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Annual General meeting on Friday, September 28, 2007 at Padmashali Kalyana Mandapam, 2-12-66, Nehru Nagar, West Marredpally, Secunderabad 500 026. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. Shareholders are requested to bring their copies to the Meeting.

Board of Directors

Viswanath Kompella	-Chairman & Managing Director
Datuk Santha Kumar S.	-Director
Datuk Kunasingam V. Sittampalam	-Director
Jagadish K.Rao	-Director
K. Jagan Mohan Rao	-Director & CRO
Sreenivasa Sreekanth Uppuluri	-Director & CTO
Anil Kumar Pinapala	-Director & CEO
Steve Clevenger	-Director
Samad A.Momin	-Director
Dr.Venugopal	-Director

Company Secretary

Ravindranath Tagore Kolli

Bankers:

M/s. Canara Bank
Overseas Branch,
Adarsh Nagar
Hyderabad

Auditors:

M/s. P. Murali & Co.,
Chartered Accountants
6-3-655/2/3, Somajiguda
Hyderabad-500 082
Phone# (040)-23326666, 23312554

Registered Office and Development Centre:

10, SRK Colony,
West Marredpally
Secunderabad-500026
Ph Nos: 27803608, 27803610
Fax No: 27803612
Website: www.virinchi.com

Corporate Office:

A-1, 3rd Floor, Surabhi Plaza
Vikrampuri Colony, Kharkana
Secunderbad-500009
Ph Nos: 27890662-65
Fax No: 27890669
E-mail: info@virinchi.com

Registrar and Share Transfer Agents:

M/s. Aarthi Consultants Private Ltd
1-2-285, Domalguda,
Hyderabad-500029
Phone# 27634445, 27638111
Fax: 27632184

Wholly Owned Subsidiary Company

M/s. KSoft Systems Inc.,
850, US Highway 1N,
2nd Floor, North Brunswick, Nj08902
Phone# 732 729 9600
Website: www.ksoftglobal.com

LETTER TO SHAREHOLDERS:

Dear Investor,

2006 - 07, is a momentous year for Virinchi.

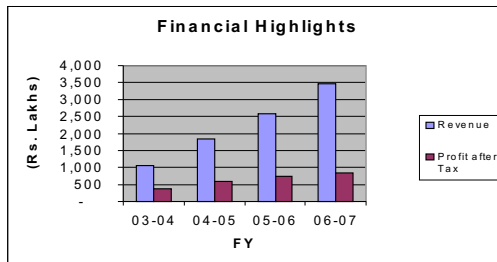
A disciplined focus on our core business in the worldwide markets, combined with aligned and committed execution is proving effective. We are delivering on our promise of making the future, safe and friendly for our many stakeholders. In 2006 - 07, we continued to deliver on the benefits of the clear and consistent strategy; we developed and put into action, 16 years ago.

Our relentless execution of this strategy has provided a strong foundation for our current achievements and has positioned us for continued success in 2006 - 07 and beyond.

Performance

Consistent performance pays dividends and Virinchi has gained the reputation as a straight-talking, no hype firm that delivers consistent financial performance.

We have achieved a tremendous growth of 33 % in annual revenues, recording Rs.34.49 Crores for the year 2006-07 as against Rs 25.70 Crores in the previous financial year 2005-06. The company's net profit before tax stood at Rs. 8.81 Crores in 2006-07.



With considerable cash reperves, no debt, and revenues in excess, Virinchi has the financial stability to reinvest and grow with our customers.

Industry Focus

It gives me great pleasure to state that Virinchi is now one of the largest providers of IT Solutions to the 'Retail Micro Lending Industry' in the world. Virinchi now caters to 3 of the top 5 players in this industry, firmly establishing itself as the global leader for providing IT and Business solutions

The micro lending industry is classified as unsecured loans under USD 1000, provided as one-time loan advanced for a period of 45 days or an installment loan for a period less than 12 months, primarily aimed at sub-prime borrowers. The US Retail Micro Lending Industry, with more than 25,000 retail outlets, offers a business potential for IT services in excess of \$60 million per annum. The industry is growing annually at 25 per cent on YoY terms in North America.

In the Retail Micro Lending Industry, the company has evolved an annuity-based ASP delivery model

that provides our customers immense value and ensures continuous and sustainable revenue.

Balanced Growth

The company has now built a slew of products for the Retail Micro lending Industry that can provide sustainable revenues both from Licensing and Service.

In order to de-risk dependence on product revenues, the company has evolved matured service practices in Custom Application Development, Product Support and Maintenance, Customization Services, Data Warehousing, Data Migration, among others.

The company is expanding its domain knowledge in further service domains. After the completion of K-Soft acquisition, the company has expanded its service offerings and domain expertise giving it even more breadth to offer more value to its customers.

Worldwide Presence & Delivery

Over a period of years, Virinchi has systematically expanded its network of offices worldwide and invested in resources to the point where we are uniquely able to provide consistent quality and effectiveness in our delivery.

With offices in USA, UK, Middle East and Asia Pacific, Virinchi has positioned itself close to the client geography. Virinchi supports its clients via an integrated network of branches in North America, Europe, and South-East Asia & Offshore Development Centers in India. The company's North American sales have strengthened substantially, entrenching our presence in the world's largest software market

Virinchi is proud to render services to big companies like Allied Cash America, Compucredit, Check N Go, Saudi Telecom Company, Saudi Electric Company and many more.

Virinchi's success in marketing is evident from the new and large customers we have acquired this year. Further, we have expanded our marketing initiatives from a primarily Network or Channel-based to more active and direct marketing. As part of the marketing initiative your company continuously attends relevant trade exhibitions worldwide to promote our products and undertaking some mass communication in the niche industry media.

Virinchi offers out-of-the-box software solutions in the domains of Supply Chain, Micro-Lending, and Market Research. Your company has added new products in the Domains of Service Level Management, Insurance Investigation, to the existing product portfolio. The new products have good potential in the US and the European markets

The acquisition of KSoft Systems Inc gave us additional clients and also enhanced service lines, and we will be able to cross-sell Virinchi's products to KSoft's clients

People

Virinchi people are some of the best in the world. With a shared desire to learn and stretch beyond their limits, our people make Virinchi an exciting place to work.

To cater to the needs of ever-growing list of clients and in order to ensure adequate manpower for expansion in development, Virinchi, in the year 2006 - 07 has added more than 50 employees to its team.

We will be continuing this rapid growth phase and add more resources to match our requirements for delivery. As the company grows, employees who have grown with the company will play a more important and critical role in shaping the organizations' future. We will be implementing organizational changes and other management reforms to make the company rapid-growth capable and dynamic

Infrastructure

Virinchi has developed its infrastructure, considerably in the year 2006 - 07. Office space currently has grown to 30,000 Sq ft floor area, split among two facilities in India. The facilities are equipped with advanced technologies, processes, and equipment - complying with international standards. While cutting-edge technologies form the network backbone of our infrastructure, stringent security and backup systems ensure high levels of safety & security. The robust and reliable infrastructure can be customized and scaled up within a short period of time as per the requirements of a project.

Quality

Virinchi is ISO 9001:2000 certified for its well defined processes for software development & delivery methodology.

Quality Planning in Virinchi is under the aegis of the Quality Management System. Virinchi is presently CMMi Level 3 Company and is on the way to achieve CMMi Level 5 quality processes.

Virinchi has established and put in place 'Capture' a project planning, QA Monitoring and Tracking tool. Capture enables bi-directional traceability, which presents a great value to the client company by involving them to a large extent on the development & deployment of the software application.

Value

Virinchi is focused on providing Customer Delight, Continuous Product & Process Innovation, Employee Welfare and Shareholder Wealth Maximization. The company has tremendous potential for growth and with Intellectual Property of various products there is already a lot of value to be unlocked in the company. The strong sales team and the efficient delivery team should ensure sustenance of the current revenue and profit growth.

It's your company's stated objective to look at both organic and in-organic growth strategies and is actively evaluating various acquisition targets operating in complementary technology and industry domains. This will further enhance the value of your organization. I certainly hope 2007-08 will be a far more exciting year and we indeed take that quantum leap to reach the next level.

I thank you for all the support you have given and assure you that your company will continue to march ahead with the objective of attaining new levels of achievement putting us on par or above the best in the industry.



Viswanath Kompella
Chairman and Managing Director

NOTICE

NOTICE is hereby given that the 18th Annual General Meeting of the Members of the Company will be held on Friday, the 28th day of September, 2007, at 2.00 P.M. at Padmashali Kalyana Mandapam, 2-12-66, Nehru Nagar, West Marredpally, Secunderabad 500 026 to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Profit & Loss Account for the year ended March 31, 2007; Balance Sheet as on that date along with the Schedules forming part of it, notes to accounts and the Reports of the Directors' and Auditors' thereon.
2. To declare dividend for the financial year 2006-07
3. To appoint a Director in place of Datuk Santha Kumar, who retires by rotation, and being eligible, offers him for re-appointment.
4. To appoint a Director in place of Datuk Kunasingam V. Sittampalam, who retires by rotation, and being eligible, offer himself for re-appointment.
5. To appoint M/s. P. Murali & Co., Chartered Accountants, Hyderabad as Auditors of the Company to hold office from the conclusion of this meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

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

"RESOLVED THAT Pursuant to the provisions of Section 94(1)(a) and 16 and other applicable provisions, if any, of the Companies Act, 1956 the Authorised Share Capital of the Company be and is hereby increased from Rs. 18,00,00,000(Rupees Eighteen Crores) divided into 1,80,00,000(One Crore Eighty Lacs) Equity Shares of Rs.10/- each to Rs.25,00,00,000(Rupees Twenty Five Crores) divided into 2,50,00,000(Two Crore Fifty Lacs Only) Equity shares of Rs.10/- each, ranking pari passu with the existing Equity Shares.

RESOLVED FURTHER THAT the existing Clause V of the Memorandum of Association of the Company is replaced by the following.

V. The Authorised Share capital of the company is Rs.25,00,00,000(Rupees Twenty Five Crores Only) divided into 2,50,00,000 (Two Crore Fifty Lacs Only) Equity Shares of Rs.10/- (Rupees Ten Only) each with power to increase and reduce the capital of the Company and to divide the shares in the capital for the time being into several classes and attach thereto respectively such preferential qualified or special rights, privilege or conditions as may be determined by or in accordance with the articles of the company for the time being and to vary, modify or abrogate such rights, privileges or conditions in such manner as be permitted by the Act or provided by the Articles of the Company for the time being.

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

"RESOLVED THAT Pursuant to the provisions of Section 198,269 and 309 read with Schedule XIII and all other applicable provisions of the Companies Act, 1956(hereinafter referred to as the "Act" which includes any statutory modification(s) or re-enactment thereof, for the time being in force), the consent of the company be and is hereby accorded to the appointment of Mr. Sreenivasa Sreekanth Uppuluri, as

Director - Chief Technology Officer, of the Company, for a period of 3(Three) years with effect from 26th October, 2006 liable to retire by rotation on the terms and conditions as mentioned in the explanatory statement.

“RESOLVED FURTHER that the remuneration as set out in this resolution including benefits, amenities and perquisites, shall be allowed and paid to Mr. Sreenivasa Sreekanth Uppuluri as minimum remuneration during the currency of his tenure, notwithstanding the absence or inadequacy of profits for any financial year, but shall not, in any such financial year, exceed the ceiling laid down in this behalf in Schedule XIII to the Act, including amendments made thereto”

“RESOLVED FURTHER THAT subject to the provisions of the Companies Act, 1956 and subject to the accordance of the requisite approvals, the board be and is here by authorized to revise the gross salary of the appointee by a maximum of 50% per annum”.

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

“RESOLVED THAT Pursuant to the provisions of Section 198,269 and 309 read with Schedule XIII and all other applicable provisions of the Companies Act, 1956(hereinafter referred to as the “Act” which includes any statutory modification(s) or re-enactment thereof, for the time being in force), the consent of the company be and is hereby accorded to the appointment of Mr.Jagan Mohan Rao Karpey, as Director-Chief Resource Officer of the Company, for a period of 3(Three) years with effect from 26th October, 2006 liable to retire by rotation on the terms and conditions as mentioned in the explanatory statement.

RESOLVED FURTHER that the remuneration as set out in this resolution including benefits, amenities and perquisites, shall be allowed and paid to Mr. Jagan Mohan Rao Karpey as minimum remuneration during the currency of his tenure, notwithstanding the absence or inadequacy of profits for any financial year, but shall not, in any such financial year, exceed the ceiling laid down in this behalf in Schedule XIII to the Act, including amendments made thereto

“RESOLVED FURTHER THAT subject to the provisions of the Companies Act, 1956 and subject to the accordance of the requisite approvals, the board be and is here by authorized to revise the gross salary of the appointee by a maximum of 50% per annum”.

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

“RESOLVED THAT Pursuant to the provisions of Section 198,269 and 309 read with Schedule XIII and all other applicable provisions of the Companies Act, 1956(hereinafter referred to as the “Act” which includes any statutory modification(s) or re-enactment thereof, for the time being in force), the consent of the company be and is hereby accorded to the appointment of Mr. Anil Kumar Pinapala, as Director-Chief Executive Officer of the Company, for a period of 3(Three) years with effect from 26th October, 2006 on the terms and conditions as mentioned in the explanatory statement.

RESOLVED FURTHER that the remuneration as set out in this resolution including benefits, amenities and perquisites, shall be allowed and paid to Mr. Anil Kumar Pinapala as minimum remuneration during the currency of his tenure, notwithstanding the absence or inadequacy of profits for any financial year, but shall not, in any such financial year, exceed the ceiling laid down in this behalf in Schedule XIII to the Act, including amendments made thereto

“RESOLVED FURTHER THAT subject to the provisions of the Companies Act, 1956 and subject to the accordance of the requisite approvals, the board be and is here by authorized to revise the gross salary of the appointee by a maximum of 50% per annum”.

10. To Consider and if thought fit, to pass, with or without modifications, the following resolution as a Special Resolution:

“RESOLVED THAT pursuant to the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956(Act) (including any statutory modification or re-enactment thereof for the time being in force) and in accordance with the provisions of Articles of Association of the Company, the Listing Agreement entered into between the Company and the Various stock exchanges, the Guidelines for Preferential Issues contained in the Securities and Exchange Board of India(Disclosure and Investor Protection) Guidelines,2000 (SEBI Guidelines), rules and regulations framed by Reserve Bank of India(RBI) and other statutory/regulatory authorities, and subject to all applicable norms, guidelines, regulations in force, and statutory approvals, consents, permissions or sanctions as may be necessary, of appropriate authorities, institutions or bodies and subject to such conditions as the authorities may impose at the time grating their approvals/consents/permissions/sanctions and which may be agreed to by the Board of Directors of the Company (the “Board”, which expression shall include any committee thereof constituted/to be constituted by the Board for exercising the powers conferred on the Board by this Resolution) if it thinks fit in the interest of the Company, consent of the Company be and is hereby accorded to the Board to create, offer, issue and allot 7,25,000 (Seven Lacs Twenty Five Thousand Only) equity shares of Rs.10/- each at a Price to be decided as per the SEBI guidelines, to promoters of the company, the details of which are mentioned in the Explanatory Statement annexed hereto, on preferential allotment basis,, on such terms and conditions and in such manner as the Board may think fit, whether or not they are members of the Company

“RESOLVED FURTHER THAT

- a) The relevant date for the purpose of pricing of the Equity Shares as above, in accordance with the SEBI Guidelines is 29th August, 2007 being the 30th day prior to 28th September, 2007 (i.e. the 30th day prior to the date on which the meeting of the general body of shareholders is held, in terms of Section 81(1A) of the Companies Act, 1956 to consider the proposed issue.)
- b) The equity shares to be issued and allotted in pursuance of this resolution shall rank pair passu with the then existing equity shares of the company in all respects.
- c) The equity shares to be offered and allotted shall be subject to the provisions of the Memorandum and Articles of association of the Company.

“RESOLVED FURTHER THAT for the purpose of giving effect to this Resolution, the Board be and is hereby authorized to do all such acts, deeds and things as the Board may, in its absolute discretion, consider necessary, expedient, usual, proper or incidental and to settle any question, remove any difficulty or doubt that may arise from time to time in relation to the offer, issue and allotment of the equity shares and the utilization of the issue proceeds thereof, to effect any modification (s) to the foregoing (including any modifications to the terms of the issue) in the best interests of the Company and its shareholders and to execute all such writings and instrument(s) as the Board may in its absolute discretion deem necessary or desirable.

“RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of its powers to any committee of Directors of the Company to give effect to the aforesaid resolution”.

11. To Consider and if thought fit, to pass, with or without modifications, the following resolution as a Special Resolution:

“RESOLVED THAT pursuant to the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956(Act) (including any statutory modification or re-enactment thereof for the time being in force) and in accordance with the provisions of Articles of Association of the Company, the Listing Agreement entered into between the Company and the Various stock exchanges, the Guidelines for Preferential Issues contained in the Securities and Exchange Board of India(Disclosure and Investor Protection) Guidelines,2000 (SEBI Guidelines), rules and regulations framed by Reserve Bank of India(RBI) and other statutory/regulatory authorities, and subject to all applicable norms, guidelines, regulations in force, and statutory approvals, consents, permissions or sanctions as may be necessary, of appropriate authorities, institutions or bodies and subject to such conditions as the authorities may impose at the time grating their approvals/consents/permissions/sanctions and which may be agreed to by the Board of Directors of the Company (the “Board”, which expression shall include any committee thereof constituted/to be constituted by the Board for exercising the powers conferred on the Board by this Resolution) if it thinks fit in the interest of the Company, consent of the Company be and is hereby accorded to the Board to create, offer, issue and allot 22,00,000 Lakhs warrants(Twenty Two Lacs) ("warrants for brevity) to the promoters at a price to be decided as per the SEBI (DIP)Guidelines, 2000 the details of which are mentioned in the Explanatory Statement annexed hereto, on preferential allotment basis, in one or more tranches, on such terms and conditions and in such manner as the Board may think fit, whether or not they are members of the Company each warrant entitling the holder thereof to apply for and be allotted one equity share per warrant and which conversion shall be made within a period not exceeding 18(Eighteen) months from the date of allotment of the warrants in accordance with the SEBI(Disclosure & Investor Protection)Guidelines, 2000 and other applicable guidelines.

“RESOLVED FURTHER THAT

- a) The relevant date for the purpose of pricing of the warrants as above, in accordance with the SEBI Guidelines is 29th August, 2007 being the 30th day prior to 28th September, 2007 (i.e. the 30th day prior to the date on which the meeting of the general body of shareholders is held, in terms of Section 81(1A) of the Companies Act, 1956 to consider the proposed issue.)
- b) The equity shares to be issued on conversion of the warrants in pursuance of this resolution shall rank pair passu with the then existing equity shares of he company in all respects.
- c) The warrants to be offered and allotted shall be subject to the provisions of the Memorandum and Articles of association of the Company.
- d) For the purpose of giving effect to this resolution, the Board is hereby authorized to issue and allot such number of equity shares as may be required to be issued and allotted upon conversion of Warrants, as may be necessary in accordance with the terms of the offer and subject to the provisions of the Company's Articles of Association”

“RESOLVED FURTHER THAT for the purpose of giving effect to this Resolution, the Board be and is hereby authorized to do all such acts, deeds and things as the Board may, in its absolute discretion, consider necessary, expedient, usual, proper or incidental and to settle any question, remove any difficulty or doubt that may arise from time to time in relation to the offer, issue and allotment of the warrants and the utilization of the issue proceeds thereof, to effect any modification (s) to the foregoing (including any modifications to the terms of the issue) in the best interests of the Company and its shareholders and to execute all such writings and instrument(s) as the Board may in its absolute discretion deem necessary or desirable.

“RESOLVED FURTHER THAT the Board be and is hereby authorized to delegate all or any of its powers to any committee of Directors of the Company to give effect to the aforesaid resolution”.

12. To Consider and if thought fit, to pass, with or without modifications, the following resolution as a Special Resolution:

“RESOLVED THAT in accordance with the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 and also provisions of any other applicable law or laws, rules and regulations (including any amendment thereto or re-enactment thereof for the time being in force) and enabling provisions in the Memorandum and Articles of Association of the Company and the Listing Agreements entered into by the Company with the Stock Exchanges where the shares of the Company are listed and subject to such approvals, consents, permissions and sanctions of the Government of India, Reserve Bank of India, Securities and Exchange Board of India (SEBI) and all other appropriate and /or concerned authorities, and subject to such conditions and modifications, as may be prescribed by any of them in granting such approvals, consents, permissions and sanctions which may be agreed to by the Board of Directors of the Company (“Board”) (which term shall be deemed to include any Committee which the Board may have constituted or hereafter constitute for the time being exercising the powers conferred on the Board by this resolution), which the Board be and is hereby authorized to accept, if it thinks fit in the interest of the Company, the consent of the Company be and is hereby accorded to the Board of Directors of the Company to issue, offer and allot Equity Shares/Warrants and/or any instruments convertible into Equity Shares whether optionally or otherwise / Global Depository Receipts (GDRs) / American Depository Receipts (ADRs) or Foreign Currency Convertible Bonds (FCCB) or Debentures (hereinafter referred to as 'Securities') for an aggregate sum of US \$ 20 million with a green shoe option of 10% or equivalent in Indian and /or any other currency(ies) (inclusive of such premium, as may be permitted by the Ministry of Finance / such other authorities directly to Indian / Foreign / Resident / Non-resident investors (whether institutions, incorporated bodies, mutual funds Trusts / Foreign Institutional Investors / Banks and / or individuals, or otherwise and whether or not such investors are members, promoters, directors or their relatives/associates, of the Company) through Public Issue(s), Rights Issue(s), Private Placement(s), Preferential issue(s) or a combination thereof at such time or times in such tranche or tranches, at such price or prices, at a discount or premium to market price or prices in such manner and on such terms and conditions as may be decided and deemed appropriate by the Board at the time of such issue or allotment considering the prevailing market conditions and other relevant factors, wherever necessary in consultation with the Lead Managers, Underwriters, Advisors or through the subsidiaries, in any markets as may be deemed fit by the Board including, but not limited to Initial Public Offer, Public Issue, Preferential Issuance in US or any other countries, so as to enable the Company to get listed at any stock exchanges in India and/or Luxembourg / Singapore / Hong Kong / London / Nasdaq /New York Stock Exchanges and / or any of the Overseas Stock Exchanges.

RESOLVED FURTHER THAT such of these Securities as are not subscribed may be disposed off by the Board in its absolute discretion in such a manner as the Board may deem fit.

BY ORDER OF THE BOARD
For **VIRINCHI TECHNOLOGIES LIMITED**

PLACE : HYDERABAD
DATE : 25.08.2007

K. Ravindranath Tagore
Company Secretary

NOTES:

- A) **A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not be a member of the company. The instrument of proxy in order to be effective, must be deposited at the registered office of the Company, duly completed and signed not less than 48 hours before the meeting.**
- b) The relevant Explanatory Statement in respect of the Special Business set out above, as required by Sec.173 (2) of the Companies Act, 1956 is annexed hereto.
- c) The Register of Members / Register of Beneficiaries and Share Transfer books of the Company will remain closed from 25th September, 2007 to 28th September 2007 (both days inclusive) in connection with the payment of dividend for the financial year 2006-07.
- d) Dividend, if declared, at the Annual General Meeting, will be payable to those members whose names appear on the Company's Register of Members as on 28th September, 2007. Dividend Warrants are scheduled to be posted on or after 4th October, 2007. Dividend Warrant is valid for payment by the Company's Bankers for Three Months from the date of issue. Thereafter, please contact our share registrars, M/s. Aarthi Consultants Pvt Ltd, 1-2-285, Domalguda, Hyderabad 500029 for revalidation of the warrants.

You are advised to encash your dividend warrants immediately as the dividend amount remaining unclaimed / unpaid at the expiry of 7 years from the date that becomes due for payment are required to be transferred by the company to the Investor Education and Protection Fund established under section 205C in terms of section 205A of the Companies Act, 1956.

It may be noted that no claim will lie against the company or the investor education and protection fund in respect of the said unclaimed dividend amount transferred to the fund.

e) **Payment of Dividend through Electronic Clearing Service (ECS)**

The Securities and Exchange Board of India (SEBI) has advised the Companies to mandatorily use ECS facility, wherever available, for distributing dividends or other cash benefits etc, to the investors. This facility provides instant credit of dividend amount to your Bank account electronically at no extra cost. ECS also eliminates the delay in postal transit and fraudulent encashment of warrants.

Under this facility the amount of dividend payable to you would be directly credited to your bank account. Your bank's branch will credit your account and indicate the credit entry as 'ECS' in your pass book/statement account. We would be issuing an advice to you directly after the transaction is effected.

In case you wish to have your dividends paid through ECS and are holding the Company's shares in electronic form, you may kindly fill in the enclosed ECS mandate form and submit it to your Depository Participant. However, in case you are holding the company's shares in physical form and wish to have your future dividends paid through ECS, you may kindly return the said ECS mandate form duly completed and signed by you at our registered office mentioned elsewhere in this report.

If you do not wish to opt for ECS facility, we strongly recommend that you provide the details of your Bank's Name, Branch, type of Account and Account Number to your depository participant in cases where shares are held in electronic form and to us in cases where shares are held in physical form for printing the same on the dividend warrants which will be dispatched to you. In the event of any change or correction in the details that might have been provided by you earlier, kindly send revised particulars to your depository participant or to us, as the case may be, at an early date.

Annexure to the Notice

Explanatory statement pursuant to Section 173(2) of The Companies Act, 1956

Item#6

In order to provide cushioning in respect of total paid up capital of the company it is proposed to increase the Authorised share capital of the Company. The present Authorised Share Capital of the Company is Rs. 18,00,00,000/- (Rupees Eighteen Crores Only) and the Paid up Capital is Rs.14,13,72,000 (Rupees Fourteen Crores Thirteen Lacs Seventy Two Thousand Only). To facilitate issue of further shares, the Authorised share capital is to be increased to Rs.25,00,00,000(Rupees Twenty Five Crores Only) by creation of 70,00,000(Seventy Lakh) further equity shares of Rs. 10/- each which will rank paripassu in all respects with the existing shares of the Company. The proposed increase requires approval of the Members in general meeting. Consequent to the increase in the Authorised Share Capital, the Company's Memorandum of Association will require alteration so as to reflect the increase

The Board recommends passing of the ordinary Resolution.

None of the Directors is interested or concerned in the Resolution except to the extent of their shareholding in the Company.

Item#7

The Board of Directors of the Company in its meeting held on 26th October, 2006, appointed Mr. Sreenivasa Sreekanth Uppuluri as Director- Chief Technology Officer for a period of 3 years with effect from 26th October, 2006 at such remuneration and as per the terms and conditions mentioned below subject to the approval of members,

Considering his competence, experience as also the envisaged growth in the activities of the company and as compared to remuneration presently being paid to persons in similar situations in the country, the terms of his promotion and remuneration as set out below are viewed to be just, fair and reasonable. He is not holding any directorships in any other company and also not a member in the committees of any other company. He has 11 years of experience in the information technology industry in both operational and management roles. In his role as Director-Chief Technology Officer, he has responsibility for Virinchi's global delivery, client services, and internal support to business development, process implementation

The remuneration has been approved by the remuneration committee.

As per the provisions of Schedule XIII of the Companies Act, 1956 appointment of Mr.Sreenivasa Sreekanth Uppuluri, Director- Chief Technology officer requires the approval of the members in General Meeting. Hence, the above resolution at item# 7 is submitted to the meeting for ratification by the members of the company by passing a Special Resolution.

The Board of Directors commends the above resolution at Item# 7 for your approval.

None of the Directors of the Company except Mr. Sreenivasa Sreekanth Uppuluri to the extent of his appointment as director is concerned or interested in this resolution.

The Particulars of remuneration payable to Mr. Sreenivasa Sreekanth Uppuluri

a) Salary:

Rs. 24,00,000 p.a. which is inclusive of Dearness Allowance and all other allowances not otherwise specified herein.

b) Perquisites:

- i) Housing
Residential accommodation or house rent allowance not exceeding 50% of the Salary. The appointee shall be allowed free use of the company owned furniture and other consumable durables, if required.
- ii) Medical Expenses
Domiciliary Treatment- At actuals subject to a ceiling of Rs. 15,000 p.a for Mr. Sreenivasa Sreekanth Uppuluri and his family
Hospitalisation- Mr. Sreenivasa Sreekanth Uppuluri and his dependents will be covered by the Company's Medical Insurance Scheme.
- iii) Phone rental and call charges will be paid by the Company at actuals for mobile phone. Charges for personal STD/Trunk Calls would be borne by Mr. Sreenivasa Sreekanth Uppuluri
- iv) Company's contribution to Provident Fund, Gratuity and encashment of leave at the end of his tenure, payable as per rules of the Company.
- v) Leave with full pay or encashment thereof as per the Rules of the Company.
- vi) Mr. Sreenivasa Sreekanth Uppuluri will further be entitled to reimbursement of actual entertainment and traveling expenses incurred by him for business purposes.

Item# 8

The Board of Directors of the Company in its meeting held on 26th October, 2006, appointed Mr. Jagan Mohan Rao as Director- Chief Resource officer for a period of 3 years with effect from 26th October, 2006 at such remuneration and as per the terms and conditions mentioned below subject to the approval of members,

Considering his competence, experience as also the envisaged growth in the activities of the company and as compared to remuneration presently being paid to persons in similar situations in the country, the terms of his promotion and remuneration as set out below are viewed to be just, fair and reasonable. He is not having any other directorships and also not a member in the committees of any other companies. He has more than 23 years of experience in the industry with focus on Human resources, Marketing and Finance. He holds dual masters degree one in science and one in business administration from osmania university, Hyderabad. He has vast network in the US that can add immense value to the company.

The remuneration has been approved by the remuneration committee.

As per the provisions of Schedule XIII of the Companies Act, 1956 appointment of Mr. Jagan Mohan Rao Karpey, Director Chief Resource Officer requires the approval of the members in General Meeting. Hence, the above resolution at item# 8 is submitted to the meeting for ratification by the members of the company by passing a Special Resolution.

The Board of Directors commends the above resolution at Item# 8 for your approval.

None of the Directors of the Company except Mr. Jagan Mohan Rao Karpey to the extent of his appointment as director is concerned or interested in this resolution.

The Particulars of remuneration payable to Mr. Jagan Mohan Rao

A) Salary:

Rs. 9,00,000 p.a. which is inclusive of Dearness Allowance and all other allowances not otherwise specified herein.

b) Perquisites:**i) Housing**

Residential accommodation or house rent allowance not exceeding 50% of the Salary. The appointee shall be allowed free use of the company owned furniture and other consumable durables, if required.

ii) Medical Expenses

Domiciliary Treatment- At actuals subject to a ceiling of Rs. 15,000 p.a for Mr. Jagan Mohan Rao and his family

Hospitalisation- Mr. Jagan Mohan Rao and his dependents will be covered by the Company's Medical Insurance Scheme.

iii) Phone rental and call charges will be paid by the Company at actuals for mobile phone. Charges for personal STD/Trunk Calls would be borne by Mr. Jagan Mohan Rao

iv) Company's contribution to Provident Fund, Gratuity and encashment of leave at the end of his tenure, payable as per rules of the Company.

v) Leave with full pay or encashment thereof as per the Rules of the Company.

vi) Mr. Jagan Mohan Rao will further be entitled to reimbursement of actual entertainment and raveling expenses incurred by him for business purposes.

Item# 9

The Board of Directors of the Company in its meeting held on 26th October, 2006, appointed Mr. Anil Kumar Pinapala as Director- Chief Executive Officer for a period of 3 years with effect from 26th October, 2006 at such remuneration and as per the terms and conditions mentioned below subject to the approval of members,

Considering his competence, experience as also the envisaged growth in the activities of the company and as compared to remuneration presently being paid to persons in similar situations in the country, the terms of his promotion and remuneration as set out below are viewed to be just, fair and reasonable. He is not having any other directorships and also not a member in the committees of any other companies. He is B.Tech (Chemical), MBA from Indian Institute of Foreign Trade. He has 7 years international IT Experience.

The remuneration has been approved by the remuneration committee.

As per the provisions of Schedule XIII of the Companies Act, 1956 promotion of Mr. Anil Kumar Pinapala, Director Chief Executive Officer requires the approval of the members in General Meeting. Hence, the above resolution at item# 9 is submitted to the meeting for ratification by the members of the company by passing a Special Resolution.

The Board of Directors commends the above resolution at Item# 9for your approval.

None of the Directors of the Company except Mr. Anil Kumar Pinapala to the extent of his appointment as

director is concerned or interested in this resolution.

The Particulars of remuneration payable to Mr. Anil Kumar Pinapala

a) Salary:

Rs. 24,00,000 p.a. which is inclusive of Dearness Allowance and all other allowances not otherwise specified herein.

b) Perquisites:

Housing

- i) Residential accommodation or house rent allowance not exceeding 50% of the Salary. The appointee shall be allowed free use of the company owned furniture and other consumable durables, if required.
- ii) Medical Expenses
Domiciliary Treatment- At actuals subject to a ceiling of Rs. 15,000 p.a for Mr. Anil Kumar Pinapala and his family
Hospitalisation- Mr. Anil Kumar Pinapala o and his dependents will be covered by the Company's Medical Insurance Scheme.
- iii) Phone rental and call charges will be paid by the Company at actuals for mobile phone. Charges for personal STD/Trunk Calls would be borne by Mr. Anil Kumar Pinapala
- iv) Leave with full pay or encashment thereof as per the Rules of the Company.
- v) Mr. Anil Kumar Pinapala will further be entitled to reimbursement of actual entertainment and traveling expenses incurred by him for business purposes.

Item# 10

As members are aware, the company has made its presence in USA by acquiring KSoft Systems Inc., USA. The Company has various plans to expand its operations in various countries. The company is seriously working on developing more products in addition to the existing products.

Since the activities of the company are going to spread across different countries like United Kingdom, United States of America (USA), Europe etc. the company proposes to issue 7,25,000 (Seven Lacs Twenty Five Thousand Only) Equity shares to the promoter as detailed hereunder subject to the approval of members and such other approvals as may be necessary. The proposed issued of Equity shares on preferential basis to promoters of the company will be governed by the provisions of the SEBI(Disclosure & Investor protection) Guidelines, 2000.

The Equity shares to be issued pursuant to the above will be subject to lock-in as stipulated under the applicable SEBI guidelines.

The proposed allotment of Equity shares on preferential basis as envisaged above will not result in change in Control/Management of the Company. The Company is in the process of developing new campus, developing new software products in addition to its line of existing products and proposes to intensify marketing in North America and Europe. The funds raised through the issue of preferential allotment of Equity shares will be used towards part funding of the above. The Company has also plans of setting up its own SEZ.

Disclosures, which are required to be made pursuant to Clause 13.1A of the Securities and Exchange

Board of India (Disclosure & Investor Protection) Guidelines, 2000.

(i) The objects of the issue through preferential offer

To part fund campus development and new product development, intensify marketing in North America and augment working capital source. The Company has various plans to expand its operations in various countries. The company is seriously working on developing more products in addition to the existing products.

(ii) The intention of the promoters/directors/key management persons to subscribe to the offer.

The intention and primary objective of the Promoters to the equity shares through this preferential issue is to enhance their commitment towards the company and make available funds to the company's proposed growth plans

(iii) Share holding pattern of the Company before and after the proposed issue of Equity Shares pursuant to the resolution at Sl.No.10

Sl.No	Category	Pre issue		Post Issue	
		No. of Equity Shares	Percentage (%)	No. of Equity shares	Percentage (%)
1	Promoters Holding	40,03,785	28.32	47,28,785	31.82
2	Institutional Investors a)Mutual Funds & UTI b)Banks, FI, FIIs,	0	0		0
3	Private Corporate Bodies	9,30,308	6.58	9,30,308	6.26
4	Indian Public	79,22,896	56.04	79,22,896	53.31
5	NRIS and OCBs	12,80,211	9.06	12,80,211	8.61
		1,41,37,200	100.00	1,48,62,200	100.00

iv) Proposed time within which allotment will be completed

The allotment of the Equity Shares being issued on preferential basis is proposed to be made within 15 days from the date of passing of the resolution by the Members, provided that where the allotment on preferential basis is pending on account of pendency of any approval for such allotment by any regulatory authority or the Central Government, the allotment shall be completed with in 15 days from the date of receipt of such approval.

v) Identity of proposed allottees and the percentage of post preferential issued capital that may be held by them

Identity of proposed allottees	No. of Equity Shares to be allotted	Percentage of post issue equity capital
Shri Shri Resorts Private Ltd	7,25,000	4.88

Item# 11

The company proposes to issue 22,00,000 (Twenty Two lacs) Warrants at such price to be decided as per the SEBI Guidelines to promoters as detailed hereunder;

The warrant recipients shall have right to convert each warrant into one Equity Share of Rs.10/-each. A sum of 10% per warrant is payable at the time of allotment and the balance of 90% is payable with in 18 months from the date of allotment. The price per Warrant will be determined as per the guidelines framed by SEBI in this regard.

The warrants to be issued pursuant to the above will be subject to lock-in as stipulated under the applicable SEBI guidelines.

The proposed allotment of Warrants on preferential basis as envisaged above will not result in change in Control Management of the Company. The Company is in the process of developing new campus and attaining SEZ Status, developing new software products in addition to its line of existing products and proposes to intensify marketing in North America and Europe, The funds raised through the issue of preferential allotment of Equity shares will be used towards part funding of the above.

Disclosures, which are required to be made pursuant to Clause 13.1A of the Securities and Exchange Board of India(Disclosure & Investor Protection) Guidelines, 2000.

i) The objects of the issue through preferential offer

To part fund campus development and so as to attain SEZ Status, new product development, intensify marketing in North America and augment working capital source. The Company has various plans to expand its operations in various countries. The company is seriously working on developing more products in addition to the existing products.

(ii) The intention of the promoters/directors/key management persons to subscribe to the offer.

The intention and primary objective of the Promoters to subscribe to the warrants through this preferential issue is to enhance their commitment towards the company and make available funds to the company's proposed growth plans

(iii) Share holding pattern of the Company before and after conversion of proposed issue of Warrants pursuant to the resolution at item # 11

Sl.No	Category	Pre issue		Post Issue	
		No. of Equity Shares	Percentage (%)	No. of Equity shares	Percentage (%)
1	Promoters Holding*	47,28,785	31.82	69,28,785	40.61
2	Institutional Investors a)Mutual Funds & UTI b)Banks, FI, FIIs,		0		0
3	Private Corporate Bodies	9,30,308	6.26	9,30,308	5.45
4	Indian Public	79,22,896	53.31	79,22,896	46.43
5	Nris & OCBs	12,80,211	8.61	12,80,211	7.51
		1,48,62,200	100.00	17062200	100.00

*After taking into account the Equity shares to be allotted as proposed under Item#10 of this notice and also on the conversion of the 22,00,000 Warrants being proposed to issued to the promoters under the present preferential issue.

Note: The Company has allotted on 16.11.2006, 40,00,000 Lacs(Forty Lacs) warrants to various investors and they are pending for exercise.

iv) Proposed time within which allotment will be completed

The allotment of the Warrants being issued on preferential basis is proposed to be made within 15 days from the date of passing of the resolution by the Members, provided that where the allotment on preferential basis is pending on account of pendency of any approval for such allotment by any regulatory authority or the Central Government, the allotment shall be completed with in 15 days from the date of receipt of such approval.

v) Identity of proposed allottees and the percentage of post preferential issued capital that may be held by them

Identity of proposed allottees	No. of Warrants to be allotted	Percentage of post issue equity capital
Shri Shri Resorts Private Limited	10,00,000	4.70
Viswanath Kompella	5,00,000	2.35
Anil Kumar Pinapala	2,50,000	1.17
G.Santhi Priya	1,00,000	0.47
Srinath Kompella	1,00,000	0.47
Dr.Anupama	2,50,000	1.17
TOTAL	22,00,000	10.33

Note: The above percentage of post issue equity capital has been calculated on the assumption that, the 40 Lacs warrants will be exercised.

Item# 12

The company has made its presence in USA by acquiring KSoft Systems Inc., USA. The Company has various plans to expand its operations in various countries. The company is seriously working on developing more products in addition to the existing products..

Since the activities of the company are going to spread across different countries like United Kingdom, United States of America (USA), Europe etc. it is proposed to raise funds from overseas investors by way of Issue of American Depository Receipts (ADR's) Global Depository Receipts (GDR) and Foreign Currency Convertible Bonds (FCCB) representing USD20 million underlying equity shares Rs. 10/- with or without premium at the discretion of the Board.

This issue is within the FDI (foreign direct investment) sectorial limits specified by the Government of India.

Hence, the enabling resolution is being proposed to give adequate flexibility and discretion to the Board to finalize the terms in consultation with the Lead Managers or such authorities as may be required to be consulted in accordance with the established practices. The ADRs, GDRs, FCCBs representing equity shares when issued will be listed on Stock Exchanges abroad as may be decided by the Board.

Consent of the members is being sought by a Special Resolution pursuant to the provisions of Section 81(1A) and other applicable provisions of the Companies Act, 1956

The Special Resolution as set out at the Item-12 of the Notice, if passed will have the effect of allowing the Board to issue and allot shares to the foreign entities/persons residing outside India on the terms and conditions as may be decided by the Board. The Board may be authorized to take all steps necessary for implementing this resolution.

The Board of Directors recommends passing of the special resolution.

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

Additional Information required to be furnished under the Listing Agreement

The particulars of directors who are proposed to be re-appointed are given below:

1. Name : Datuk Santha Kumar
Age : 51 Years
Qualifications : Bachelor of Science (Hons), Civil from Brighton Polytechnic, Master of Science, Highway and Traffic Engineering, University of Birmingham
Expertise : He has been project director and involved in overall project planning and implementation of projects, which include among others, improvements to federal Highway Route II from subang to shah Alam for Plus, LRT 2 System for PUTRA Sdn Bhd., Express Rail Link from Kuala Lumpur to KLIA for ERL Sdn Bhd., West Coast Highway for Talam-Larut Construction.
Other Directorships : 4

2. Name : Datuk Kunasingam V. Sittmpalam
Age : 54 Years
Qualifications : Bachelor of Engineering (Hons) and Master of Engineering, Sheffield University, United Kingdom
Expertise : As a director to HSS intesys Sdn Bhd the IT Subsidiary of HSS integrated Group, providing value added services in engineering software, planning and scheduling work. At HSS integrated, he has been the project director involved in overall project
Other Directorships : 7 Unlisted Foreign Companies. Director ship in Vivo Bio Tech L:td, Hyderabad. He is a member of 3 committees in Vivo Bio Tech Ltd.

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting you the Eighteenth Annual Report of your company together with the Audited Accounts for the year ended 31st March, 2007.

Financial Results

Particulars	(Amount in Rs. Lakhs)	
	2006-07	2005-2006
Total Income	3449	2603
Profit before interest, depreciation and tax	1346	1228
Interest	39.27	42.28
Depreciation	426.06	344
Provision for Taxation	9.15	----
Profit after interest, Tax and depreciation	872.39	829
Deferred Tax Provision	45.29	12.46
Dividend	70.68	69.76
Provision for Dividend Tax	12.01	9.78
Balance brought forward	1568	816.44
Balance Carried to Balance Sheet	2312.97	1568

Financial Highlights:

The Company's performance in 2006-07 was dominated by strong, profitable growth in key markets around the world. Virinchi now have become the world leader in providing IT solutions to the micro retail lending industry.

We have achieved a tremendous growth of 33 % in annual revenues, recording Rs.34.49 Crores for the year 2006-07 as against Rs 25.70 Crores in the previous financial year 2005-06. The company's net profit before tax stood at Rs. 8.81 Crores in 2006-07.

Acquisition of Ksoft Systems INC

As you are aware , the Company has acquired 100% Share holding of Ksoft Systems INC. The acquisition is completed and effective from 1st October, 2006

Reserves and Surplus

During the year the Company has transferred Rs.7,44,39,678/- to Reserves and Surplus.

Dividend

The Board of Directors of your company are pleased to recommend a dividend of 5% (i.e. Rs 0.50 per equity share of Rs. 10/- each) for the year ended 31st March, 2007

Directors

In accordance with the provisions of the Companies Act, 1956 Datuk Santha Kumar & Datuk Kunasingam V. Sittampalam retire by rotation at the forthcoming Annual General Meeting. Mr. Sreenivasa Sreekanth Uppuluri, Mr. Anil Kumar Pinapala, Mr. Jagan Mohan Rao Karpey are appointed as CTO, CEO, CRO w.e.f. 26.10.2006. Mr. K.S.K.Prasad resigned with effective from 20-09-2006

Issue of Equity Shares and Warrants:

The Company has passed a special resolution in the 17th Annual General meeting of the Company to allot Equity shares and warrants to other investors and promoter under preferential allotment guidelines. . The Company has allotted 40,00,000 Warrants at a price of Rs.40/- per warrant.

Directors' Responsibility Statement:

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956 with respect to the Directors' Responsibility Statement, it is hereby confirmed that:

- i) In the preparation of the annual accounts for the year ended 31st March, 2007, the applicable accounting standards had been followed and there are no material departures.
- ii) We have selected appropriate accounting policies and applied them consistently and have 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 as on 31st March 2007 and of the profit of the company for the financial year ended 31st March 2007.
- iii) We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) We have prepared the annual accounts for the financial year ended 31st March, 2007 on a going concern basis.

Auditors

M/s. P. Murali & Co., Chartered Accountants, Statutory Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

Deposits

The Company has not accepted fixed deposits as on 31st March, 2007 so as to attract the provisions of Section 58A and 58AA of the Companies Act, 1956 read with Companies (Acceptance of the Deposits) Rules, 1975 as amended from time to time.

Information required under Section 217(1)(e) of the Companies Act 1956 read with the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988.

A) Conservation of Energy:

Company's operations require electrical energy for its use in air conditioning the premises, for power supply to computer systems and lighting which are not energy intensive. However, adequate measures have been taken to reduce energy consumption, wherever possible.

B) Research and Development and Technology Absorption:

Your company will continue to focus and invest in its R & D activities in software engineering, technologies and products. Your company leverages its excellence in technology for producing World Class Products and solutions. The continual exposure to new technologies has helped maintain high motivation levels in employees and to generate higher levels of productivity, efficiency and quality. Your company continues to give due importance to research and development to maintain its leadership in the field of leading edge technologies.

C) Foreign Exchange Earnings and Outgo:

Earnings: Rs 3420 Lacs towards Export of Software.

Outgo : Rs. 88.96 Lacs towards Foreign Travel and Rs.1058 Lakhs towards expenses.

Particulars of Employees

In pursuance of the provisions of section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975, the Directors are to report that the following employee was in receipt of remuneration of Rs.24,00,000/- or more per annum or Rs.2,00,000/- or more per month where employed for a part of the year.

Sl.No	Name of the employee	Gross Salary received in 2006-07
01	K. Viswanath	24,00,000

Details about Virinchi Employees Stock Option Scheme, 2004 (VESOS, 2004)

Pursuant to the provisions of Guideline 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee stock purchase Scheme), Guidelines, 1999, the details of stock options as on 31st March, 2007 under the Virinchi Employee Stock Options Scheme, 2004 are as under:

Sl.No	Description	Details
1	Options Granted during 2006-07	5,25,000
2	Pricing formula	The Company is issuing the shares at Face Value of Rs.10/- each as per the resolution passed in the 17 th Annual General Meeting of the Company.
3	Options Vested	1,85,200
4	Options exercised	1,85,200
5	The total number of shares arising as a result of exercise of option	1,85,200
6	Options lapsed	Nil
7	Variation of terms of options	The terms of options were varied in the Financial year 2006-07 by issuing the shares at face value.
8	Money realized by exercise of options	18,52,000
9	Total number of options in force	Total options reserved under the scheme :11,67,000 and Total 8,95,400 options granted
10	Employee wise details of options granted to i) Senior Management personnel ii) Any other employee who receives a grant in any one year of option amounting to 5% of or more of option granted during that year iii) Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant.	N.A.
11	Diluted Earning Per share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard (AS)20 Earning Per share	5.67

12	The difference between the employee compensation costs computed under intrinsic value method and the employee compensation cost that shall have been recognized if the Company had used the Fair Value methods and its impact on profits and EPS of the Company.	The employee compensation cost on account of ESOP in the financial year 2006-07 based on Intrinsic value method is Rs. 1.46 Crore. Had the company used the Fair value method, the ESOP cost in the financial year 2006-07 would have been Rs, 1.51 Crores There would not have been any adverse effect on the profit and EPS of the Company, if Fair Market value method of accounting was adopted instead of intrinsic value.
13	Weighted Average exercise prices and weighted average fair values of options for options whose exercise price either equals or exceeds or is less than the market price of the stock	NIL
14	Description of the method and significant assumptions used during the year to estimate the fair value of options. i. Risk-free interest rate ii. Expected life iii. Expected Volatility iv Expected dividends v. The price of the underlying share in market at the time of option grant	The Company has opted Intrinsic Value method for accounting of Compensation Cost arising out of ESOP. The Company has not made any assumptions.

Report on Corporate Governance

Corporate Governance Report is set out as separate Annexure to this Report.

Management Discussion and Analysis

This has been dealt with in the separate Annexure to this Report.

Acknowledgements

Your directors would like to place on record their appreciation of support, co-operation and assistance received from the company's clients, Central Government authorities, bankers, shareholders and suppliers. The board wishes to convey its appreciation of hard work, solidarity, cooperation and support put in by the company's employees at all levels in enabling such growth.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

For VIRINCHI TECHNOLOGIES LIMITED

PLACE : HYDERABAD

VISWANATH KOMPELLA

DATE : 25.08.2007

CHAIRMAN & MANAGING DIRECTOR

Annexure to Directors' Report

Report on Corporate Governance

1. Company's Philosophy:

Virinchi believes that best corporate governance practices should be enshrined in all activities of the company. This will help the company in conducting the affairs of the company in an efficient manner and also helps in achieving its goal of maximizing value for all its stakeholders. Our Corporate Philosophy envisages complete transparency and adequate disclosure with an ultimate aim of value creation for all players i.e stakeholders, creditors, Employees.

The Company is in compliance with the requirements of revised guidelines on Corporate Governance stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, and with the adoption this year, of a code of conduct for Non- Executive Directors also, which has been put on in the website of the company at www.virinchi.com

2. Board of Directors:

a) Composition

The Company has a Executive Chairman and to have a more professional outlook your company is having 5 Independent directors and 4 other directors which is in compliance with the clause 49 of the Listing Agreement

b) Attendance of each Director at the Board Meetings and the last AGM and their Category

During the Financial Year 2006-07 the Board of Directors met 6 times on the following dates:

29.04.2006, 29.07.2006, 30.08.2006, 26.10.2006, 16.11.2006, 20.01.2007

The attendance of each Director is given below:

Name of the Director	Category	No. of other Directors hips	No. of committees in which Member	No. of Board Meetings attended	Whether attended last AGM
Mr.Viswanath Kompella	Promoter and Managing Director	2	3	7	Yes
Datuk Santha Kumar S	Independent Non Executive Director	4	---	--	No
Datuk Kunasingam Sittampalam	Independent Non-Executive Director	6	--	--	Yes
Mr.KVSN.Kumar*	Independent Non-Executive Director	4	--	--	No
Mr.K.S.K.Prasad**	Independent Non-Executive Director	--	3	3	No
Mr.Jagadish K. Rao	Non Executive Director	1	--	7	No
Mr. K.Jagan Mohan Rao	Executive Director	--	3	7	Yes
Dr. Venugopal	Independent Non-Executive Director	--	3	7	Yes
Sreenivasa Sreekanth Uppuluri	Executive Director	-	-	3	No
Anil Kumar Pinapala	Executive Director	-	-	3	Yes
Samad A.Momin	Independent Non-Executive Director	-	-	-	No
Steve Clevenger	Independent Non-Executive Director	-	3	-	No

* Retired in the Last Annual General Meeting

**Resigned with effect from 20th September, 2006

3. AUDIT COMMITTEE:

During the year under review Four (4) meetings were held for approval of Unaudited Financial Results.

The constitution of the Committee and the attendance of each member of the Committee is given below:

Name of the Director	Designation	Nature of Directorship	Committee meetings attended
K.S.K.Prasad *	Chairman	Independent Non Executive Director	2
Dr. Venugopal	Chairman & Member	Independent Non Executive Director	3
Viswanath Kompella	Member	Executive Director	4
Steve Clevenger**	Member	Independent Non Executive Director	2

*Resigned with effect from 20.09.2006

**Appointed with effect from 20.09.2006

The meetings of Audit committee were also attended by the Statutory Auditor as Invitees. The unaudited financial results for each quarter are approved by the audit committee before passed on to the Board of Directors for approval and adoption.

♦Terms and reference of the Audit Committee include a review of;

- ♦ Financial reporting process
- ♦ Draft financial statements and auditor's report (before submission to the Board)
- ♦ Accounting policies and practices
- ♦ Internal controls and internal audit systems
- ♦ Risk management policies and practices
- ♦ Related party transactions
- ♦ Internal audit reports and adequacy of internal audit function

The role of the audit committee includes recommending the appointment and removal of the external auditor, discussion of the audit, plan and fixation of audit fee and also approval of payment of fees for any other services.

4. Remuneration Committee

The Remuneration Committee is constituted as follows:

During the year the Committee met 2 times

Name of the Director	Designation	Nature of Directorship	Attendance
K.S.K.Prasad*	Chairman	Independent	1
Dr. Venu gopal	Chairman & Member	Independent	1
Viswanath Kompella	Member	Executive Director	2
Steve Clevenger**	Member	Independent	1

*Resigned with effect from 20.09.2006

**Appointed with effect from 20.09.2006

Details of remuneration to the directors for the Year:

Details of remuneration paid to Directors are given below:

Name of the Director	Business relationship with company if any	Loans and advances from company	Remuneration	Paid During the year 2006-2007		
				Sitting fees Rs.	Salary Rs.	Commission Rs.
Mr. Viswanath Kompella	None	None	--	24,00,000	---	24,00,000
Mr. Jagannmohan Rao	None	None		3,75,000	---	3,75,000
Mr. K.S.K. Prasad	None	None	7,500	---	---	7,500
Dr. Venugopal	None	None	17,500	---	---	17,500
Mr.Sreenivasa Sreekanth Uppuluri	None	None		7,50,000	---	7,50,000
Mr. Anil Kumar Pinapala	None	None		10,00,000	---	10,00,000

The Broad terms of reference of Remuneration Committee are to determine on behalf of the Board and on behalf of Shareholders with agreed terms of reference, the Company's policy on specific remuneration package for executive directors.

The Non- Executive Directors are paid remuneration by way of sitting fees of Rs.2500/- for each meeting of the Board attended by them. The Company does not pay any sitting fees for the committee meetings attended by the members.

5. INVESTORS' GRIEVANCE COMMITTEE:

The Board constituted an investors' grievance committee which looks into shareholders and investors grievances under the chairmanship of K.S.K.Prasad who is an Independent and Non- Executive director.

Composition of the Committee:

K.S.K.Prasad*	Member and Chairman of the Committee
Dr. Venugopal	Chairman and Member of
Viswanath Kompella	Member
Steve Clevenger**	Member

*Resigned on 20.09.2006

**Appointed on 20.09.2006

9. General Shareholder information :

- a) AGM: Date, Time and Venue : 28th September, 2007 at 2:00.P.M.
 At Padmashali Kalyana Mandapam,
 2-12-66, Nehru Nagar, West Maredpally,
 Secunderabad 500 026 A.P.
- b) Financial Year : 1st April to 31st March
 Financial Reporting for:
 Quarter ending June 30, 2007 Before end of July 07
 Quarter ending September 30, 2007 Before end of October 07
 Quarter ending December 31, 2007 Before end of January, 08
 Quarter ending March 31, 2008 Before end of April, 08
- c) Date of Book Closure : 25th September 2007 to 28th September 2007
 (bothdays Inclusive)
- d) Dividend Payment date(s) : Dividend if declared paid/credited on or after
 4th October, 2007
- e) Listing on Stock Exchanges : The Company's Equity Shares are listed in the
 Hyderabad Stock Exchange Limited and
 The Stock Exchange, Mumbai (BSE). The Company has
 paid the listing fees to the BSE for the financial year
 2007-08.
- f) Stock Code i) Stock Code Physical
 Hyderabad: Not Allotted
 Mumbai : 532372
 ii) Demat ISIN in NSDL and CDSL
 INE539B01017

g) Market Price Data:

The Monthly high and low quotation and the volume of shares traded on The Stock exchange, Mumbai are as under:

Month	Highest(Rs.)	Lowest(Rs.)	Volume of Shares traded
April, 2006	47.70	38.15	1630147
May, 2006	56.00	34.15	4081303
June, 2006	41.00	23.60	1334935
July, 2006	35.50	27.50	847479
August, 2006	41.00	30.50	1039469
September, 2006	46.20	36.70	2524264
October, 2006	46.70	38.00	2222766
November, 2006	41.90	34.75	1212028
December, 2006	47.90	30.15	2941862
January, 2007	64.35	42.00	7900570
February, 2007	49.80	34.50	1805016
March, 2007	37.90	30.00	935624

Source: www.bseindia.com

Note: During the year shares of the company were not traded in Hyderabad Stock Exchange. Hence, the monthly High and Low of the stock quotations in respect of the same are not furnished.

- h) Registrar and share transfer agents : Aarathi Consultants Pvt Ltd.
1-2-285, Domalguda,
Hyderabad 500 029.
Ph: 27634445, 27638111 Fax: 27632184
- i) Share Transfer System : The Share transfers are being effected
physically by the Company's share transfer agents,
M/s. Aarathi Consultants Pvt. Ltd, Hyderabad.
- j) Distribution Shareholding as on 31st March, 2007

Share Holding of Nominal Value	Share Holders			Share Amount	
	Rs.	Numbers	% of Total	In Rs.	% of Total
	(1)	(2)	(3)	(4)	(5)
Upto 5,000	5,000	8973	77.14	18713970	13.24
5,001	10,000	1385	11.91	11862520	8.39
10,001	20,000	603	5.18	9563200	6.76
20,001	30,000	231	1.99	6035740	4.27
30,001	40,000	98	0.84	3576780	2.53
40,001	50,000	92	0.79	4389020	3.10
50,001	1,00,000	112	0.96	8573490	6.06
1,00,001	And above	138	1.19	78657280	55.64
TOTAL		11632	100.00	141372000	100.00

- k) Share holding pattern as on 31st March 2007.

	CATEGORY	No. of Shares held	% age of shareholding
A	PROMOTERS HOLDING:		
1.	Promoters*		
	- Indian Promoters	24,92,171	17.63
	- Foreign Promoters	15,80,114	11.18
2.	Persons acting in Concert #	Nil	Nil
B.	NON-PROMOTERS HOLDING		
3.	Institutional Investors		
a.	Mutual Funds	Nil	Nil
b.	Banks, Financial Institutions, Insurance Companies (Central/ State Govt. Institutions / Non-government Institutions)	Nil	Nil
c.	FIs	Nil	Nil
4.	OTHERS		
a.	Private Corporate Bodies	11,58,515	8.19
b.	Indian Public	76,49,924	54.11
c.	NRIs / OCBs	12,12,604	8.58
d.	Clearing Members	43,872	0.31
	TOTAL	14137200	100.00

- l) Dematerlization of Shares and liquidity : Since the Company has entered into an arrangement with both the depositories namely NSDL and CSDL for dematerialisation of its shares, the shareholders of the company are more free to Dematerialise their shares and keep them in Dematerialised form with any depository participant. The Company shares are regularly traded on The Stock Exchange, Mumbai. 89.23% of the Company's share capital is Dematerialized as on 31.03.2007
- m) Outstanding GDRs./ ADRs./Warrants or any Convertible instruments : The Company has issued 12,00,000 Warrants to Mr. Viswanath Kompella during 2004-2005. The Company has allotted 40 lacs warrants to various Impact on equity investors and pending for exercise.
Conversion date and likely
Impact on equity
- n) Address for Correspondence : Virinchi Technologies Limited
10, SRK Colony, West Maredpally,
Secunderabad 500 026

Non Mandatory Requirements:

The Chairman is entitled to reimbursement of expenses incurred in performance of his duties. The Company has already set up a Remuneration Committee. The Company shall adopt postal ballot system, where compulsory, under the Companies Act, 1956. The other suggestions have not yet been adopted.

BY ORDER OF THE BOARD OF DIRECTORS
For **VIRINCHI TECHNOLOGIES LIMITED**

PLACE: HYDERABAD

DATE : 25.08.2007

VISWANATH KOMPELLA
CHAIRMAN & MANAGING DIRECTOR

ANNEXURE TO THE DIRECTORS' REPORT

Pursuant to Clause 49 of the Listing Agreement, a report on Management Discussion and Analysis Report is given below:

MANAGEMENT DISCUSSION AND ANALYSIS REPORT:**Software Industry Trend Overview**

The Indian IT-ITES industry including domestic market recorded an overall growth of 30.7% as against Indian IT software and services industry continued its outstanding performance in the year 2006-07, recording double digit growth. Software exports remained the mainstay for the industry, growing at a healthy 33 percent during 2006-07. Software and service export register revenues of US\$ 31.4 billion in financial year 2006-07 from last years US \$ 23.6 billion in 2005-06.

The domestic segment grew by 23 percent to log in revenues of US\$ 8.2 billion in financial year 06-07 up from US\$ 6.7 million last year. Within the export segment, IT services exports grew by 35.5 percent, to notch up revenues of US\$ 18 billion

The software and services sector witnessed strong growth in FAO demand and a steady expansion in emerging service lines such as legal and risk management. The sector's momentum was catalyzed by new contracts and renewals, increased traction in a broader range of services, expansion of its geographic footprint, increased mergers and acquisitions (both domestic and cross-border) and heightened interest among private equity investors to drive newer growth opportunities. India continued to remain on the global sourcing radar of customers, with the country's software players bagging major contracts in the application management and infrastructure services space.

India continues to be the most preferred destination for global IT sourcing due to its talent pool, top-quality management and security and quality focus. Indian companies face stiff competition from global IT vendors (Accenture, IBM, EDS, Cap Gemini) who are aggressively developing and enhancing their offshore delivery capability. They are doing this through both organic growth in headcount and selective strategic acquisitions.

Based on the fact that the Indian IT software and services industry (domestic and exports) is constantly exceeding revenue projections, a growth of around 24-27 percent during the current fiscal is estimated, with turnover expected to touch the US\$ 49-50 billion mark. Clearly, this places the sector in a strong position to achieve the US\$ 60 billion export target for FY09-10.

Driving the industry will be the following factors:

- ♦ an addressable global market opportunity of around US\$ 300 billion
- ♦ growth in existing businesses and new services lines
- ♦ India's status of "most preferred destination for global IT sourcing"
- ♦ The country's talent pool, top-quality management and security and quality focus

Today, India as an offshore destination for IT services offers more than just a cost proposition. Its demonstrated track record of delivering global quality at low cost has enabled the Indian IT industry to transition from being a lower-end application development and maintenance services provider to offering higher-end critical services like design conceptualization and implementation, product co-development and IT infrastructure management. This validates the maturing of the Indian IT industry as a provider of high-productivity, quality-driven services.

Your company captures the market trend

Your company had a very successful year in 2006-07. The key challenge in the coming year is to maintain

the growth trend and take the company to new levels of achievement and success.

Your company offer out-of-the-box web-based solutions to customers seeking enterprise-wide solutions towards automating range of processes and improving productivity substantially. Your company today offers ready-to-deploy software solutions in the domains of Supply chain, Micro-lending, Insurance Investigations, Project Management, Online Reporting and Market Research to customers across the globe. Your company has presently added the few products to the existing portfolio that includes SLA Management Solution, Vendor Relationship Management Solution, Computer Aided Market Research), and will focus on potential market existing in the USA and Europe.

Your company focuses on products and services both. Your company's strong product portfolio is supplemented and supported by its strong service areas. The company has evolved matured service practice areas such as: Custom Application Development, Product Support and Maintenance, product customization services, data warehousing, data migration, among others. Your company will continue to focus on providing both products and services offerings in its major markets of USA and Europe.

During the coming year your company aims to increase business from the current clientele and extend its product portfolio to new clients across geographies. The key markets will continue to be the United States and Europe. However, your company is strengthening its sales and marketing presence in other potential geographies. Your company has built the foundation for a predictable and scalable sales model where we can plan for the expansion of the products and service portfolio with greater visibility.

While previously your company shifts typically added new layers of software atop the existing stack, this quiet revolution that your company is picking up is a more fundamental transformation. Your company is reshaping the entire prospects of acquiring clients to deliver more value, in more manageable pieces, over time. Ongoing restructuring will lead to more established, broadly shared sales channels that deliver new products and services more efficiently to enterprise customers.

Tacit interaction is the next frontier in business automation value and your company will make full use of modern collaboration and data sharing platforms. Taken together, these changes will have profound implications for both your company and its customers.

Opportunities, Risks & Concerns

Today, the more pressing issues for other businesses are whether the software provider can maintain service levels and meet predefined quality metrics at offshore. But it's not always a crisis that turns an offshore outsourcing engagement sour. When things don't go well, analysts say, poor communication between the customer and the offshore service provider is often to blame. Researchers at Gartner say that, in general, companies that have outsourced major business operations need to do more to ensure that operations will run smoothly. The following concerns are to be addressed by the organizations to be focused on delivering quality services on time to meet their requirements

- ◆ The promise of cost savings is leading more companies to accept the greater risk of outsourcing revenue-generating processes offshore
- ◆ Concerns include everything from whether the provider's IT infrastructure is sound to what an exit strategy might be if the region experiences turmoil

Comparatively, your company has a flexible and sustainable business model that differentiates from the conventional model deployed by other off-shore outsourcing firms. A key factor for success is making sure to dedicate resources for managing the relationship. Developed on the experience of the management team in many previous outsourcing engagements, your company's model is uniquely suited for cost efficient outsourcing solutions. In order to mitigate some of the pitfalls of outsourcing, your company takes a pragmatic approach.

Your company has clearly etched out the practice areas and has dedicated teams to manage requirements of such practice areas onsite as well as offshore. Your Company can now confidently handle projects of large size and deliver in defined timelines.

The increasing success of your company's products and services is putting pressure on its infrastructure. Your company is currently utilizing its total capacity. However, keeping pace with the expected growth, your company is adding capacity to meet the future growth requirements. Your company is also getting the necessary approvals to set up its campus.

Your company has perfect understanding of the amount of risks and extent of risks involved while delivering the project to client and knows well how to tackle them effectively. Your company is also trying to explore and find other opportunities that might prove to be beneficial in increasing our revenues and gain market share.

Internal Control Systems & Their Adequacy

The Management Information Systems is the back bone of our internal control mechanism. The Company has adequate internal control systems and procedures in all operational areas and at all levels equipment procurement, finance and administration marketing and personnel departments. The Company also has internal Audit system commensurate with its size and nature of business. The Audit Committee reviews the internal audit reports and the adequacy of internal controls from time to time.

Discussion on Financial Performance with respect to Operational Performance

We have achieved a tremendous growth of 33 % in annual revenues, recording Rs.34.49 Crores for the year 2006-07 as against Rs 25.70 Crores in the previous financial year 2005-06. The company's net profit before tax stood at Rs. 8.81 Crores in 2006-07.

Material Developments in Human Resources/Industrial Relations front, including number of people employed.

Your company believes that successful organizations emanate from successful people who achieve that success from within the organization. Hence it's the organization's responsibility to define the growth & success blue print of every member working for it. Based on some of the successful industry practices, a comprehensive career management model has been devised for your company, primarily driven by parameters such as group and individual performance, to determine the growth & success path for each employee.

Your company is building on these three aspects with particular emphasis on Human Resources. Your company has about 250 employees on the rolls and keeping abreast with the envisaged growth, your company aims to increase its headcount to about 350 by the end of year 2007-08. Your company is taking several initiatives to retain its employees in a very competitive environment.

Your company works continuously towards adopting the best human resource practices in the industry and firmly believes in coming out with creative ideas for promoting customer satisfaction of the highest order. To ensure that employees grow with technology, training programs are conducted by your company at regular intervals to enable all technical & functional resources be abreast with the latest technologies.

**Declaration regarding compliance with the code of conduct and ethics policy of the company by
Board Members and senior management personnel**

This is to confirm that the company has adopted code of conduct and Ethics policy for the Board of Directors and Associates of the Company, which is available at www.virinchi.com

I, declare that the Board of directors and senior management personnel have affirmed compliance with the Code of Conduct and Ethics Policy of the Company.

Date: 25.08.2007

Place: Hyderabad

Viswanath Kompella
Chairman & Managing Director

Compliance Certificate on Corporate Governance

To

**The Members,
VIRINCHI TECHNOLOGIES LIMITED**

We have read the report of the Board of Directors on Corporate Governance and have examined the relevant records relating to compliance condition of corporate governance of M/s. Virinchi Technologies Limited, ("the company") for the year ended 31st March, 2007 as stipulated in clause 49 of the listing agreement of the said company with the Stock Exchanges.

The compliance of the conditions of the Corporate Governance is the responsibility of the management. Our examination, conducted in the manner described in the Guidance note on Certification of Corporate Governance" issued by the Institute of Chartered Accountants of India was limited to procedures and implementation thereof adopted by the company for ensuring compliance with the conditions of Corporate Governance. Our examination was neither an audit nor was it conducted to express an opinion on the financial statements of the company.

In our opinion and to the best of our information and explanations given to us and on the basis of our examination described above, the company has complied with the conditions of Corporate Governance as stipulated in clause 49 the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

For P. MURALI & CO.,
CHARTERED ACCOUNTANTS

PLACE : HYDERABAD

DATE : 25.08.2007

P.MURALIMOHANA RAO
PARTNER.
M.No: 23412

AUDITORS' REPORT

To
The Members,
VIRINCHI TECHNOLOGIES LIMITED

1. We have audited the attached Balance Sheet of M/s **VIRINCHI TECHNOLOGIES LIMITED** as at 31st March, 2007 and also the Profit and Loss Account for the period ended on the date annexed thereto and the cash flow statement for the period ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
 2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
 3. As required by the Companies (Auditor's Report) Order, 2003 and as amended by the Companies (Auditor's Report) (Amendment) Order 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
 4. Further to our comments in the Annexure referred to above, we report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose 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 dealt with by this reports are in agreement with the books of account.
 - d) In our opinion, the Balance Sheet & Profit and Loss Account dealt with by this report comply with the Accounting Standards referred to in Sub Section (3C) of Section 211 of the Companies Act, 1956;
 - e) On the basis of written representations received from the Directors, as on 31st March, 2007 and taken on record by the Board of Directors, we report that, none of the Directors is disqualified as on 31st March, 2007 from being appointed as a Director in terms of clause (g) of sub-Section (i) of Section 274 of the Companies Act, 1956.
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said Accounts give the information required by the Companies Act, 1956 in the manner so required 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 31st March, 2007.
 - 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 cash flow statement of the cash flows for the year ended on that date.

For P. MURALI & CO.,
CHARTERED ACCOUNTANTS
P.MURALI MOHANA RAO
PARTNER
M.No: 23412

PLACE: Hyderabad
DATE: 25.08.2007

ANNEXURE TO THE AUDITOR'S REPORT:

1. a) The company has maintained proper records showing full particulars including quantitative details and situation of its Fixed assets.
b) As explained to us, the fixed assets have been physically verified by the management reasonable intervals and no discrepancies between the book records and the physical inventory have been noticed on such verification.
c) The company has not disposed off any of the Fixed Assets during the year.
2. The Company has no Inventory. Hence this clause is not applicable.
3. a) The Company has not granted or taken any loans, Secured or unsecured to Companies, Firms or other Parties covered in the register maintained under Section 301 of the Companies Act, 1956.
b) As the Company has not granted any loans, the clause of whether the rate of interest & other terms and conditions on which loans have been granted to parties listed in the register maintained under Section 301 is prejudicial to the interest of company, is not applicable.
c) As no loans are granted by company, the clause of receipt of interest & principal amount from parties, is not applicable to the company.
d) No loans have been granted to Companies, Firms & other parties listed in the register U/s. 301 of the Companies Act, 1956, hence overdue amount of more than rupees one Lac does not arise and the clause is not applicable.
4. In our opinion and according to the information and explanation given to us, there are generally adequate internal controls commensurate with the size of the company and the nature of its business with regard to purchases of fixed assets and for sale of goods and services. There is no continuing failure by the company to correct any major weaknesses in internal control.
5. a) In our opinion and according to the information and explanations given to us, since no contracts or arrangements referred to in section 301 of the Companies Act, 1956 have been made by the Company in respect of any party in the financial year, the entry in the register U/s. 301 of the Companies Act, 1956 does not arise.
b) According to the information and explanations given to us, as no such contracts or arrangements made by the company, the applicability of the clause of charging the reasonable price having regard to the prevailing market prices at the relevant time does not arise.
6. The company has not accepted any deposits from the public and hence the applicability of the clause of directives issued by the Reserve Bank of India and provisions of section 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under does not arise. As per information and explanations given to us the order from the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal has not been received by the Company.
7. In our opinion, the company is having internal audit system, commensurate with its size and nature of its business.
8. In respect of the Company, the Central Government has not prescribed maintenance of cost records under clause (d) of Sub Section (1) of Section 209 of the Companies Act, 1956.
9. a) The company is regular in depositing statutory dues including PF, ESI, Income Tax, and any other statutory dues with the appropriate authorities and at the last of the financial year there were no amounts outstanding which were due for more than 6 months from the date they became payable.
b) According to the information and explanations given to us, no undisputed amounts are payable in respect of PF, ESI, Income Tax, and any other statutory dues as at the end of the period, for a Period more than six months from the date they became payable.
10. The company has been registered for a period of not less than 5 years, and the company has no

accumulated losses at the end of the financial year and the company has not incurred cash losses in this financial year and in the immediately preceding financial year.

11. According to information and explanations given to us, the Company has not defaulted in repayment of dues to financial Institutions of banks.
12. According to the information and explanations given to us, the Company has not granted any loans or advances on the basis of security by way of pledge of shares, debentures and other securities and hence the applicability of the clause regarding maintenance of adequate documents in respect of loans does not arise.
13. This clause is not applicable to this Company as the Company is not covered by the provision of special statute applicable to Chit Fund in respect of Nidhi/Mutual Benefit Fund/Societies.
14. According to the information and explanations given to us, the company is not dealing or trading in shares securities, Debentures and other investments and hence the provisions of clause 4 (xiv) of the Companies (Auditor's Report) Order 2003, are not applicable to the Company.
15. According to the information explanations given to us, the Company has not given any guarantee for loans taken by others from Banks or Financial Institutions, and hence the applicability of this clause regarding terms and conditions which are prejudicial to the interest of the company does not arise. In our opinion, the terms and conditions on which the company has given guarantees for loans taken by others from banks or financial institutions are not prejudicial to the interest of the company.
16. According to the information and explanations given to us the company has obtained Term Loan and utilized the funds for the purpose it was sanctioned.
17. According to the information and explanations given to us, the Company has not used short term funds for long term Investment.
18. According to the information and explanation given to us, the company has made preferential allotment to parties covered in the Register maintained Under Section 301 of the Companies Act, 1956. However, as per the information provided for our verification, the terms and conditions of the same are not prejudicial to the interest of the Company.
19. According to the information and explanations given to us, the company has not issued debentures and hence the applicability of the clause regarding the creation of security or charge in respect of debentures issued does not arise.
20. According to information and explanations given to us, the company has not raised any money by way of public issues during the year, hence the clause regarding the disclosure by the management on the end use of money raised by Public Issue is not applicable.
21. According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year under audit.

For P. MURALI & CO.,
CHARTERED ACCOUNTANTS

PLACE: Hyderabad
DATE : 25.08.2007

P. MURALI MOHANA RAO
PARTNER
M.No 23412

BALANCE SHEET AS ON 31st MARCH, 2007

PARTICULARS	SCHEDULE Nos.	AS AT 2006-07 (Rupees)	AS AT 2005-06 (Rupees)
I SOURCES OF FUNDS			
1. SHAREHOLDERS FUNDS			
a) Share Capital	1	140,916,697	139,057,000
b) Share Warrants		24,040,000	8,040,000
c) Reserves & Surplus	2	449,173,725	360,389,285
2. LOAN FUNDS			
a) Secured Loans	3	39,600,751	38,830,272
3. DEFERRED TAX LIABILITY			
		36,616,619	32,086,819
TOTAL		690,347,792	578,154,110
II APPLICATION OF FUNDS			
1. FIXED ASSETS			
a) Gross Block	4	516,326,137	437,054,387
b) Less: Depreciation		132,625,047	90,018,270
c) Net Block		383,701,089	347,036,117
2. INVESTMENTS			
	5	105,082,001	14,000
3. CURRENT ASSETS, LOANS AND ADVANCES			
a) Sundry Debtors	6	51,631,664	50,774,920
b) Cash and Bank Balances	7	52,190,273	116,816,713
c) Advances and Deposits	8	123,063,032	121,663,456
			-
Less: Current Liabilities, Provisions and Advances	9	25,320,266	58,151,097
NET CURRENT ASSETS		201,564,702	231,103,992
TOTAL		690,347,792	578,154,110

Notes to Accounts

11

Schedules 1 to 10, Notes to Accounts and the Cash Flow Statement annexed here to form part of these Accounts.

AS PER OUR REPORT OF EVEN DATE
for **P MURALI & CO.,**
CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD
for **VIRINCHI TECHNOLOGIES LIMITED**

P.MURALI MOHANA RAO
PARTNER

VISWANATH KOMPPELLA
CHAIRMAN & MANAGING DIRECTOR

K.JAGANMOHAN RAO
DIRECTOR

PLACE : HYDERABAD
DATE : 25.08.2007

K. RAVINDRANATH TAGORE
COMPANY SECRETARY

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2007

PARTICULARS	SCHEDULE NO'S	YEAR ENDED 2006-07 (Rupees)	YEAR ENDED 2005-06 (Rupees)
1 INCOME			
Income from Operations		341,633,972	257,072,583
Interest on FDR		3,323,265	1,488,759
Other Income		-	1,751,632
TOTAL		344,957,237	260,312,974
2 EXPENDITURE			
Salaries and Other Benefits to Employees		57,969,613	32,097,472
Business and Administrative Expenses	10	152,299,057	105,346,555
Interest and Financial Expenses		3,927,402	4,228,508
Depreciation		42,606,778	34,475,007
TOTAL		256,802,850	176,147,541
3 PROFIT BEFORE TAX		88,154,386	84,165,433
4 PROVISION FOR TAX			
Current Tax		780,000	-
Fringe Benefit Tax		135,000	
Deferred Tax		4,529,800	997,065
5 PROFIT AFTER TAX		82,709,586	83,168,368
6 PROVISION FOR DIVIDEND		7,068,600	6,976,000
7 PROVISION FOR DIVIDEND TAX		1,201,309	978,384
8 PROFIT AFTER DIVIDEND		74,439,678	75,213,984
9 BALANCE BROUGHT FORWARD		156,858,086	81,644,102
10 BALANCE CARRIED FORWARD TO BALANCE SHEET		231,297,764	156,858,086
11 BASIC EARNINGS PER SHARE (PAT)		5.85	5.96
Notes to Accounts	11	-	-

Schedules 1 to 10, Notes to Accounts and the Cash Flow Statement annexed here to form part of these Accounts.

AS PER OUR REPORT OF EVEN DATE
for **P MURALI & CO.,**
CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD
for **VIRINCHI TECHNOLOGIES LIMITED**

P.MURALI MOHANA RAO
PARTNER

VISWANATH KOMPPELLA
CHAIRMAN & MANAGING DIRECTOR

K.JAGANMOHAN RAO
DIRECTOR

PLACE : HYDERABAD
DATE : 25.08.2007

K. RAVINDRANATH TAGORE
COMPANY SECRETARY

PARTICULARS	AS AT 2006-07 (Rupees)	AS AT 2005-06 (Rupees)
SCHEDULE 1		
SHARE CAPITAL		
AUTHORISED :		
18,000,000 Equity Share of Rs.10/- each	180,000,000	180,000,000
ISSUED, SUBSCRIBED & PAID UP :		
14,137,200 Equity shares of Rs.10/- each	141,372,000	139,520,000
(Previous year 1,39,52,000 Shares of Rs. 10/- each)		
LESS: Calls in Arrears	455,303	463,000
	140,916,697	139,057,000
Share Warrants	24,040,000	8,040,000
SCHEDULE 2		
RESERVES AND SURPLUS		
Balance Upto Previous year	156,608,820	81,644,102
Surplus in Profit and Loss Account	74,439,678	74,964,718
	231,048,498	156,608,820
Employee Stock Option Scheme	28,174,424	14,981,237
Less:Deferred Employee Compensation	18,182,667	11,235,928
	9,991,757	3,745,309
Securities Premium (Share Premium)	208,133,470	199,785,890
	449,173,725	360,140,019
SCHEDULE 3		
SECURED LOANS		
Overdraft from Canara Bank (Hypothecation of Machinery such as Computers, Furniture and Fixtures, Office Equipment and Airconditioners and personal guarantee of the Director of the Company)	23,172,901	21,062,722
Vehicle Finance (Secured against Vehicles)	3,658,186	472,650
Canara Bank - Bill Discounting	12,603,732	3,772,900
Canara Bank Term Loan (Hypothecation of Fixed Assets - Land, Building, Computers & Interiors etc. of the proposed campus at Shamirpet and personal guarantee of the Directors)	165,932	13,522,000
	39,600,751	38,830,272

Schedule 4 Fixed Assets

PARITCULARS	GROSS BLOCK AS ON 01-04-2006	ADDITIONS DURING THE YEAR	GROSS BLOCK AS ON 31-03-2007	DEPRECIATION UPTO 31-03-2006	DEPRECIATION DURING THE YEAR	TOTAL DEPRECIATION 31-03-2007	NET BLOCK AS AT 31-03-2007	NET BLOCK AS AT 31-03-2006
Computer Hardware	104,980,090	3,507,486	108,487,576	48,910,581	9,483,241	58,393,822	50,093,754	56,069,509
Computer Software	94,368,697	5,634,768	100,003,465	28,629,325	11,107,851	39,737,176	60,266,289	65,739,372
Furniture and Fixtures	9,537,094	513,495	10,050,589	2,891,282	441,787	3,333,069	6,717,520	6,645,812
Interior Decoration	17,489,221	14,180,396	31,669,617	4,310,727	1,169,884	5,480,611	26,189,006	13,178,494
Office Equipments	7,325,092	877,117	8,202,209	883,139	330,796	1,213,935	6,988,274	6,441,954
Air Conditioners	1,974,703	345,000	2,319,703	423,084	83,158	506,242	1,813,461	1,551,619
Vehicles	5,912,300	5,642,982	11,555,282	3,728,329	372,506	4,100,835	7,454,447	2,183,972
Electrical Equipment	1,176,344	51,750	1,228,094	241,802	44,971	286,773	941,321	934,542
Product Development Expenses	178,225,846	35,000,000	213,225,846	-	19,572,585	19,572,585	193,653,261	178,225,846
Land & Land Development Charges	16,065,000	13,518,756	29,583,756	-	-	-	29,583,756	16,065,000
	437,054,387	79,271,750	516,326,137	90,018,270	42,606,778	132,625,047	383,701,090	347,036,118

**SCHEDULE 5
INVESTMENTS**

Canara Bank Shares (Cost price of 400 Shares @ Rs.35/- per share) (Market Price of share as on 30th March,2007 is Rs.194.70 per share)	14,000	14,000
K Soft Systems Inc, wholly owned subsidiary (Acquisition effective from 1st October 2006)		-
Share Capital	4,591,087	
Goodwill	100,476,914	
	105,082,001	14,000

**SCHEDULE 6
SUNDRY DEBTORS**

Debtors not exceeding six months	51,631,664	50,774,920
Others	-	-
	51,631,664	50,774,920

**SCHEDULE 7
CASH AND BANK BALANCES**

Cash in Hand	160,686	92,145
Cash with Schedule Banks		
In Current Accounts	8,436,219	56,252,866
In Deposit Accounts	43,593,368	60,471,702
	52,190,273	116,816,713

**SCHEDULE 8
ADVANCES AND DEPOSITS**

ADVANCES

Advances	33,851,565	7,109,046
Virinchi Employees Welfare Trust	18,960,000	18,960,000
Other Advances	68,386,438	93,379,969

DEPOSITS

Rent Deposits	820,328	820,328
Other Deposits	1,044,701	1,394,113
	-	-
	123,063,032	121,663,456

**SCHEDULE 9
CURRENT LIABILITIES,
ADVANCES AND PROVISIONS**

Sundry Creditors	8,996,756	3,043,014
Advances & Creditors for Expenses	1,667,385	10,325,208
Advances Others	1,413,000	27,918,000
Outstanding Expenses and Provisions	4,058,217	8,910,491
Provision for Taxation	915,000	-
Provision for Dividend	7,068,600	6,976,000
Provision for Dividend Tax	1,201,309	978,384

25,320,266

58,151,097

**SCHEDULE 10
BUSINESS AND ADMINISTRATIVE EXPENSES**

Postage, Telephone and Telegrams	6,510,045	3,874,107
Repairs and Other Maint. Charges	3,604,559	534,780
Rent, Rates and Taxes	1,679,700	6,923,906
Auditors Remuneration	112,750	112,750
Directors Remuneration	4,300,000	1,364,560
Printing and Stationery	746,866	299,343
Travelling and Conveyance	11,462,596	13,860,959
Marketing and Business Expenses	107,047,855	72,116,024
Other Administrative Expenses	16,834,687	6,260,126

152,299,057

105,346,555

SCHEDULE-11**NOTES FORMING PART OF THE ACCOUNTS****A, SIGNIFICANT ACCOUNTING POLICIES.****General:**

- (i) These accounts are prepared on the historical cost basis and on the accounting principles of a going concern.
- (ii) Accounting policies not specifically referred to otherwise are consistent and in consonance with generally accepted accounting principles.

Revenue Recognition:

- (i) Income from Software development is accounted for on the basis of Software developed and billed to clients on acceptance and/or on the basis of man days/ man hours as per the terms of contract.
- (Ii) Revenue from professional services consist primarily of revenue earned from services performed on a 'time and material' basis. The related revenue is recognized as and when the services are performed.
- (Iii) Revenue from Software development services includes revenue from time and material and fixed price control recognized as related services are performed.
- (Iv) Revenue on Fixed price contracts is recognized in accordance with percentage of completion and method of account
- (V) Revenue is not recognized on the grounds of prudence, until realized in respect of liquidated damages, delayed payments as recovery of the amounts are not certain.

Foreign Exchange Transactions:

- (i) Realized gains & loss in foreign exchange transactions are recognized in Profit& loss Account.
- (ii) Transactions in Foreign currency will be recorded at the rates of exchange prevailing on the date of transaction. Current assets and liabilities denominated in foreign currency will be translated at the rate of exchange as at Balance Sheet date.

Investments:

Investments are stated at cost i.e. cost of acquisition, inclusive of expenses incidental to acquisition wherever applicable

Fixed Assets:

Fixed Assets are stated at cost less accumulated depreciation. Cost of acquisition of fixed assets is inclusive of freight duties, taxes and incidental expenses thereto.

Depreciation and Amortization:

- (i) Depreciation is provided on straight line method on pro-rata basis and at the rates and manner specified in the Schedule XIV of the Companies Act, 1956
- (ii) Preliminary expenses are amortized over the period of 5 years
- (iii) Product Development Expenditure is depreciated over a period of 10 years.

Taxation:

During the year there is no tax liability on the Company pursuant to the Notification issued by the Central Board of Direct Taxes under Section 10B of the Income Tax Act, 1961 Tax provision made to the extent exemption U/S 10B is available. Deferred tax asset and liability is recognized for future tax consequences attributable to the timing differences that result between profit offered for Income tax and the profit as per the financial statements. Deferred tax asset & liability are measured as per the tax rates/laws that have been enacted or substantively enacted by the Balance Sheet date.

Earning per Share:

The earning considered in ascertaining the companies earning per share comprise net profit after tax. The number of shares used in computing basic earning per share is the weighed average number of shares outstanding during the year.

Gratuity

The Company has made provision for the gratuity to its employees.

Stock Option Policy:

Stock Option Grants to the employees who accepted the grant under the Company's Stock Option Plan are accounted in accordance with Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999. Accordingly the excess, if any of the market Price of the underlying Equity Shares as of the date of the grant of the option over the exercise price of the option, is recognized as employee compensation cost and amortized over the vesting period on Straight Line basis.

Impairment of Assets:

At each balance sheet date, the Company reviews the carrying amounts of its fixed assets to determine whether there is any indication that those assets suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. Recoverable amount is the higher of an asset's net selling price and value in use. In assessing value in use, the estimated future cash flows expected from the continuing use of the asset and from its disposal are discounted to their present value using a pre-discount rate that reflects the current market assessments of time value of money and the risks specific to the asset. Reversal of impairment loss is recognized as income in the profit and loss account.

B. Notes on Accounts

- Particulars of Employees in accordance with Sub-section (2A) of Section 217 of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975

1.	K.VISWANATH	24,00,000
2. Directors Remuneration	Current Year(Rs.)	Previous Year(Rs.)
	4,300,000 /-	1,420,000 /-
3. Auditors Remuneration	Current Year.(Rs.)	Previous Year(Rs.)
	1,12,750/-	1,12,750/-

- The Company is engaged in the development of Computer Software and Services. The Production and sale of such software and services cannot be expressed in any generic unit. Hence, it is not possible to give the quantitative details of sales and the information as required under Paragraphs 3 and 4C of Part II of Schedule VI to the Companies Act, 1956.
- Acquisition of K Soft Systems inc., is completed w.e.f. 1st October 2006 and consolidated financials are prepared effective from the same period.
- The Cash Credit is secured by hypothecation of machinery such as Computers, Furniture & Fixtures, Office Equipments and Air conditioners and personal guarantee of the Director of the Company. Vehicle loans are secured by hypothecation of vehicles. Term Loans are secured against the Fixed Assets - Land, Building, Computers & Interiors etc. of the proposed campus at Shamirpet and personal guarantee of the Directors

- Expenditure in Foreign Currency Current Year(Rs.)

Foreign Traveling	88.96 Lacs
Other Expenses	1058 Lacs

8. Earnings in Foreign Exchange as reported by the Company to Government of India and as certified by Management.

Current Year(Rs.)

Foreign Exchange Inflow 3552.45 Lacs

9. There are no dues to SSI Units outstanding for more than 30 days.
10. No Confirmations were obtained from debtors/creditors as to the balances receivable from/payable to them as at year end.
11. During the year the company has allotted Warrants on preferential basis totaling to Rs. 16 Crores. The Company has received 10% of the amount as per the SEBI Guidelines. The amount has been put in the Fixed deposits with the Canara Bank.
12. In accordance with Accounting Standard 22(AS 22) issued by the ICAI, the Company has accounted for deferred income tax during the year. The deferred income tax provision for the current year amounts to Rs.45,29,800 /-towards deferred income tax liability. Previous year Rs. 12,46,331/- towards deferred Income tax liability).
13. Previous years figures have been regrouped wherever necessary.
14. The figures have been rounded off to the nearest rupee.

AS PER OUR REPORT OF EVEN DATE
for **P MURALI & CO.,**
CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD
for **VIRINCHI TECHNOLOGIES LIMITED**

P.MURALI MOHANA RAO
PARTNER

VISWANATH KOMPPELLA
CHAIRMAN & MANAGING DIRECTOR

K.JAGANMOHAN RAO
DIRECTOR

PLACE : HYDERABAD
DATE : 25.08.2007

K. RAVINDRANATH TAGORE
COMPANY SECRETARY

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL PROFILE

I) Registration No. 11104

State Code: **01**

Corporate Identification No. (CIN) L72200AP1990PLC011104

II) Capital raised during the year (Amount in Rs. Thousands)

Public Issue	-NIL-	Right Issue	- NIL -
Bonus Issue	-NIL-	Private Placement	-24040

III) Position of Mobilization and deployment of funds: (Amount in Rs. Thousands)

Total Liabilities: 690347

Total Assets: 690347

Sources of Funds

Paid-up Capital	:	140916
Reserves & Surplus	:	449173
Secured Loans	:	39600
Unsecured Loans	:	NIL

Application of Funds

Net Fixed Assets	:	383701
Investments	:	105082
Net Current Assets	:	201564
Miscellaneous Expenditure	:	NIL
Accumulated Losses	:	NIL

IV) Performance of Company (Amount in Rs. Thousands)

Turnover	:	344957
Profit/Loss before Tax	:	88154
Earning per share (Rs.):	:	5.85

Total Expenditure	:	256802
Profit after Tax	:	82709
Dividend Rate 5%	:	

V) Generic Names of principal products, services of the Company

Item Code No. **85249009.1**

Product Description **Computer Software**

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2007

Particulars	Ended 31-03-2007 Rs.in Lacs	Year Ended 31-03-2006 Rs.in Lacs
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit/ (Loss) before taxation and extraordinary items	881.54	841.65
Adjustments for:		
Depreciation	426.07	344.75
W/o expenses	-	-
Interest expenses	39.27	42.29
Operating Profit before working capital changes	1346.89	1228.69
Working Capital Changes		
Trade and other receivables	-22.56	-912.23
Trade payables	-328.31	496.41
Cash generated from operations	996.01	812.85
Interest paid	-39.27	-42.29
Taxation for the year	-9.15	0.00
Dividend for the year	-70.69	-69.76
Dividend Tax for the year	-12.01	-9.78
Deferred Employee Compensation	62.46	37.45
Cash flow before extraordinary items	927.36	728.47
Extraordinary items	-	-
Net Cash from Operating Activities	927.36	728.47
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	-792.72	-1281.92
Investment	-1050.68	0.00
Public Issue Expenses	0.00	0.00
Net Cash used in Investing Activities	-1843.40	-1281.92
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from Equity Shares	18.60	208.08
Issue of Share Warrants	160.00	80.40
Share Premium	83.48	1117.02
Net Proceeds from Long Term Borrowings	7.70	310.98
Net Cash used in Financing Activities	269.78	1716.48
Net increase in cash and cash equivalents	-646.26	1163.03
Cash and Cash equivalents as at 01.04.2006	1168.17	5.11
Cash and Cash equivalents as at 31.03.2007	521.90	1168.14

AS PER OUR REPORT OF EVEN DATE
for **P MURALI & CO.,**
CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD
for **VIRINCHI TECHNOLOGIES LIMITED**

P.MURALI MOHANA RAO
PARTNER
PLACE : HYDERABAD
DATE : 25.08.2007

VISWANATH KOMPPELLA
CHAIRMAN & MANAGING DIRECTOR

K.JAGANMOHAN RAO
DIRECTOR

K. RAVINDRANATH TAGORE
COMPANY SECRETARY

Auditors' Certificate

To
THE BOARD OF DIRECTORS
VIRINCHI TECHNOLOGIES LIMITED
HYDERABAD.

We have examined the attached cash flow statement of M/s. Virinchi Technologies Limited, for the year ended 31st March, 2007. The statement has been prepared by the company in accordance with the requirements of Clause 32 of listing agreement with stock exchange and is based on and in agreement with the corresponding profit and loss Account and Balance Sheet of the Company covered by our report of 25th August, 2007 to the Members of the Company.

For P. MURALI & CO.
CHARTERED ACCOUNTANTS

PLACE: HYDERABAD
DATE : 25th August, 2007

P. MURALI MOHANARAO
PARTNER

**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO
COMPANY'S INTEREST IN SUBSIDIARY COMPANY**

Name of the subsidiary company: KSoft Systems Inc.,.

Financial year of the subsidiary company: April, 2006- March, 2007

Extent of holding company's Interest: 100 %

**KSOFT SYSTEMS INC., USA
DIRECTORS' REPORT**

Your directors take pleasure in presenting the financial results of the company for the year 2006-07:

Rs. In Lacs

No.	Particulars	Period ended 31.03.2007
1	Net sales/ Income from operations	1150.52
2	Other Income	1150.52
3	Total Income	510.45
4	Administrative & General expenses	629.55
5	Depreciation	0.08
6	Net Profit (Loss) before tax	10.45
7	Income tax	3.13
8	Profit (Loss) after tax	7.32
9	Paid up equity share capital	45.91

For and on behalf of the Board
KSoft Systems Inc.,

Viswanath Kompella
Chairman

Accountants' Review Report

To
The Board of Directors
KSOFT SYSTEMS Inc
New Jersey U.S.A

We have reviewed the accompanying balance sheets of K Soft Systems Inc. (a wholly owned subsidiary of Virinchi Technologies Limited) as of March 31, 2007, Profit and Loss account and cash flows for the period ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Virinchi Technologies Limited.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

Date:25.08.2007

Place: Hyderabad

**For P.Murali & Co.,
Chartered Accountants**

P. Murali Mohana Rao
Partner
M.No:23412

K SOFT SYSTEMS Inc

BALANCE SHEET AS ON 31st MARCH, 2007

PARTICULARS	SCHEDULE Nos.	AS AT 2006-07 (Rupees)
I SOURCES OF FUNDS		
1. SHAREHOLDERS FUNDS		
a) Share Capital	1	4,591,087
b) Reserves & Surplus	2	731,278
2. LOAN FUNDS		
a) Secured Loans	3	8,688,336
TOTAL		14,010,700
II APPLICATION OF FUNDS		
1. FIXED ASSETS		
a) Gross Block		158,191
b) Less: Depreciation		7,514
c) Net Block		150,677
2. CURRENT ASSETS, LOANS AND ADVANCES		
a) Sundry Debtors	4	31,925,803
b) Cash and Bank Balances	5	8,499,863
Less: Current Liabilities, Provisions and Advances	6	26,827,700
NET CURRENT ASSETS		13,597,966
Foreign Exchange Translation Reserve (Dr.)		262,057
TOTAL		14,010,700
Notes to Accounts	7	

Schedules 1 to 7, Notes to Accounts and the Cash Flow Statement annexed here to form part of these Accounts.

AS PER OUR REPORT OF EVEN DATE
for **P MURALI & CO.,**
CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD
K SOFT SYSTEMS Inc

P.MURALI MOHANA RAO
PARTNER

VISWANATH KOMPELLA
CHAIRMAN

ANIL KUMAR PINAPALA
DIRECTOR

PLACE : HYDERABAD
DATE : 25.08.2007

K SOFT SYSTEMS Inc

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31st MARCH, 2007

PARTICULARS	SCHEDULE NO'S	YEAR ENDED 2006-07 (Rupees)
1 INCOME		
Income from Operations		115,052,055
TOTAL		115,052,055
2 EXPENDITURE		
Salaries and Other benefits to Employees		51,044,602
Business and Administrative Expenses	7	62,955,257
Depreciation		7,514
TOTAL		114,007,373
3 PROFIT BEFORE TAX		1,044,682
4 PROVISION FOR TAX		
Current Tax		313,405
5 PROFIT AFTER TAX		731,278
6 BALANCE CARRIED FORWARD TO BALANCE SHEET		731,278
Notes to Accounts	8	-

Schedules 1 to 7, Notes to Accounts and the Cash Flow Statement annexed here to form part of these Accounts.

AS PER OUR REPORT OF EVEN DATE
for **P MURALI & CO.,**
CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD
K SOFT SYSTEMS Inc

P.MURALI MOHANA RAO
PARTNER

VISWANATH KOMPELLA
CHAIRMAN

ANIL KUMAR PINAPALA
DIRECTOR

PLACE : HYDERABAD
DATE : 25.08.2007

PARTICULARS	AS AT 2006-07 (Rupees)
SCHEDULE 1 SHARE CAPITAL	
ISSUED, SUBSCRIBED & PAID UP : 100,100 Equity Share of USD 1/- each	4,591,087
	4,591,087
SCHEDULE 2 RESERVES AND SURPLUS	
Balance Upto Previous year	--
Surplus in Profit and Loss Account	731,278
	731,278
SCHEDULE 3 SECURED LOANS	
Wachovia Line of Credit	8,688,336
	8,688,336
SCHEDULE 4 SUNDRY DEBTORS	
Debtors not exceeding six months	31,925,803
	31,925,803
SCHEDULE 5 CASH AND BANK BALANCES	
Cash in Hand	
Cash at Bank	
- In Checking Account	
Wachobia Securities - 8954	163,177
Wachobia Securities - 9979	8,336,686
	8,499,863
SCHEDULE 6 CURRENT LIABILITIES, ADVANCES AND PROVISIONS	
Sundry Creditors	17,910,602
Employees payable	6,655,990
Others	1,947,704
Provision for Taxation	313,405
	26,827,700
SCHEDULE 7 BUSINESS AND ADMINISTRATIVE EXPENSES	
Postage, Telephone and Telegrams	129,026
Rent, Rates and Taxes	738,713
Marketing and Business Expenses	7,037,534
Other Administrative Expenses	55,049,984
	62,955,257

CASH FLOW STATEMENT FOR THE PERIOD ENDED 31st MARCH, 2007

Particulars	Ended 31-03-2007 Rs.in Lacs
A. CASH FLOW FROM OPERATING ACTIVITIES:	
Net Profit/ (Loss) before taxation and extraordinary items	10.45
	-
<u>Adjustments for:</u>	
Depreciation	0.08
W/o expenses	-
Operating Profit before working capital changes	10.52
<u>Working Capital Changes</u>	
Trade and other receivables	(319.26)
Trade payables	268.28
Cash generated from operations	(40.46)
Taxation for the year	(3.13)
Foreign Exchange Translation Loss	(2.62)
Cash flow before extraordinary items	(46.21)
Extraordinary items	
Net Cash from Operating Activities	(46.21)
B. CASH FLOW FROM INVESTING ACTIVITIES:	
Purchase of Fixed Assets	(1.58)
Net Cash used in Investing Activities	(1.58)
C. CASH FLOW FROM FINANCING ACTIVITIES:	
Proceeds from Equity Shares	45.91
Net Proceeds from Long Term Borrowings	86.88
Net Cash used in Financing Activities	132.79
Net increase in cash and cash equivalents	85.00
Cash and Cash equivalents as at 01.04.2006	-
Cash and Cash equivalents as at 31.03.2007	85.00

AS PER OUR REPORT OF EVEN DATE
for **P MURALI & CO.,**
CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD
K SOFT SYSTEMS Inc

P.MURALI MOHANA RAO
PARTNER

VISWANATH KOMPELLA
CHAIRMAN

ANIL KUMAR PINAPALA
DIRECTOR

PLACE : HYDERABAD
DATE : 25.08.2007

NOTES TO FINANCIAL STATEMENTS**Business Activity**

The Company is in the business of providing software consultancy / IT Solution providers. K SOFT Systems Inc is a wholly owned subsidiary of Virinchi Technologies Limited. K SOFT Systems Inc was incorporated on 20th November, 1996 to provide software consultancy /IT Solutions services to customers in the United States of America.

Revenue Recognition:

- (I) Income from Software development is accounted for on the basis of Software developed and billed to clients on acceptance and/or on the basis of man days/ man hours as per the terms of contract.
- (II) Revenue from professional services consist primarily of revenue earned from services performed on a 'time and material' basis. The related revenue is recognized as and when the services are performed.
- (III) Revenue from Software development services includes revenue from time and material and fixed price control recognized as related services are performed.
- (IV) Revenue on Fixed price contracts is recognized in accordance with percentage of completion and method of account
- (V) Revenue is not recognized on the grounds of prudence, until realized in respect of liquidated damages, delayed payments as recovery of the amounts are not certain.

Depreciation

The Company depreciates its Fixed Assets straight-line methods over estimated useful life of the asset.

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of deferred taxes related primarily to differences between the bases of certain assets and liabilities for financial tax reporting. Deferred taxes represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

Goodwill

Goodwill is reviewed annually for impairment of stated value. There were no losses for goodwill impairment recognized during the year ended March 31, 2007.

Auditors' Report on the Consolidated Financial Statements

The Board of Directors
VIRINCHI TECHNOLOGIES LIMITED
Hyderabad.

We have examined the attached Consolidated Balance Sheet of Virinchi Technologies Limited and its subsidiary as at March 31, 2007, the Consolidated Profit and Loss Account for the year then ended.

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audit. We have conducted our audit of the parent Company in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit for the parent Company provides a reasonable basis for our opinion.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Virinchi Technologies Limited and reviewed financial statements of the subsidiary are included in the consolidated financial statements. On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of Virinchi Technologies Limited and its aforesaid subsidiary, we are of the opinion that:

- a) The Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of Virinchi Technologies Limited and its subsidiaries as at March 31, 2007; and
- b) The Consolidated Profit & Loss Account gives a true and fair view of the consolidated results of operations of Virinchi Technologies Limited and its subsidiary for the year then ended.

Date: 25.08.2007

Place: Hyderabad

For P. Murali & Co
Chartered Accountants

P.Murali Mohana Rao
Partner
M.No23412

CONSOLIDATED BALANCE SHEET AS ON 31st MARCH, 2007

PARTICULARS		SCHEDULE Nos.	AS AT 2006-07 (Rupees)
I	SOURCES OF FUNDS		
	1. SHAREHOLDERS FUNDS		
	a) Share Capital	1	140,916,697
	b) Share Warrants		24,040,000
	c) Reserves & Surplus	2	449,634,144
	2. LOAN FUNDS		
	a) Secured Loans	3	48,289,087
	3. DEFERRED TAX LIABILITY		36,622,311
	TOTAL		699,502,240
II	APPLICATION OF FUNDS		
	1. FIXED ASSETS		
	a) Gross Block	4	516,484,328
	b) Less: Depreciation		132,635,670
	c) Net Block		383,848,658
	2. INVESTMENTS	5	14,000
	3. CURRENT ASSETS, LOANS AND ADVANCES		
	a) Sundry Debtors	6	82,144,467
	b) Cash and Bank Balances	7	60,690,136
	c) Advances and Deposits	8	123,063,032
	Less: Current Liabilities, Provisions and Advances	9	50,734,966
	NET CURRENT ASSETS		215,162,669
	4. GOODWILL		100,476,914
	TOTAL		699,502,240
	Notes to Accounts	11	

Schedules 1 to 10, Notes to Accounts and the Cash Flow Statement annexed here to form part of these Accounts.

AS PER OUR REPORT OF EVEN DATE
for **P MURALI & CO.,**
CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD
for **VIRINCHI TECHNOLOGIES LIMITED**

P.MURALI MOHANA RAO
PARTNER

VISWANATH KOMPPELLA
CHAIRMAN & MANAGING DIRECTOR

K.JAGANMOHAN RAO
DIRECTOR

PLACE : HYDERABAD
DATE : 25.08.2007

K. RAVINDRANATH TAGORE
COMPANY SECRETARY

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2007

	PARTICULARS	SCHEDULE NO'S	YEAR ENDED 2006-07 (Rupees)
1	INCOME		
	Income from Operations		456,686,026
	Interest on FDR		3,323,265
	TOTAL		460,009,291
2	EXPENDITURE		
	Salaries and Other Benefits to Employees		109,000,215
	Business and Administrative Expenses	10	215,254,314
	Interest and Financial Expenses		3,927,402
	Depreciation		42,617,400
	TOTAL		370,799,332
3	PROFIT BEFORE TAX		89,209,960
4	PROVISION FOR TAX		
	Current Tax		1,093,405
	Fringe Benefit Tax		135,000
	Deferred Tax		4,535,492
5	PROFIT AFTER TAX		83,446,063
6	PROVISION FOR DIVIDEND		7,068,600
7	PROVISION FOR DIVIDEND TAX		1,201,309
8	PROFIT AFTER DIVIDEND		75,176,154
9	BALANCE BROUGHT FORWARD		-
10	BALANCE CARRIED FORWARD TO BALANCE SHEET		75,176,154
11	BASIC EARNINGS PER SHARE (PAT)		5.90
	Notes to Accounts	11	-

Schedules 1 to 10, Notes to Accounts and the Cash Flow Statement annexed here to form part of these Accounts.

AS PER OUR REPORT OF EVEN DATE
for **P MURALI & CO.,**
CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD
for **VIRINCHI TECHNOLOGIES LIMITED**

P.MURALI MOHANA RAO
PARTNER

VISWANATH KOMPPELLA
CHAIRMAN & MANAGING DIRECTOR

K.JAGANMOHAN RAO
DIRECTOR

PLACE : HYDERABAD
DATE : 25.08.2007

K. RAVINDRANATH TAGORE
COMPANY SECRETARY

Schedules to Consolidated Financial Statements

PARTICULARS	AS AT 2006-07 (Rupees)
SCHEDULE 1	
SHARE CAPITAL	
AUTHORISED :	
18,000,000 Equity Share of Rs.10/- each	180,000,000
ISSUED, SUBSCRIBED & PAID UP :	
1,41,37,200 Equity shares of Rs.10/- each	141,372,000
(Previous year 1,39,52,000 Shares of Rs. 10/- each)	
LESS: Calls in Arrears	455,303
	140,916,697
Share Warrants	24,040,000
SCHEDULE 2	
RESERVES AND SURPLUS	
Balance Upto Previous year	156,608,820
Surplus in Profit and Loss Account	75,176,154
	231,784,974
Employee Stock Option Scheme	28,174,424
Less:Deferred Employee Compensation	18,196,667
	9,977,757
Securities Premium (Share Premium)	208,133,470
Foreign Exchange Translation Reserve (Dr.)	(262,057)
	449,634,144
SCHEDULE 3	
SECURED LOANS	
Overdraft from Canara Bank (Hypothecation of Machinery such as Computers, Furniture and Fixtures, Office Equipment and Airconditioners and personal guarantee of the Director of the Company)	23,172,901
Vehicle Finance (Secured against Vehicles)	3,658,186
Canara Bank - Bill Discounting	12,603,732
Canara Bank Term Loan (Hypothication of Fixed Assets - Land, Building, Computers & Interiors etc. of the proposed campus at Shamirpet and personal guarantee of the Directors)	165,932
Wachovia Line of Credit	8,688,336
	48,289,087

**SCHEDULE 5
INVESTMENTS**

Canara Bank Shares (Cost price of 400 Shares @ Rs.35/- per share) (Market Price of share as on 30th March,2007 is Rs.194.70 per share)	14,000
---	--------

14,000

**SCHEDULE 6
SUNDRY DEBTORS**

Debtors not exceeding six months	82,144,467
Others	-

82,144,467

**SCHEDULE 7
CASH AND BANK BALANCES**

Cash in Hand	160,685
Cash with Schedule Banks	
In Current Accounts	8,436,219
In Deposit Accounts	43,593,368
- In Checking Account	
Wachobia Securities - 8954	163,177
Wachobia Securities - 9979	8,336,685

60,690,135

**SCHEDULE 8
ADVANCES AND DEPOSITS**

ADVANCES

Advances	33,851,565
Virinchi Employees Welfare Trust	18,960,000
Other Advances	68,386,438

DEPOSITS

Rent Deposits	820,328
Other Deposits	1,044,701

123,063,032

**SCHEDULE 9
CURRENT LIABILITIES,
ADVANCES AND PROVISIONS**

Sundry Creditors	32,150,347
Advances & Creditors for Expenses	1,667,385
Advances Others	3,360,704
Outstanding Expenses and Provisions	4,058,217
Provision for Taxation	1,228,405
Provision for Dividend	7,068,600
Provision for Dividend Tax	1,201,309

50,734,966

**SCHEDULE 10
BUSINESS AND ADMINISTRATIVE EXPENSES**

Postage, Telephone and Telegrams	6,510,045
Repairs and Other Maint. Charges	3,604,559
Rent, Rates and Taxes	1,679,700
Auditors Remuneration	112,750
Directors Remuneration	4,300,000
Printing and Stationery	746,866
Travelling and Conveyance	11,462,596
Marketing and Business Expenses	107,047,855
Other Administrative Expenses	16,834,687

152,299,057

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2007

	Ended 31-03-2007 Rs.in Lacs
A. CASH FLOW FROM OPERATING ACTIVITIES:	
Net Profit/ (Loss) before taxation and extraordinary items	892.10
Adjustments for:	
Depreciation	1326.36
W/o expenses	-
Interest expenses	39.27
Operating Profit before working capital changes	2257.73
Working Capital Changes	
Trade and other receivables	-2052.07
Trade payables	507.35
Cash generated from operations	713.00
Interest paid	-39.27
Taxation for the year	-12.28
Dividend for the year	-70.69
Dividend Tax for the year	-12.01
Deferred Employee Compensation	320.87
Cash flow before extraordinary items	899.62
Extraordinary items	-
Net Cash from Operating Activities	899.62
B. CASH FLOW FROM INVESTING ACTIVITIES:	
Purchase of Fixed Assets	-6169.61
Investment	-0.14
Public Issue Expenses	
Net Cash used in Investing Activities	-6169.75
C. CASH FLOW FROM FINANCING ACTIVITIES:	
Proceeds from Equity Shares	3072.41
Issue of Share Warrants	240.40
Share Premium	2081.33
Net Proceeds from Long Term Borrowings	482.89
Net Cash used in Financing Activities	5877.04
Net increase in cash and cash equivalents	606.90
Cash and Cash equivalents as at 01.04.2006	0.00
Cash and Cash equivalents as at 31.03.2007	606.90

AS PER OUR REPORT OF EVEN DATE
for P MURALI & CO.,
CHARTERED ACCOUNTANTS

FOR AND ON BEHALF OF THE BOARD
for VIRINCHI TECHNOLOGIES LIMITED

P.MURALI MOHANA RAO
PARTNER

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CHAIRMAN & MANAGING DIRECTOR

K.JAGANMOHAN RAO
DIRECTOR

PLACE : HYDERABAD
DATE : 25.08.2007

K. RAVINDRANATH TAGORE
COMPANY SECRETARY

Schedule 4 Fixed Assets

PARITCULARS	GROSS BLOCK AS ON 01-04-2006	ADDITIONS DURING THE YEAR	GROSS BLOCK AS ON 31-03-2007	DEPRECIATION UPTO 31-03-2006	DEPRECIATION DURING THE YEAR	TOTAL DEPRECIATION 31-03-2007	NET BLOCK AS AT 31-03-2007	NET BLOCK AS AT 31-03-2006
Computer Hardware	104,980,090	3,507,486	108,487,576	48,910,581	9,483,241	58,393,822	50,093,754	56,069,509
Computer Software	94,368,697	5,634,768	100,003,465	28,629,325	11,107,851	39,737,176	60,266,289	65,739,372
Furniture and Fixtures	9,537,094	513,495	10,050,589	2,891,282	441,787	3,333,069	6,717,520	6,645,812
Interior Decoration	17,489,221	14,180,396	31,669,617	4,310,727	1,169,884	5,480,611	26,189,006	13,178,494
Office Equipments	7,325,092	1,035,308	8,360,400	883,139	333,905	1,217,044	7,143,357	6,441,954
Air Conditioners	1,974,703	345,000	2,319,703	423,064	83,158	506,242	1,813,461	1,551,619
Vehicles	5,912,300	5,642,982	11,555,282	3,728,329	372,506	4,100,835	7,454,447	2,183,972
Electrical Equipment	1,176,344	51,750	1,228,094	241,802	44,971	286,773	941,321	934,542
Product Development Expenses	178,225,846	35,000,000	213,225,846	-	19,572,585	19,572,585	193,653,261	178,225,846
Land & Land Development Charges	16,065,000	13,518,756	29,583,756	-	-	-	29,583,756	16,065,000
	437,054,387	79,429,941	516,484,328	90,018,270	42,609,886	132,628,156	383,856,173	347,036,118

SIGNIFICANT ACCOUNTING POLICIES AND NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

I. Description of the Business

Virinchi Technologies Ltd has made a strategic investment in the company engaged in the business of software consultancy /IT Solution providers along with the wholly owned subsidiary K SOFT SYSTEMS Inc.

II. Principles of Consolidation :

The consolidated financial statements have been prepared on the basis of going concern, under the historical cost convention on accrual basis, to comply in all material aspects with the applicable accounting principles in India, the Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

These financial statements have been prepared in accordance with Accounting Standard 21 issued by the Institute of Chartered Accountants of India.

All inter company transactions, balances and unrealized surpluses and deficits are eliminated.

The exchange rates adopted for converting 1 USD into Indian rupees of the foreign subsidiaries with respect to:

	March 31, 2007
Balance Sheet items	43.44
Revenue items	44.26

III. Revenue Recognition :

- (i) Income from Software development is accounted for on the basis of Software developed and billed to clients on acceptance and/or on the basis of man days/man hours as per the terms of contract.
- (ii) Revenue from professional services consist primarily of revenue earned from services performed on a 'time and material' basis. The related revenue is recognized as and when the services are performed.
- (iii) Revenue from Software development services includes revenue from time and material and fixed price control recognized as related services are performed.
- (iv) Revenue on Fixed price contracts is recognized in accordance with percentage of completion and method of account
- (v) Revenue is not recognized on the grounds of prudence, until realized in respect of liquidated damages, delayed payments as recovery of the amounts are not certain.

Fixed Assets:

Fixed Assets are stated at cost less accumulated depreciation. Cost of acquisition of fixed assets is inclusive of freight duties, taxes and incidental expenses thereto.

All the fixed assets are assessed for any indication of impairment, at the end of each financial year. On such indication, the impairment loss, being excess of carrying value over the recoverable value of the assets, is charged to Profit and Loss account in the respective financial years. The impairment loss recognized in the prior years is reversed in cases where recoverable value exceeds the carrying value, upon reassessment in the subsequent years.

Goodwill:

Goodwill represents the difference between the purchase price and the fair value of the assets and liabilities acquired after considering reserves transferred.

The excess of cost to the Parent company of its investment in the subsidiary company is recognized in the consolidated financial statements as goodwill.

Taxation:

During the year there is no tax liability to the Parent Company pursuant to the Notification issued by the Central Board of Direct Taxes under Section 10B of the Income Tax Act, 1961. In case of subsidiary company current tax is determined on the amount of tax payable in respect of taxable income for the year as per their laws. Deferred tax asset and liability is recognized for future tax consequences attributable to the timing differences that result between profit offered for Income tax and the profit as per the financial statements. Deferred tax asset & liability are measured as per the tax rates/laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets are not recognized unless there is a virtual certainty that there will be sufficient future taxable income to realize such assets.

Earning per Share:

The earning considered in ascertaining the companies earning per share comprise net profit after tax. The number of shares used in computing basic earning per share is the weighed average number of shares outstanding during the year.

Gratuity

The Company has made provision for the gratuity to its employees.

Foreign Currency Transaction:

K SOFT SYSTEMS Inc is in the nature of non-integral operations in terms of Accounting Standard 11, "The Effect of change in foreign currency rates", issued by the Institute of Chartered Accountants of India. All monetary and non-monetary assets and liabilities are translated at the rate prevailing on the balance sheet date. All revenue and expenditure transactions during the year are reported at average rate. The resultant transaction adjustment is reflected as a separate component of shareholders' funds as a "Foreign Currency Translation Reserve".

Dear Shareholder,

Re: Payment of Dividend through Electronic Clearing Services (ECS)

In case you have not already sent the ECS particulars to the registrar or to your Depository Participant (in case of demat holdings), we would request you to provide the particulars in the format given below to facilitate prompt and safe payment of future dividend. If you maintain more than one bank account, payment can be received at any one of your existing accounts.

Please ensure that the details submitted are correct, as any error therein could result in the dividend amount being credited to wrong account.

Kindly help us in our endeavor to serve you better.

Yours faithfully

For VIRINCHI TECHNOLOGIES LIMITED

Chairman & Managing Director

Note: In case you are holding shares in demat form, please also advise your Depository Participant to take note of your ECS mandate.

FORM FOR ELECTRONIC CLEARING SERVICE (ECS) FOR PAYMENT OF DIVIDEND

Please fill-in information in **CAPITAL LETTERS** in English Only.

For Shares held in physical Form: Folio No:

For Shares held in Demat Form : DP ID : Client ID:

Name of First / Sole Share holder.....

Bank Name:.....

Branch Address:.....

Branch Code

(9 Digit MICR Code Number appearing on the Cheque supplied by the Bank)

Account

Please (_ /) Savings Current Cash Credit

A/c.No. (As appearing In the Cheque Book)

I/We hereby declare that the particulars given above are correct and complete. If any transaction is delayed or not effected at all for reasons of incompleteness or incorrectness of information supplied above, the Company will not be held responsible. I/We agree to inform the Company any change in my/our Bank/branch and account number.

Date:

Place: _____
(Signature of Shareholder)

(Please attach photocopy of a blank cheque of your bank, duly cancelled, for ensuring accuracy of the Bank's name, branch and 9 digit MICR Code)

VIRINCHI TECHNOLOGIES LIMITED

Regd. Office: 10, SRK Colony, West Maredpally, Secunderabad 500 026

ATTENDANCE SLIP

I hereby record my presence at the 18th Annual General Meeting of the Company being held on Friday, the 28th day of September, 2007 at 2.00 P.M. at Padmashali Kalyana Mandapam, 2-12-66, Nehru Nagar, West Maredpally, Secunderabad 500 026

Name of the Shareholder:

Name of Proxy:

Signature of Member / Proxy:

Regd. Folio No. / *Client id:

* Applicable for members holding shares in Electronic Form.

Note: PLEASE FILL ATTEDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING VENUE

VIRINCHI TECHNOLOGIES LIMITED

Regd. Office: 10, SRK Colony, West Maredpally, Secunderabad 500 026

PROXY FORM

Regd. Folio No/
Client ID

No. of Shares held

I/Weof

..... in the district of

being a member(s) of the above named company hereby appoint of

.....in the district ofor failing him..... Of in the district of..... as my/our proxy to vote for me/us on my/our behalf at the 18th Annual General Meeting of the Company to be held on Friday, the 28th September 2007 at 2.00 P.M. or at any adjournment thereof.

Signed this day of2007

Affix
Re.1/-
Revenue
Stamp

Signature

Note: The proxy form duly completed should be deposited at the Registered Office of the Company not less than Forty Eight Hours before the time fixed for holding the meeting.

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