagements are usually clearly defined and a competitive bidding process ensures that cost plays an important role in the award of the engagements.

Prithvi's Segment Business Strategy

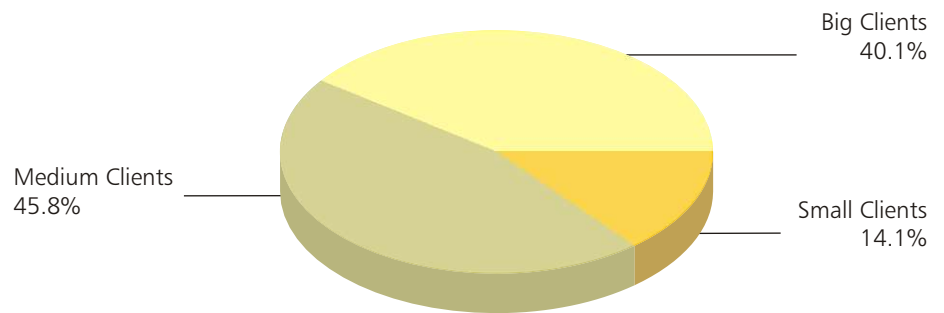
Most engagements in this segment come with a stipulation that they cannot be executed at off-shore locations outside the US. Prithvi has a heavy presence of professionals in the US and this enables it to undertake fairly large government engagements. Prithvi has a good understanding of the procurement process in this segment.

Competitive Strengths

- We have built a good presence in the US government sector following the successful completion of our assignment with the State of Ohio
- E-Governance has not been tapped by many Indian IT companies, also our past experience in executing government contracts would give us an edge over our competitor
- Prithvi qualifies as a woman-run organization in the US and it is mandatory for many US governments and agencies to procure a minimum specified percentage of their total requirements from such vendors

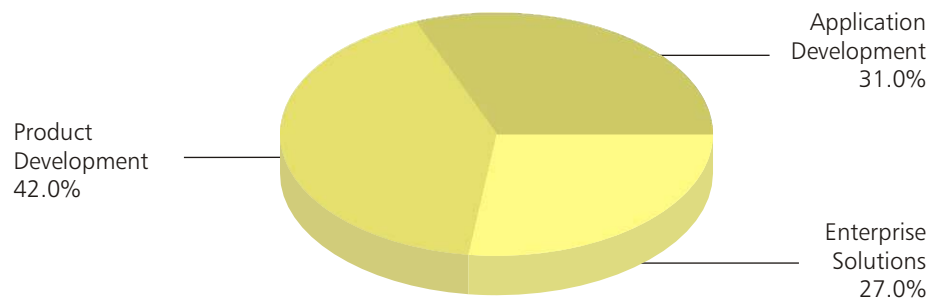
OPERATING METRICS

MARKET SEGMENT

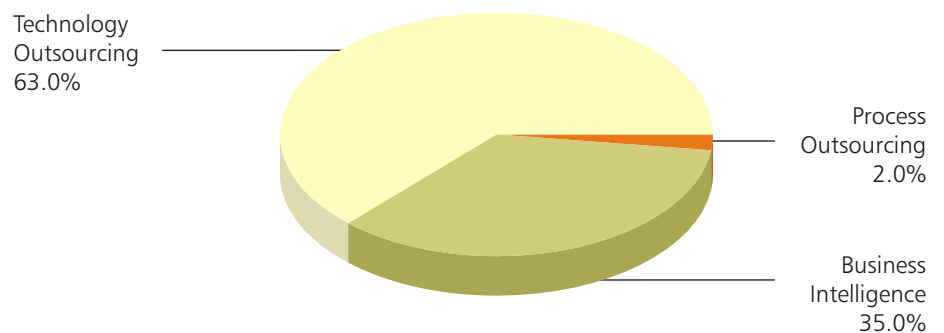


SERVICE OFFERINGS

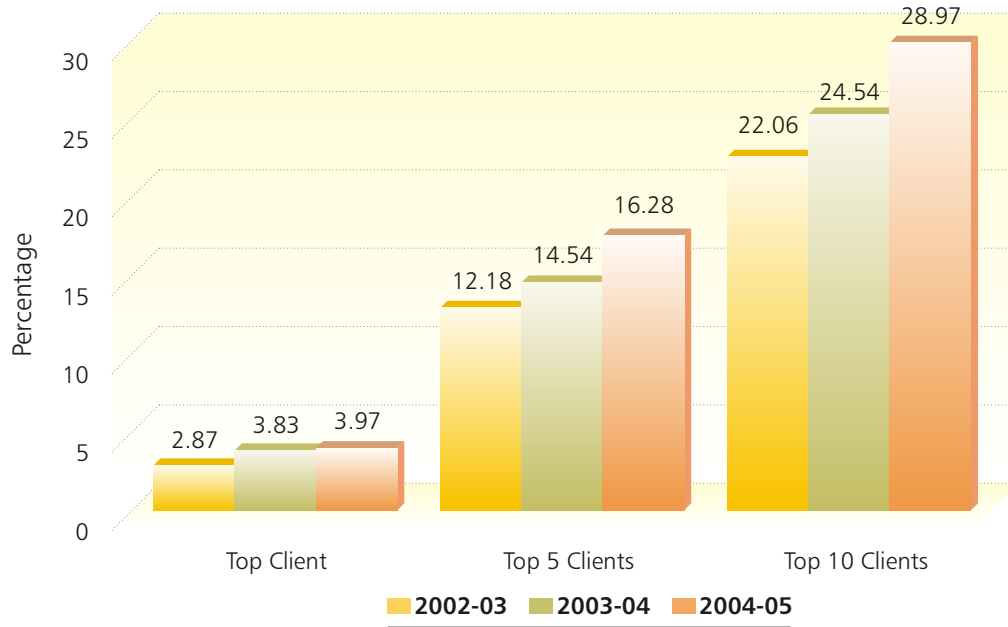
Technology Outsourcing Details



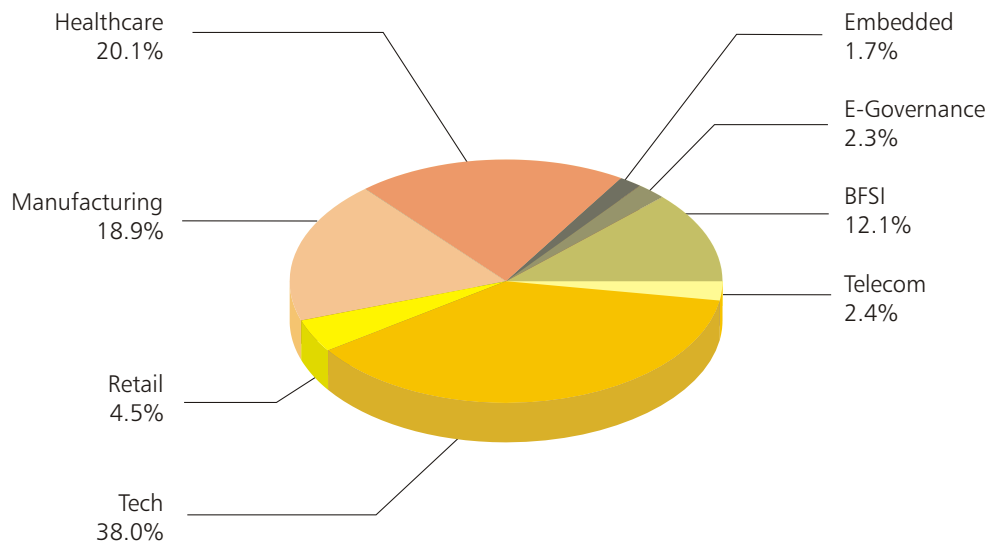
Service Wise Distribution Of Revenues



CLIENT CONCENTRATION



VERTICALS



PORTFOLIO OF SERVICES

We render software solutions across technologies and platforms. We provide manpower for the purpose of developing software solutions for our clients, which is predominantly done onsite and also includes offshore development. Our business philosophy revolves around working across various industries (Technologies and Domain) to de-risk our revenue stream.

Prithvi has expanded its service lines over the years to be able to meet most outsourcing needs of its client. Prithvi has organized its service lines into 3 Strategic Business Units (SBUs), jointly addressing a wide spectrum of typical client needs.



1. TECHNOLOGY DEVELOPMENT OUTSOURCING

a) Application Development

Prithvi studies specific problems faced by its clients and develops completely customized solutions to address them. Prithvi's Business Consultants conduct requirements analysis and solution definition from the business and technology points of view and prepare a development and deployment plan for implementation.

b) Product Development

Prithvi, after understanding key challenges faced specifically by clients engaged in Product Development, has prepared a well-developed methodology for partnering with them. Prithvi has

built groups with specific expertise in meeting design, development, project management and testing requirements of such clients.

c) Enterprise Solutions

Prithvi provides consultancy on evaluation, implementation and maintenance of large packages like Enterprise Resource Planning, Supply Chain Management and Customer Relationship Management. Prithvi has also developed suites of solutions for the healthcare and manufacturing industries.

2. INTELLIGENCE SOLUTIONS SERVICES

a) Business Intelligence

Prithvi provides solutions for Online Analytical Processing (OLAP) and Data Mining to clients who generate large amounts of raw transactional data. These solutions help organizations perform quick analysis and uncover hidden information from data marts.

b) Analytics

Prithvi provides statistical analysis and predictive modelling services that help clients in directing, optimizing, and automating decisions. Clients are able to clearly quantify risk of various decision options and base decisions on actionable results.

c) Data Processing

Prithvi provides high volume Extraction-Transformation-Load (ETL) and digitization services with guaranteed accuracy.

3. PROCESS OUTSOURCING

Prithvi leverages its strong Domain Knowledge and the robust program management capability of its Global Delivery Model to offer you the benefits of high quality offshore process management services. India scores above other potential BPO destinations in terms of costs and non-cost considerations and these advantages are here to stay.

Prithvi has been a leader in adapting elements of best practices in operations management like Six Sigma and Kaizen into its process management framework, ensuring that benefits from performance improvements along key indicators accrue to you in addition to the benefits of moving to a low cost work centre.

Prithvi has also invested efforts in Business Continuity planning and disaster recovery so that your non-core but nevertheless critical processes continue smoothly without any unpleasant surprises. Prithvi can provide you a range of services to meet your requirements whether they are voice based or non-voice based. With good planning and process design, we can handle even the most challenging requirements with ease. We are supported by state-of-the-art technology that offers an extensive range of features.

Cross Industry

- Digitization
- Transcription Services
- Customer Interaction Services
- Technical Support/Helpdesk
- Data Analysis and Knowledge Services
- R&D Services
- HR Services
- Accounting Services

Industry specific

- Healthcare
- Electronics
- Manufacturing
- E-Governance

OUR PROCESSES

Prithvi has processes, which have been built over a period of time to help us deliver on-time-in-budget solutions to our customers. We have put in place various initiatives to mitigate and reduce risks.

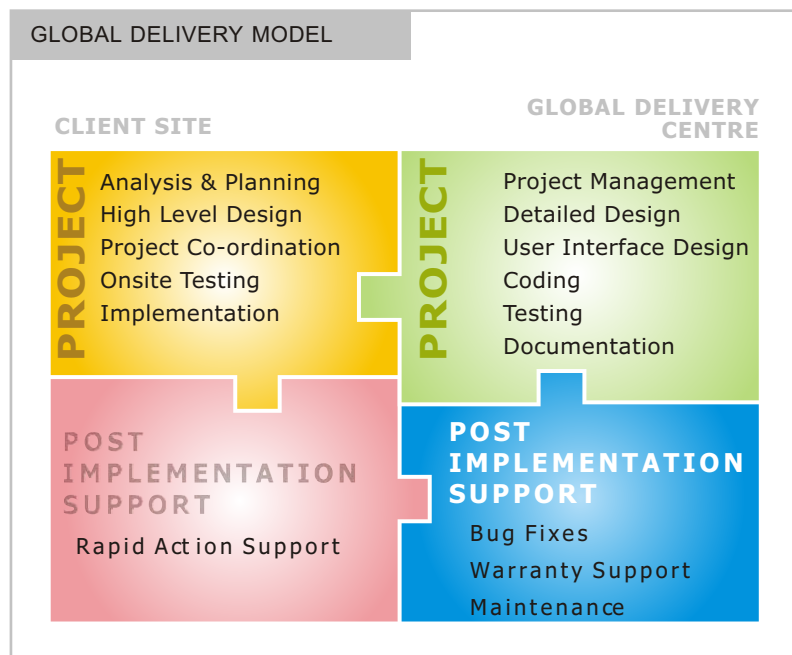
Global Delivery Model

The Global Delivery Model is a well-developed methodology that lets clients benefit from geographical differences in skill-sets and cost of inputs. The methodology is based on the principle of dividing a project into components that can be logically separated and executed at various geographic locations, where the execution creates maximum value. The critical challenge in deploying the Global Delivery Model is managing distributed execution across geographies and time-zones, which Prithvi has perfected over the years.

The Global Delivery Model is able to provide lower costs, higher quality and productivity to clients, apart from setting free resources that can be put to use in research, solution definition and new initiatives that add to competitive advantages.

Prithvi fuses the Global Delivery Model with its innovation in designing work contracts that address client concerns to provide an unbeatable value proposition to clients.

An example of how the Global Delivery Model works in an application development engagement is shown below.



Quality

Prithvi follows a quality management system composed of documented artifacts such as Quality Policy, Quality Objectives, Quality Manuals and Procedures. These artifacts facilitate effective planning, operations and control of quality processes and records, which, in turn manifests into quality of work products. This Quality Management System complements not one but three Global Standards-CMM, Six Sigma and ISO. These quantifiable quality benchmarks enable to isolate pain-points, assist in identifying ways and means of improving processes-an adoption of best practices.

Business Continuity

Business disruptions - whether the result of natural disasters, technology failures or criminal acts - can threaten the very survival of a company. Such disruptions cannot always be predicted or prevented, but sound planning can dramatically reduce the damage they cause.

Business continuity plans, which describe the process of disaster recovery, are used in concert with Prithvi's financial planning and corporate governance systems.

Prithvi's business continuity planning is implemented at two levels depending on the severity of the disruption.

Level1: Localized disruption, partially affecting a functioning of a facility or the organization. Examples: Workplace accident, security breach, minor power or telecom outage, strikes etc.

Level2: Disruption partially affecting a complete facility or impacting the entire organization. Example: Severe weather conditions, significant property damage due to earthquake or fire, major power or telecom outage.

As soon as a disruptive event is reported, the designated members of the Crisis Management team execute the business continuity plan for the corresponding level. Business continuity plans provide clear, concise directions for action at every level along with prioritization of vulnerabilities.

Infrastructure

Contracts with backup service providers for telecom, internet, software and hardware are in place. Prithvi retains adequate buffer office space and bench manpower strength at various delivery locations in India and the US to be able to transfer activities from affected facilities. Prithvi will enter into contracts with commercial Hot Site providers to meet future requirements.

A Hot Site is a fully equipped, operationally ready data centre offering specific hardware platforms ready for almost immediate use when the service provider is notified of a disaster.

Data

Routine daily back-ups of data are taken and stored at in-site and off-site locations. Prithvi also uses techniques like Electronic Vaulting, Shadowing and Remote Mirroring to eliminate the possibility of loss of critical data.

Security

Prithvi recognizes the need to have a competent information security mechanism in place. Prithvi periodically reviews and addresses information security issues as a part of its risk management exercise. Some of the techniques used in meeting Prithvi's information security needs are:

- Physical security of work locations and access control
- Electronic restrictions on access to data except on a need-to-know basis
- Formulation of appropriate business policies with respect to sensitive customer data and inculcation of these policies into employees
- Electronic isolation of key data and password policies
- Electronic surveillance of traffic
- Non-Disclosure Agreements with employees and contractors
- Periodic vulnerability testing of network by dedicated teams

Prithvi is considering assessment and certification of its information security policies and processes under BS7799 guidelines.

Knowledge Management

Prithvi operates in the knowledge industry and recognizes that a competent knowledge

management initiative is essential for continued growth.

The knowledge management initiative at Prithvi has the goal of combining the data and information processing capacity of information technology and the creative and innovative capacity of its people.

The knowledge management system at Prithvi has at its core a document repository built on an in-house developed product called Doc-Net, which is deployed on the Prithvi intranet. This is supported by Organizational Culture and Rewarding Policies that encourage people to contribute and make use of the system. For instance, it is a mandatory step before project closure to have a meeting of all project contributors to identify knowledge assets, contributors who will create these assets and reviewers who will certify that the asset is ready for upload into the system. Knowledge assets are usually overviews of new technologies, specific technical problems, reusable code, domain knowledge, unanticipated problems and strategies for managing them, etc. It is also mandatory at the start of the project to make a list of required information and their sources, the logical starting point for which is the knowledge management system. Key learnings that are broad enough to be applicable in future projects are institutionalized by including them in relevant checklists and review procedures. Knowledge sharing sessions are held at regular intervals for dissemination of learning.

Risk Management

The risk management process at Prithvi is an adaptation of the risk management process recommended in SEI's Capability Maturity Model.

Client engagements come with generic as well as engagement-specific risks. Generic risks, which are usually organization-wide, are assessed and addressed in periodic reviews and mitigation strategies are prepared. Regular project management

processes are modified to implement these mitigation strategies.

Engagement-specific risks are identified at the start of the engagement in a risk control exercise organized by the Quality Advisor for the engagement. The exercise involves key people in delivery and the client representatives. The Quality Advisor prepares a detailed mitigation plan and obtains a sign-off from the client.

PEOPLE PRACTICE

Human resources are central to Prithvi's growth plans and the company devotes commensurate resources and attention to ensure that the right talent is hired and motivated to work for mutual benefit. Prithvi follows a two-pronged strategy to meet its human resource requirements. Key employees both in India and overseas are hired by the company directly on to its own payroll. We outsource technical programmers from technical professional agencies in the USA. We do not employ technical programmers in the USA on our own payroll to avoid costs and hassles while processing visas, to reduce working capital requirements and hire people with the most appropriate talent. Due to the explosive growth in revenues, almost all the out-sourced software professionals have continued with us since our inception. All the project leaders, project managers, domain experts and business development staff are on our payroll. This has resulted in the retention of critical marketing, technical and domain talent. The attrition rate has been near zero.

Other non-key employees in the US are resourced using a combination of personnel employed directly by the company and those employed on contract from external consulting firms.

This strategy enables Prithvi to avoid a number of problems faced by similar Indian companies like visa processing, time and working capital requirements for travel, stay, etc. It also enables Prithvi to hire appropriate talent instead of spending time and resources in re-training personnel depending on client requirements. This strategy is used by almost all US based firms and is being increasingly adopted by Indian firms operating in the US owing to its effectiveness.

Hiring

Employees hired by Prithvi undergo a strict multi-stage process, which tests them for all adequate skills. The first stage is an aptitude test with a focus on problem solving and analytical ability. The second stage is technical test where the focus is not only on concepts, but also on problem solving

and judgment. The third stage is filling in a detailed questionnaire followed by an interview where personality traits required of a good professional are assessed.

Motivation

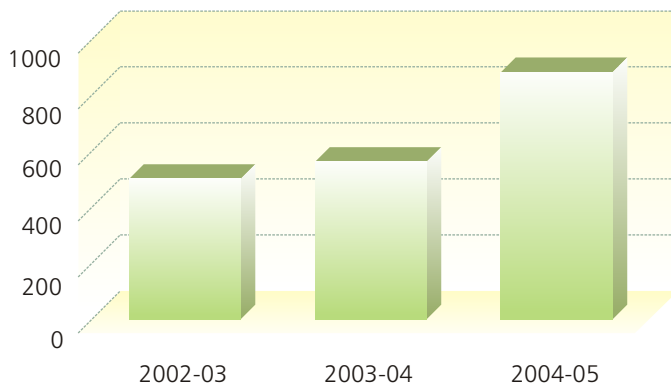
Prithvi believes that the employees are a major stakeholder in its growth and are a part of the entire future planning and policy making of the company. All company policies are stakeholder centric as mentioned in the company mission statement and due importance is given to all aspects of employee satisfaction.

The work environment at Prithvi has been designed to be extremely friendly and is characterized by a strong personal rapport between the management and the employees. Career planning and mentoring of employees is an activity that is pursued seriously, and open discussion sessions help in managing expectations adequately. Employee satisfaction surveys conducted by third parties help the management to be in touch with the concerns of employees.

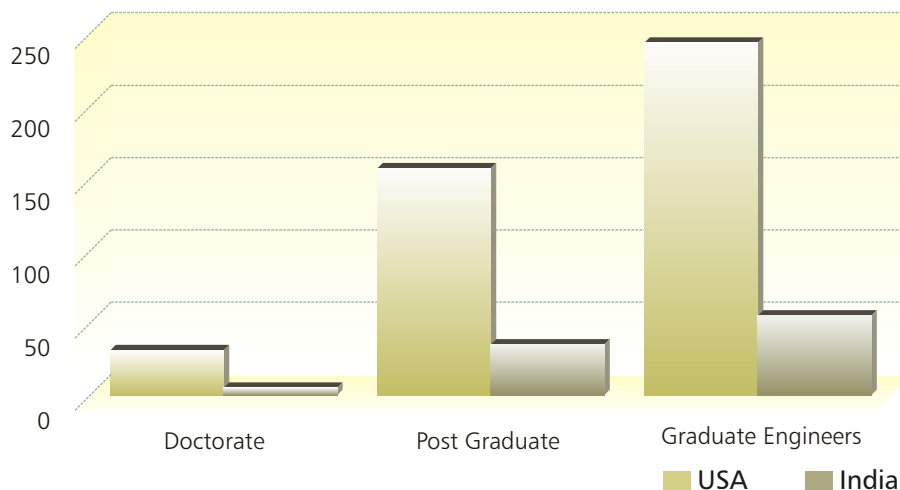
The performance appraisal process plays a key role in identifying and encouraging employees with required skill sets. It rewards exemplary behaviour, opportunities to deserving employees so as to exploit their skills and qualities to the fullest. Key employees are encouraged and even required to take on bottom-line responsibility for their areas of accountability and to pursue innovative solutions for which they have full support from the management. Such an entrepreneurial culture has ensured that the job content is deeply enriching for employees and the company benefits from the high motivation levels of its employees.

With the upgradation of its offshore units it plans to increase the offshore component in the future. With the onsite-offshore model, Prithvi would be able to have a considerable amount of cost savings while deploying its solutions.

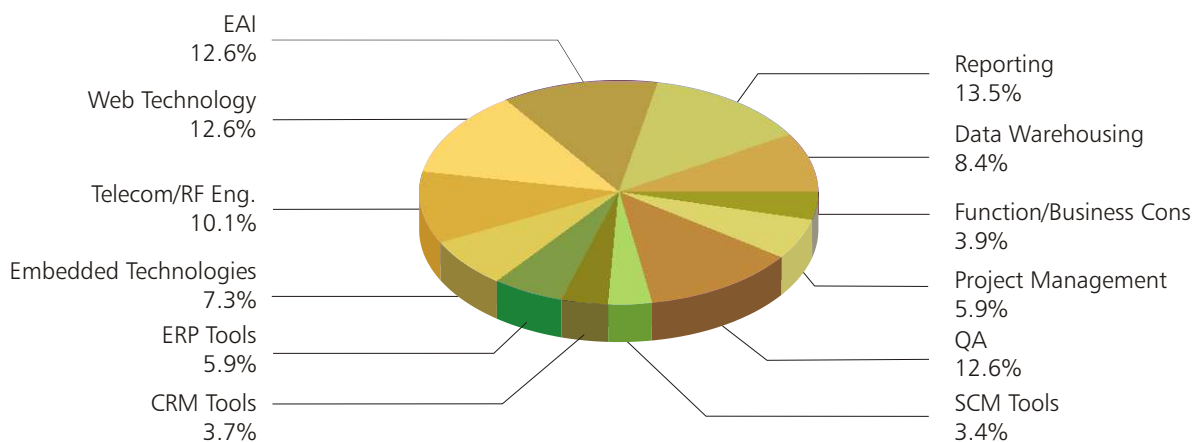
EMPLOYEE STRENGTH



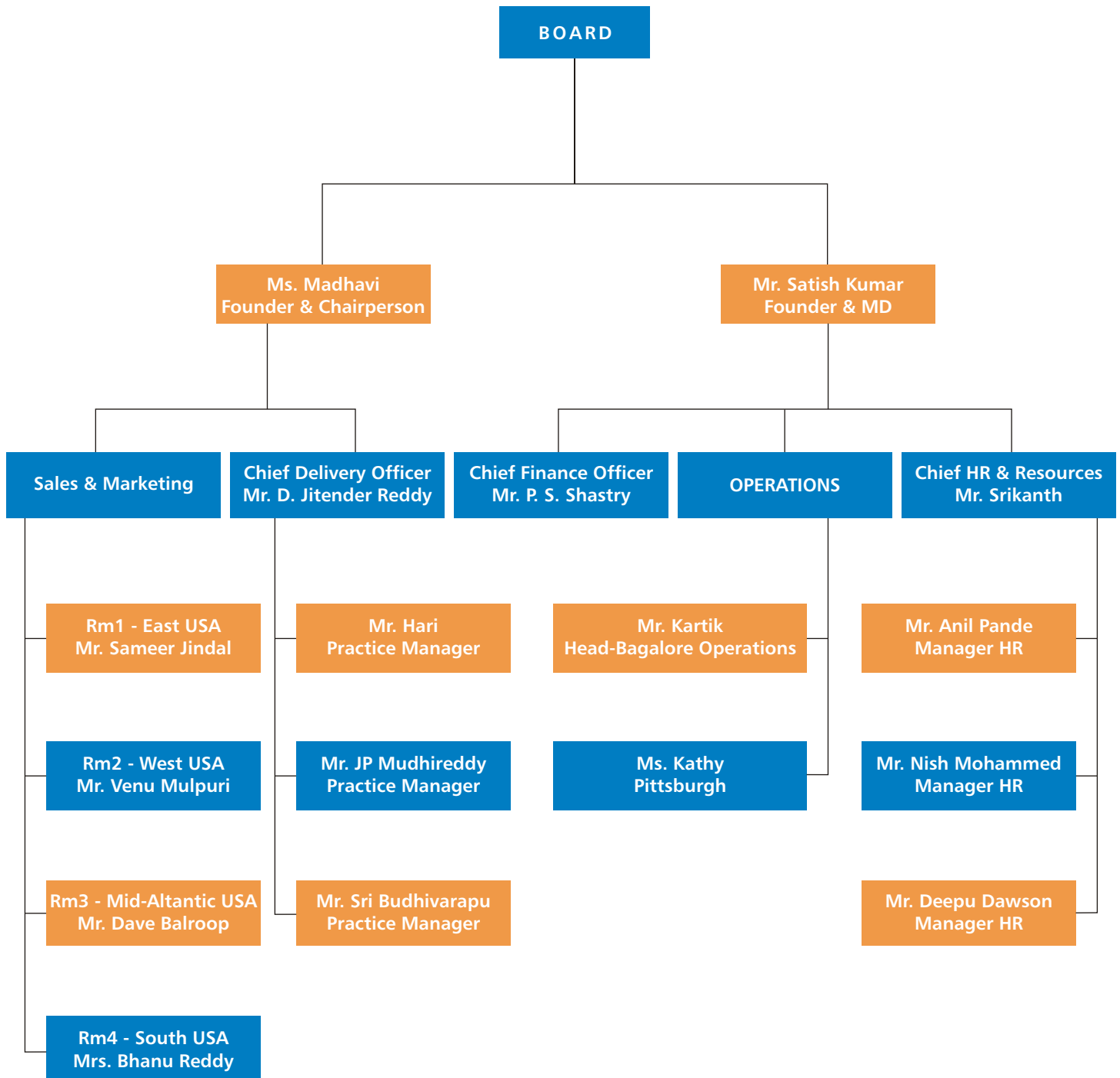
EMPLOYEE PROFILE (%) TERMS



SKILL METRIX



ORGANIZATION CHART



Key Managerial Personnel

Ms. V. Madhavi, Chairperson and Wholetime Director

Ms. V. Madhavi, aged 33 years, is an M.S. in Computational Mechanics (September 1994) from Carnegie Mellon University, Pittsburgh, USA and a B.E in Engineering (May 1993) from Osmania University, Hyderabad, India.

Ms. V Madhavi has worked in organizations in the USA like Alcoa Technical Centre, Management Science Associates, KCS Computer Services Inc., Gateway Resources Inc. (Client: Westinghouse Communications), Kossman Development Company. Before starting Prithvi, V. Madhavi was Director Operations at Gateway Resources Inc.

Mr. V. Satish Kumar, Managing Director

Mr. V. Satish Kumar, aged 30 years, is a B.E in Engineering (May '98) from Osmania University, Hyderabad, India. He has worked on a project for Pipeline design for power plants with BHEL and for software solutions for automatic signaling on railway tracks conducted at IRISSET (Technical Institute of South Central Railways).

Mr. G. Srikanth Reddy, Wholetime Director

Mr. Srikanth, aged 28 years, is a BE (May 1998) from Osmania University, Hyderabad, India. Mr. Srikanth worked with South Central Railways in India before joining Prithvi. Mr. Srikanth has been elevated to the position of a Director of Prithvi and is presently handling the US operations and co-ordinates between the Indian technical team and onsite team.

Mr. P. S. Shastry, Chief Finance Officer & Company Secretary

Mr. P.S. Shastry, aged 48 years, a qualified LLB, FCS and ACA, is the present Chief Finance Officer and Company Secretary. Handling responsibilities of company accounts and finances as well as legal and secretarial matters.

With Prithvi since March 2005, Mr. Shastry comes backed with a 20 year experience, most of it spent in senior management positions in companies like the Nagarjuna Group and Karvy Consultants Ltd.

Mr. Jitendra Reddy, Chief Delivery Officer Projects & Delivery.

Mr. Jitendra Reddy, aged 36, joined in March 2000. His qualification is MS, IS, University of Michigan & MBS, University of Michigan. He has a total experience of 16 years. He was previously working with M/s. Computer People. Presently, he heads Practice Management leaders. He is also responsible for all technical proposals submissions.

PARTNERSHIPS

We have focused on building a network of alliances for business development and accessing clients. Some of the main alliances that we have entered into partnerships with are Micro Strategy, Teradata, Sybase, Microsoft, Pervasive and Silvermark which in turn gives us rights to implement their solutions and products to their customers.



MICRO STRATGEY

Since 1989, MicroStrategy has helped corporations transform their operational data into action information. Their Business Intelligence platform, MicroStrategy 8™ gives business solutions to all the queries, reporting and advanced analytical needs and distributes insight to users via web, wireless and voice. With more than 2,800 satisfied customers and over 500 technology and integration partners MicroStrategy 8™ has been proven the best, most complete solution for business intelligence.



TERADATA

Teradata is a division of NCR Corporation. They put the unbridled power of the world's leading enterprise data warehouse solution into their customers' hands. Their solutions deliver a great ROI through a simple and efficient infrastructure, built for speed and infinite growth. And that frees their customers to discover new opportunities for business growth, increased efficiency and improved customer relationships.



SYBASE

Since 1984, Sybase has earned the trust of many of the world's leading companies for their ability to manage and mobilize information and deliver unsurpassed levels of reliability and security. This "Information Edge" gives organizations in many different industries the power to create new opportunities, generate considerable cost savings and increase efficiencies on a global scale.



Microsoft®

MICROSOFT

Microsoft is committed long term to the mission of helping their customers realize their full potential. Microsoft believes that their seven core business units namely Windows Client, Information Worker, Microsoft Business Solutions, Server & Tools, Mobile & Embedded Devices, MSN-Home & Entertainment offer the greatest potential to serve their customers in the coming decade.



PERVASIVE®

PERVASIVE

Pervasive Software (Nasdaq-PVSW) is a global value leader in data infrastructure software. The company's award-winning products enable customers to manage, integrate, analyze and secure their critical data by providing the industry's best combination of performance, reliability and cost. Pervasive's strength is evident in the size and diversity of its customer base, serving tens of thousands of its customers in virtually every industry market around the world.



SILVERMARK

SilverMark Inc. was founded in 1996 by former members of IBM's VisualAge Smalltalk development lab. Its mission is to give organizations a competitive advantage by providing automated testing products and services that improve the effectiveness and efficiency of their product development process. It strives to develop products that reduce development and maintenance costs, accelerate time-to-market and promote development and test team collaboration. The services organization is dedicated to helping customers improve the way they develop and test their software.

DIRECTORS' REPORT

To the Members,

Your Directors are pleased to present their report on the business and operations of the Company for the year ended March 31, 2005.

Financial Results

Particulars	2004-2005 (Rs. in Lakhs)	2003-2004 (Rs. in Lakhs)
Income from		
Exports	30500.83	24624.87
Domestic	11.94	51.65
Other income	33.75	(558.21)
Total income	30546.52	24118.31
Total expenditure	27641.38	22267.75
Operating profit (PBDT)	2905.14	1850.56
Depreciation	35.74	29.27
Profit before Tax	2869.40	1821.29
Provision for Tax	0.42	1.39
Profit after Tax	2868.98	1819.90
Opening Balance of Reserve & Surplus	6550.23	4730.33
Total Reserve & Surplus	9419.21	6550.23

Result of Operations

During the year, total revenues grew to Rs.30546.52 Lacs from Rs.24118.31 Lacs earned last year, which is a growth of 27%. Operating profit grew to Rs.2905.14 Lacs from Rs.1850.56 Lacs and Profit after tax stood at Rs.2868.98 Lacs after making a provision of Rs.0.42 Lacs for Income Tax.

Dividend

Since the Company is undertaking an expansion programme for its Offshore Development Centre, Directors wish to plough back the profits. Keeping in view of the above, the Board has not recommended any dividend for the previous year.

Economic Scenario

The challenging economic environment is leading to the emergence of a new relationship model between customers and service providers - a relationship that is more strategic in nature and a

relationship that focuses on business value to the vendors and not just on technical capabilities.

Quality of Services

Prithvi is a cost effective service provider, and this cost leadership in conjunction with the reputation for quality, has enabled 'Prithvi' to improve its reach in the Global Markets as a leading IT solution provider to our 80 plus clients in USA.

The Company has obtained ISO 9001-2000 certification in the year 2002. During the year under review the quality audit was conducted and passed the order without any non-conformities.

Infrastructure

The Existing Infrastructure is not sufficient to meet the market demands. Due to lack of Infrastructure at the Offshore Development Centre in India, the company is being forced to convert offshore projects into offsite, which has resulted in substantial reduction in the overall Profit Margin. At this stage, the Company requires a substantial expansion in offshore development infrastructure to increase the offshore portion of the exports, which results in increase in the profit margins.

Human Resource Management

The human resource is the most critical asset of the Company, as the Company's activities are totally knowledge-intensive. The Company's HRM process enables it to attract and retain high-caliber employees. 'Prithvi' has a very low employee turnover and high retention rate.

Expansion

The Company is taking up major expansion plans to sustain its growth. The company proposes to raise the required funds either through an Initial Public Offer (IPO) at a suitable time or through a debt route or a combination of both during the year to meet the infrastructure requirements for the Indian Offshore Development Centre and to open the foreign branch offices to reach the customers on a global scale.

The Company plans to induct 1500 people this year and invest around US\$ 20 million in the planned IT Campus in Hyderabad.

Fixed Deposits

The Company has not accepted any deposits during the year and as such no amount of principle or interest was outstanding on the date of the Balance Sheet.

Directors

Mr. G. Srikanth Reddy had been appointed as the Whole Time Director of the Company for a period of 5 years with effect from June 1, 2005 and Ms. V. Madhavi, had been appointed as the Chairperson of the Company and also re-appointed as wholetime Director of the Company for a period of 5 years commencing from September 1, 2005.

Directors' Responsibility Statement

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

- In the preparation of the annual accounts, the applicable accounting standards have been followed
- They have selected such accounting policies and applied them consistently and made judgments & estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on March 31, 2005 and of the profit of the Company for that period
- Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing, detecting fraud and other irregularities
- The annual accounts are prepared on a going concern basis

Auditors

M/s. Patwari & Co, Chartered Accountants, retires as auditors of the Company in this Annual General Meeting and is eligible for re-appointment.

Audit Committee

The Audit Committee at its' meeting held on May 27, 2005 has considered and approved the audited accounts for the financial year ended March 31, 2005. The audited accounts for the financial year ended March 31, 2005, as approved and recommended by the Audit Committee, do not require any explanations from the Board.

The Audit committee has met 4 times during the year. All the members of the committee attended all these meetings.

Conservation of energy

Software Industry is not power intensive. However, adequate measures have been taken to conserve energy, wherever possible.

Technology absorption, adaptation and innovation

Specific areas in which R & D was carried out by the Company	Regular up-gradation of technology is achieved through the constant training of all the software professionals
Benefits derived as a result of the above R & D	These projects will build competencies in new and emerging technologies
Future plan of action	To apply the knowledge gained from the R & D work, in the relevant areas of operation
Expenditure on R & D	The Company has not made any delineated expenditure towards R&D

Foreign Exchange

Particulars	2004-2005 (Rs. in lakhs)	2003-2004 (Rs. in lakhs)
Earnings	30117.97	24467.36
Outgo		
Foreign travel	0.00	0.00
Any other purpose	27388.12	22065.01

Acknowledgement

The Directors would like to express their grateful appreciation for the excellent support and co-operation received from the banks, government authorities, Reserve Bank of India, credit rating agencies, customers, vendors and shareholders during the year under review. The Directors also place on record their appreciation of the valuable contribution of the employees at all levels for the progress of your Company during the year and look forward to their continued co-operation in realisation of the corporate goals in the years ahead.

Particulars of employees as required under Section 217(2A) of the Companies Act, 1956

Name	Designation	Gross	Age Remuneration	Qualification /Exp.	Date of Commencement of Employment	Last Employment
V Madhavi	Whole Time Director	Rs.5353200	33 years	11	01.09.2000	Gateway Resource Inc., Pittsburgh

Place : Hyderabad
Date : May 28, 2005

On behalf of the Board
V. Satish Kumar
Managing Director

AUDITORS' REPORT

Date : May 28, 2005

To
The Members
Prithvi Information Solutions Limited

1. We have audited the attached Balance Sheet of M/s. Prithvi Information Solutions Limited as at March 31, 2005, the Profit and Loss Account for the year ended on that date annexed thereto and the Cash Flow Statement for the year ended on that date, which we have signed under reference to this report. 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 have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit and obtain reasonable assurance about whether the financial statements are free of material mis-statement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956 of India (the Act) and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, listed out in the Annexure, is a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (A) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (B) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (C) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (D) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report have been prepared in compliance with the applicable accounting standards referred to in sub-section (3C) of Section 211 of the Act;

- (E) On the basis of written representations received from the directors, as on March 31, 2005 and taken on record by the Board of Directors of the Company, none of the directors is disqualified as on March 31, 2005 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
- (F) In our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon and attached thereto give, in the prescribed manner, the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - (i) In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2005;
 - (ii) In the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (iii) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Place : Hyderabad
Date : May 28, 2005

For Patwari & Co.
Chartered Accountants
Vijay Patwari
Proprietor

Annexure referred to in Paragraph 3 of the Report of the Auditors to the Members of Prithvi Information Solutions Limited for the year ended March 31, 2005:

1. (A) The Company has maintained proper records to show full particulars including quantitative details and situation of its fixed assets.

(B) The fixed assets of the Company are physically verified by the management according to a phased programme designed to cover all the items over a period of three years. Pursuant to the programme, physical verification of certain assets was carried out during the year and no material discrepancies between physical inventories and book records were noticed.

(C) In our opinion, and according to the information and explanations given to us, a substantial part of fixed assets have not been disposed off by the Company during the year.
2. The Company has neither granted nor taken any loans, secured or unsecured, from companies, firms or other parties listed in the Register maintained under Section 301 of the Act. As the Company has not granted/taken any loans, secured or unsecured, to/from companies, firms etc., listed in the Register maintained under Section 301 of the Act, paragraphs 3(b), (3c) and 3(d) of the Order are not applicable.
3. In our opinion and according to the information and explanations given to us, having regard to the explanations that certain items purchased are of a special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets. The activities of the Company do not involve purchase of inventory and the sale of goods. Further, on the basis of our examination and information and according to the explanations given to us, we have either come across nor have we been informed of any instance of major weaknesses in the aforesaid internal control procedures.
4. In our opinion and according to the information and explanations given to us, there are no transactions that need to be entered into the Register maintained under Section 301 of the Act.
5. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
6. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
7. According to the information and explanations given to us and according to the books and records as produced and examined by us, in our opinion, the undisputed statutory dues in respect of Investor Education and Protection Fund, Employees' State Insurance, Sales Tax, Wealth Tax, Customs Duty, and other material statutory dues as applicable, have been regularly deposited by the Company during the year with the appropriate authorities. As explained to us, the Company did

not have any dues on account of excise duty and cess.

8. The Company has neither accumulated losses as at March 31, 2005, nor it has incurred any cash losses during the financial year ended on that date and the immediately preceding financial year.
9. Based on our audit procedures and on the information and explanations given by the management, in our opinion, the Company has not defaulted in repayment of dues to any financial institution or bank as at the balance sheet date.
10. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
11. In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities.
12. The Company has not obtained any term loans during the year.
13. Based on the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
14. Based on the information and explanations given to us and on an overall examination of the balance sheet of the Company, in our opinion, there are no funds raised on a short term basis which have been used for long term investment, and vice versa.
15. 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 during the year.
16. The Company has not raised any money by public issue during the year.
17. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management. Clauses 4 (ii), (viii), (xiii), and (xix) are not applicable in the case of the Company since in our opinion there is no matter which arises to be reported in the aforesaid order.

Place : Hyderabad
Date : May 28, 2005

For Patwari & Co.
Chartered Accountants
Vijay Patwari
Proprietor

BALANCE SHEET

BALANCE SHEET AS AT		31st March 2005 (Rs.)	31st March 2004 (Rs.)
	Sch.No		
I. SOURCES OF FUNDS			
1. SHARE HOLDERS FUNDS			
(a). Share Capital	(A)	104,770,000	60,770,000
(b). Reserves & surplus	(B)	942,376,039	655,478,011
2. LOAN FUNDS			
(a). Secured Loans	(C)	—	74,800
(b). Unsecured Loans		—	9,290,007
		1,047,146,039	725,612,818
II. APPLICATIONS OF FUNDS			
1. FIXED ASSETS			
(a). Gross Block	(D)	24,812,090	23,453,356
(b). Less: Depreciation		13,027,843	9,453,628
(c). Net Block		11,784,247	13,999,728
2. INVESTMENTS			
3. CURRENT ASSETS, LOANS & ADVANCES			
(a). Sundry Debtors	(E)	971,520,840	692,069,661
(b). Cash & Bank Balances	(F)	5,453,883	1,889,855
(c). Other Current Assets, Loans and Advances	(G)	5,322,581	4,280,045
(d). Unbilled Revenue		84,931,630	46,645,701
Total Current Assets		1,067,228,934	744,885,261
Less:-			
4. CURRENT LIABILITIES & PROVISIONS	(H)	31,867,142	34,179,216
NET CURRENT ASSETS		1,035,361,792	710,706,045
5. MISCELLANEOUS EXPENDITURE	(I)	—	907,044
(To the extent not written off)			
		1,047,146,039	725,612,818

As per our report of even date annexed
for Patwari&Co
Chartered Accountants

Vijay Patwari
Proprietor

Notes and schedules form part of the accounts
On behalf of the Board

V. Satish Kumar
Managing Director

V. Shilpa
Alternate Director
to V.Madhavi

P. S. Shastry
C.F.O &
Company Secretary

Place : Hyderabad
Date : May 28, 2005

PROFIT & LOSS ACCOUNT

PROFIT&LOSS A/C FOR THE YEAR ENDED	Sch.No	31st March 2005 (Rs.)	31st March 2004 (Rs.)
A. INCOME			
Sales			
Export		3,050,083,179	2,462,486,801
Domestic		1,194,220	5,165,082
Other Income	(J)	3,374,853	(55,821,150)
TOTAL INCOME		3,054,652,252	2,411,830,732
B. EXPENDITURE			
Administration, General & Other Expenses	(K)	2,760,466,931	2,224,093,060
Financial Expenses		2,764,452	1,775,262
Depreciation	(D)	3,574,215	2,926,831
Miscellaneous Expenses Written Off		907,044	907,044
TOTAL EXPENDITURE		2,767,712,642	2,229,702,197
Profit / (Loss) for the year before Tax (A-B)		286,939,610	182,128,535
Provision for Tax		41,582	139,000
Balance c/d to Balance Sheet		286,898,028	181,989,535

As per our report of even date annexed
for Patwari&Co
Chartered Accountants
Vijay Patwari
Proprietor

Notes and schedules form part of the accounts
On behalf of the Board

V. Satish Kumar
Managing Director

V. Shilpa
Alternate Director
to V.Madhavi

P. S. Shastry
C.F.O &
Company Secretary

Place : Hyderabad
Date : May 28, 2005

SCHEDULES FORMING PART OF THE BALANCE SHEET

PARTICULARS	As at 31st March 2005 (Rs.)	As at 31st March 2004 (Rs.)
<u>SCHEDULE (A) - SHARE CAPITAL</u>		
Authorised Capital		
1,80,00,000 equity shares of Rs.10/- each	180,000,000	110,000,000
Issued, Subscribed & Paid-up Capital		
60,77,000 equity shares of Rs.10/- each	60,770,000	60,770,000
Share Application Money pending allotment	44,000,000	—
	104,770,000	60,770,000
<u>SCHEDULE (B) - RESERVES & SURPLUS</u>		
Share Premium	455,000	455,000
Profit & Loss A/c		
Opening Balance	655,023,011	473,033,476
Add: Profit for the year	286,898,028	181,989,535
Closing Balance	941,921,039	655,023,011
	942,376,039	655,478,011
<u>SCHEDULE (C) - SECURED LOANS</u>		
(1). LOANS ON HIRE PURCHASE BASIS		
Loans	—	74,800
	—	74,800
(2). UNSECURED LOANS		
Loan from directors and relatives	—	6,655,257
Loan from others	—	2,634,750
	—	9,290,007
<u>SCHEDULE (E) - SUNDRY DEBTORS (Unsecured)</u>		
(Considered Good)		
(Below 6 Months)		
Sundry Debtors - Domestic	115,654	1,544,853
Sundry Debtors - Overseas	971,405,186	690,524,808
(Above 6 Months)		
Sundry Debtors - Domestic	—	—
Sundry Debtors - Overseas	—	—
	971,520,840	692,069,661

SCHEDULE (D) FIXED ASSETS

(Amount in Rs)

SL.NO	PARTICULARS	GROSS BLOCK			DEPRECIATION			NET BLOCK	
		As at 31st Mar '04	Additions during the year	As at 31st Mar '05	Up to 31st Mar '04	For the Year	Up to 31st Mar '05	As at 31st Mar'04	As at 31st Mar '05
01	Furniture & Fixtures	2,433,261	1,112,270	3,545,531	495,002	155,131	650,133	1,938,259	2,895,398
02	Computers & Other Assets	20,855,095	246,464	21,101,559	8,916,051	3,392,337	12,308,388	11,939,044	8,793,171
03	Vehicles	165,000		165,000	42,575	26,747	69,322	122,425	95,678
	TOTAL	23,453,356	1,358,734	24,812,090	9,453,628	3,574,215	13,027,843	13,999,728	11,784,247

PARTICULARS	As at 31st March 2005 (Rs.)	As at 31st March 2004 (Rs.)
<u>SCHEDULE (F) - CASH & BANK BALANCES</u>		
1. Cash Balance		
Cash in Hand	505,008	2,623
2. Bank Balances		
Balance with Overseas Banks	3,296,974	1,887,232
Balance with Domestic Banks	1,651,901	-
	5,453,883	1,889,855
<u>SCHEDULE (G) - OTHER CURRENT ASSETS,</u>		
LOANS AND ADVANCES		
(Considered Good unless otherwise stated)		
Deposits	2,542,081	415,328
Advances to Employees	98,494	249,548
Advances for Expenses	5,337	594,608
Advances - Others	2,600,000	2,924,406
Tax Deducted at Source	76,669	96,155
	5,322,581	4,280,045

PARTICULARS	As at 31st March 2005 (Rs.)	As at 31st March 2004 (Rs.)
<u>SCHEDULE (H) - CURRENT LIABILITIES & PROVISIONS</u>		
Creditors for Capital Goods	60,292	—
Current Liabilities for Expenses - Overseas & Domestic	30,724,269	24,998,639
TDS Payable	999,735	491,889
Provision for Income Tax	82,846	8,688,688
	31,867,142	34,179,216
<u>SCHEDULE (I) - MISC.EXPENDITURE</u>		
Preliminary & Preoperative Expenses	907,044	1,814,088
Less: Written off during the year	907,044	907,044
Balance c/f to the Balance Sheet	—	907,044
<u>SCHEDULE (J) - OTHER INCOME</u>		
Interest on Deposits	3,133	—
Fluctuations in Foreign Exchange rates	3,371,720	(55,821,150)
	3,374,853	(55,821,150)

PARTICULARS	As at 31st March 2005 (Rs.)	As at 31st March 2004 (Rs.)
<u>SCHEDULE (K) - ADMINISTRATIVE, GENERAL AND OTHER EXPENSES</u>		
Software Professional Salaries	2,277,530,517	1,878,130,156
Administration & Marketing Staff Salaries	160,860,495	163,908,615
Staff Welfare	3,790,839	3,185,213
Directors Remuneration	9,276,300	8,480,850
Communication Expenses	15,625,838	11,281,717
Marketing Expenses	266,803,385	128,056,478
Miscellaneous Expenses	2,274,117	1,663,606
Operating Expenses	12,175,702	9,756,472
Rates and Taxes	634,158	14,474,233
Travelling Expenses	10,872,630	5,020,520
Proir period expenses	300,000	—
Auditors Remuneration		
-Audit Fees	247,950	82,650
-Other services	75,000	52,550
	<u>2,760,466,931</u>	<u>2,224,093,060</u>

CASH FLOW STATEMENT

To
The Members
Prithvi Information Solutions Limited

We have examined the attached cash flow statement of the Company for the year ended on 31st March 2005. The statement prepared by the Company is in accordance with the requirements of AS3 issued by the Institute of Chartered Accountants of India.

Cash Flow Statement For The Year 01.04.2004 To 31.03.2005

PARTICULARS	2004-05 (Rs.)	2003-04 (Rs.)
Cash Flow from Operating Activities		
Profit after tax	286,898,028	181,989,535
Operating Activities		
Depreciation	3,574,215	2,926,831
Miscellaneous Expenses Written off	907,044	907,044
Financial Expenses	2,764,452	1,775,262
Changes in Current Assets and Liabilities		
Unbilled revenue	(38,285,929)	(15,751,201)
Sundry Debtors	(279,451,179)	(142,860,666)
Loans and Advances	(1,042,536)	(3,206,351)
Current Liabilities and Provisions	(10,502,081)	(20,482,160)
Net Cash Generated by Operating Activities	(35,137,987)	5,298,294
Cash Flow from Financing Activities		
Share Application Money (Pending Allotment)	44,000,000	—
Repayment of Secured Loan	(74,800)	(55,212)
Repayment/Receipt of Other Loans	(1,100,000)	—
Financial Expenses during the year	(2,764,452)	(1,775,262)
Net Cash used in Financing Activities	40,060,748	(1,830,474)
Cash Flow from Investing Activities		
Purchase of Fixed Assets and Change in Capital Work in Progress	(1,358,734)	(5,721,159)
Miscellaneous Expenses	—	—
Net Cash used in Investing Activities	(1,358,734)	(5,721,159)
Net Increase in Cash and Cash equivalents during the year	3,564,027	(2,253,339)
CASH AND CASH EQUIVALENTS AT THE BEGINING OF THE YEAR	1,889,855	4,143,194
CASH AND CASH EQUIVALENTS AT THE ENDING OF THE YEAR	5,453,883	1,889,855

Note:- Figures in brackets indicates cash outflow

As per our report of even date annexed
for Patwari&Co

Chartered Accountants

Vijay Patwari
Proprietor

V. Satish Kumar
Managing Director

On behalf of the Board

V. Shilpa
Alternate Director
to V.Madhavi

P. S. Shastry
C.F.O &
Company Secretary

Place : Hyderabad
Date : May 28, 2005

NOTES FORMING PART OF THE ACCOUNTS

Significant Accounting Policies and Notes on Accounts

(A) Significant Accounting Policies

1. Basis of Accounting:

- a. The Financial Statements have been prepared under the historical cost convention and in accordance with the applicable Accounting Standards issued by The Institute of Chartered Accountants of India and relevant presentational requirements of the Companies Act, 1956.
- b. Accounting Policies not specifically referred to otherwise are in consonance with the prudent accounting principles.
- c. All income and Expenditure items, which have material bearing on the Financial statements, are recognized on the accrual basis. However income from sales are recognized on proportionate completion method and as per the terms of the contract.

2. Fixed Assets:

Fixed Assets are stated at cost less accumulated depreciation. All costs, directly attributable to bringing the asset to the present condition for the intended use, are capitalized.

3. Depreciation:

Depreciation on Fixed Assets has been provided on the straight-line method and Depreciation on the assets acquired during the year is provided on Pro-rata basis at the rates specified in Schedule XIV of the Companies Act, 1965.

4. Foreign Currency Transactions:

Expenditure in Foreign currency during the month is accounted at a rate, which approximates the actual rate during that month. Current Assets and Current Liabilities denominated in foreign currency are translated at the exchange rate prevalent at the date of the Balance Sheet. Non-Monetary assets and liabilities are translated at the rate on the date of transaction. The exchange differences arising on foreign currency translation during the year are recognized as income or expenses in the Profit & Loss Account.

5. Secured Loans:

Plant & Machinery acquired on Hire Purchase basis is secured against the same.

6. Inventories/Unbilled Revenue:

The Inventories are in the form of unbilled sales, which are valued at cost. Actual expenses incurred/accrued on the job is the value of unbilled sales.

7. Retirement Benefits:

Contribution to Provident Fund is made at a predetermined rate and charged to revenue on accrual basis.

8. Contingent Liabilities:

Contingent Liabilities are not provided for in the accounts but are disclosed by way of notes.

9. Taxation:

Income Tax is provided on the profits of the company as per the Income Tax Act, 1961.

10. Impairment of Assets:

The company identifies impairable assets at every Balance Sheet date for the purpose of arriving at impairment loss thereon being the difference between the book value and recoverable value of relevant assets. Impairment loss when crystallises is charged against the revenue of the year.

11. Segment Accounting Policies:

The accounting policies in relation to segment accounting as under:

Segment assets and liabilities:

All segment assets and liabilities are directly attributable to the segment.

Segment assets include all operating assets used by the segment and consists principally of fixed assets, inventories, sundry debtors, loans and advances and operating cash and bank balances.

Segment assets and liabilities do not include reserves and surplus, borrowings, provision for contingencies and income tax.

Segment Revenues and Expenses:

Segment Revenue and expenses are directly attributable to the segment. It does not include financial expenses, provision for contingencies and income tax.

(B) Notes on Accounts

1. Contingent Liabilities not provided for:

Income tax Demand for Rs 4,33,18,520/-contested by the company before The Income Tax Appellate Tribunal.

2. Segment Reporting:

Based on the guiding principles given in Accounting Standard on Segment Reporting (AS - 17) issued by the Institute of Chartered Accountants of India, the company's primary business segment is software development.

3. Report on related parties:

There are no related party transactions. However control exists as regards M/s. Prithvi Information Solutions International LLC, Pittsburgh, USA.

4. Hire Purchase Transactions:

Future Hire Purchase Interest is charged to the Profit & Loss Account as and when the Hire Purchase Installment is due and the balance unexpired is shown under miscellaneous expenditure to the extent not written off.

5. Others:

- a. The inventories / unbilled sales are shown at the value certified by the management.
- b. Except Interest on future hire purchase account, the miscellaneous expenditure will be written off at the end of the year.
- c. There are no dues to Small Scale Industries exceeding Rs 1,00,000/- which are outstanding for more than 30 days.
- d. Loans, Advances and Sundry Debtors stated in the Balance Sheet are, in the opinion of the management are realizable in the ordinary course of business.
- e. Balances of Sundry Creditors and Sundry Debtors are subject to confirmation by the parties.
- f. Sales comprises of incremental unbilled revenue of Rs.3,82,85,929/-.

6. Quantitative Details:

The Company is engaged in the development and maintenance of Computer Software, the production and sales of such software cannot be expressed in any generic unit. It is not possible to give the quantitative details of sales and other information as required under the paragraphs 3, 4C and 4D of Part-II of Schedule VI to the Companies Act, 1956.

7. As there are no employees with service of more than 5 years, the gratuity amount is not provided.
8. Deferred income tax is not provided for, as the company is claiming Income Tax exemption on profits derived from the export of Software U/s 10A.
9. Previous year figures have been regrouped / rearranged wherever necessary to confirm the current year clarifications.
10. Limited review audit of accounts of our Pittsburgh office was conducted by M/s. Herbein + Company, Inc for the period 1/4/2004 to 31/3/2005.

11. Managerial Remuneration:

- a. Remuneration paid to Managing Director and Whole Time Director during the year is Rs. 65,53,200/-.

	2004-2005 (Rs.)	2003-2004 (Rs.)
<u>Managing Director</u>		
Salary	6,00,000/-	1,20,000/-
Perquisites	6,00,000/-	1,20,000/-
<u>Whole Time Director</u>		
Salary	53,53,200/-	58,50,000/-
	<u>65,53,200/-</u>	<u>60,90,000/-</u>

- B. Necessary Approvals from the Central Government for the payment of remuneration in excess of prescribed limit has already been obtained.

- c. No Computation of Profits U/s. 350 of the Companies Act, 1956 has been given since no commission is paid to Directors.

12. Auditors Remuneration

	2004-2005 (Rs.)	2003-2004 (Rs.)
Audit Fee	2,25,000	75,000
Tax Audit Fee	—	25,000
	<u>2,25,000</u>	<u>100,000</u>
Add: 10.20% Service Tax	22,950	10,200
	<u>2,47,950</u>	<u>1,10,200</u>
Taxation Matters	50,000	25,000
Certification Fees	25,000	--
	<u>3,22,950</u>	<u>1,35,200</u>

13. Foreign Exchange Earnings & Outgo:	
Export Sales	Rs. 301,17,97,250/-
Foreign Travelling	Nil
Onsite- Software development & Other expenditure	Rs. 273,88,11,807/-

As per our report of even date annexed
for Patwari&Co
Chartered Accountants

Vijay Patwari
Proprietor

Notes and schedules form part of the accounts
On behalf of the Board

V. Satish Kumar V. Shilpa P. S. Shastry
Managing Director Alternate Director C.F.O &
to V.Madhavi Company Secretary

Place : Hyderabad
Date : May 28, 2005



Prithvi Information
Solutions Limited

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