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Annual General meeting on Tuesday, September 30, 2008 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
Srinivas Mahankali
Datuk Santha Kumar S.
Datuk Kunasingam Sittampalam
Jagadish K.Rao
Anil Kumar Pinapala
Samad A.Momin
Dr. Venugopal

-Chairman & Director
-Managing Director
-Director
-Director
-Director
-Director & CEO
-Director
-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: 91-40-27803608, 27803610
Fax No: 91-40-27803612
Website: www.virinchi.com

Registrar and Share Transfer Agents:

M/s. Aarthi Consultants Private Ltd
1-2-285, Domalguda,
Hyderabad-500029
Phone# 91-40-27634445, 27638111
Fax: 91-40-27632184

Corporate Office:

A-1, 3rd Floor, Surabhi Plaza
Vikrampuri Colony, Kharkana
Secunderbad-500009
Ph Nos: 27890662-65
E-mail: info@virinchi.com

Wholly Owned Subsidiary Company

M/s. KSoft Systems Inc.,
1520, US Highway 130N,
North Brunswick, NJ-08902
Phone# 1-732- 821-7828
Website: www.ksoftglobal.com

MESSAGE FROM MANAGING DIRECTOR:

Dear Shareholder,

It gives me great pleasure to welcome you to the 19th Annual General Meeting of your Company to be held on September 30, 2008 in Hyderabad. I am sure you share my sense of pride as your Company has witnessed yet another year of robust performance, thanks to our capability to sustain superior performance over the years and emerge as a leader across industry vertical for software products and services. The focus on nurturing niche capability is rapidly positioning each business to garner a growing share of the exciting market opportunities unfolding in the world.

Coming to the strategic perspective, today's Virinchi is a different company than it was about two decades ago, when we started. Over the years we have realigned our offerings, taken risks, built entrenched customer relations and made a mark in the E-Business products & solutions space, thereby building a company focused on success and performances. In the course of FY 07-08, Virinchi took many steps to drive the organization towards success. While we are proud of our achievements, we are also mindful of the challenging environment we face today. We believe that continuing on the path of innovation, quality, customer commitment and overall growth; Virinchi is uniquely positioned to take advantage of the various opportunities presented by the changes in the industry.

Virinchi continues to provide quality Technology Products and concentric services to the large and medium clients in the industry verticals of Banking and Financial Services, Chemicals, Pharmaceuticals, Construction, Retail, Electronics, Mobile, Food & Agriculture, and Automobiles. The flagship products of your company are now market leaders in their respective industry verticals across geographies of operations. In addition to product customization and implementation, Virinchi has been providing product concentric services like customization, technical support, roll out support, data migration etc to its clients to become an end-to-end service provider.

Virinchi has developed strength in providing technology outsourcing services including custom applications development in web technologies, data warehousing & Business Intelligence, EAI & ERP services etc to the global clients, at a reduced total cost of ownership for the client. Virinchi also offers out-of-the-box software solutions in the domains of Short-term Financial Solutions, Supply Chain, Market Research., Service Level Management & Insurance Investigation etc. These solutions have good potential in the global markets

I would like to take this opportunity to let you know that Virinchi has taken over the complete operations of its North American subsidiary, KSoft Systems Inc and has streamlined and stabilized the internal processes of the organization. Virinchi also has brought in a new Organizational structure for KSoft that is expected to enable high growth and performance in providing Information Technology Consulting services to clients in USA. The new Organizational structure reflects the company's close strategic and operational alignment with its parent, Virinchi Technologies Ltd.

Virinchi has been consistent in financial performance since its inception and continuing this trend this year too. The following highlights summarize the strong financial performance of your company

- Virinchi has achieved a revenue growth of 15% over the previous financial year, posting INR 396.30 Million in annual revenues as compared to INR 344.95 Millions in the previous fiscal, despite a challenging economic environment.
- The consolidated annual revenues stand at Rs. 565.81 Million. This reflects a growth of 24% compared to the previous fiscal's consolidated annual revenues of 456.68 Million.

- The standalone net profit posted for the year 2007-08 is Rs. 53.00 Million.
- Owing to the appreciation of the Indian Rupee, the cash profit margin decreased marginally however the cash profits have increased by 10% compared to the previous fiscal.
- The cash profit for the year 2007-08 stands at Rs 142.80 Million as compared to Rs 130.76 Million in 2006-07.
- Year on Year Revenue growth has been consistent for the past 6 years.

A comparative analysis of your company with the industry leaders in some of the key financial ratios shows that your company has fared equally well, if not better than many of them in cash profit margin, operating profit margin, revenues to market cap ratio, book value to market price ratio etc.

We believe that a company is known by its people and at Virinchi, we have some of the best. During the last year Virinchi has added 100 of such talented resources to its team taking the Global Human Resource strength to above 300 at the end of 2007-08. Skilled in cutting-edge technologies & knowledgeable in multiple domains, our team works together to create customer delight. Spread across our three development centers— 24 per cent of our employees have more than 6 years of experience with Virinchi alone; 35 per cent have postgraduate degrees and 48 per cent are engineers.

We have aligned our HR policies with our strategy of sustaining a high-technology & global business. These policies have been designed to enable scalability of our business and processes, while achieving a high level of ownership and involvement in our employees. Across the world and particularly in India, the Information Technology industry has emerged as one of the largest employers, creating thousands new breed of skilled employees.

It should be noted that even with the continuing slowdown in the U.S. Economy and the volatility in currency markets is showing a signs of impact on the Indian IT Industry, we are geographically spread & fairly diversified organization and the impact of the slowdown on our business is not considerable. Over and above these constraints in operations, finding the right talent to support our growing business needs is a major challenge. We are taking essential steps to mitigate this challenge through various innovative practices of hiring, training, re-training & retaining talent.

Virinchi is focused on providing Customer Delight, Continuous Product & Process Innovation, Employee Welfare and Shareholder Wealth Maximization. The products and solutions of the company have tremendous potential for growth and with Intellectual Property of various products there is already a lot of value to be unlocked in the company. I hope that the strong sales team and the efficient delivery team will ensure increased revenues and profit growth.

I believe that our strong foundation and our present strategy will enable us to capitalize on the significant potential in the booming global software industry, and bring in substantial revenues for your Company. Our integrated Sales, Marketing and Delivery functions, coupled with aggressive marketing strategies and execution excellence will enable us to achieve our growth objectives and generate significant value for all stakeholders.

I thank you all for your continued trust, encouragement and support to the Company.

Sincerely

Srinivas Mahankali
Managing Director

NOTICE

NOTICE is hereby given that the 19th Annual General Meeting of the Members of the Company will be held on Tuesday , the 30th day of September, 2008, at 11.00 A.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, 2008; 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 consider retirement of Mr. Jagadish K Rao, who retires by mandatory retirement by rotation of Directors.
3. To consider retirement of Dr.Venugopal , who retires by mandatory retirement by rotation of Directors, and being eligible, who offers himself for re-appointment.
4. To appoint M/s. P. Murali & Co., Chartered Accountants, Hyderabad as Auditors of the Company to hold office from the conclusion of this meeting to till the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS:

5. 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. Srinivas Mahankali, as Managing Director, of the Company, for a period of 5(Five) years with effect from 28th January, 2008 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. Srinivas Mahankali 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”.

BY ORDER OF THE BOARD

For VIRINCHI TECHNOLOGIES LIMITED

PLACE : HYDERABAD

DATE : 29.08.2008

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 26th September, 2008 to 30th September 2008 (both days inclusive)

Annexure to the Notice**Explanatory statement pursuant to Section 173(2) of The Companies Act, 1956**

Item #5

The Board of Directors of the Company in its meeting held on 28th January, 2008, appointed Mr. Srinivas Mahankali as Managing Director for a period of 5 years with effect from 28th January, 2008 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 having one directorship in other company and also not a member in the committees of any other company.

Mr Srinivas Mahankali, a Management Graduate from IIM Bangalore and Alumni of IIT Chennai, has over 16 years of experience in varying capacities in senior management roles. His experience of working with the Indian conglomerates as well as multinationals such as HCL Infosystems, BPL, Godrej, Bausch and Lomb (I) and United Telecoms will enable Virinchi benefit from his widespread experience in business development in the fields of Telecom, consumer durables, Industrial marketing, retail and distribution management in India and overseas. Mr Mahankali's key focus will be to help Virinchi to introduce new products in India that were very successful in overseas markets

The remuneration has been approved by the remuneration committee.

As per the provisions of Schedule XIII of the Companies Act, 1956 appointment of Mr. Srinivas Mahankali as Managing Director requires the approval of the members in General Meeting. Hence, the above resolution at item# 5 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# 5 for your approval.

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

The Particulars of remuneration payable to Mr. Srinivas Mahankali

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

1) 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. Srinivas Mahankali and his family

Hospitalisation- Mr. Srinivas Mahankali 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.

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) He will further be entitled to reimbursement of actual entertainment and traveling expenses incurred by him for business purposes.

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 : Dr.VenuGopal
Age : 61
Qualifications : Graduation in medicine
Expertise : He has vast experience as a medical doctor since 30 years; during this time he happened to work in different capacities in several countries like Algeria, Libya, Maldives and U.K etc. Toured extensively in Europe (East & West). After graduating in Medicine, he submitted a paper in "Pulmonary amoebiasis" for which he was awarded FCCP [Fellow of College of Chest Physicians, India]. He was awarded Visishit Chikischa Seva Medal along with citation for his meritorious services rendered to the rural people of India. He was involved in surveys and preventive programs concerning Blindness eradication, Vitamin A deficiencies, Guinea worm eradication, Nutritional surveys, Family Welfare programs, HIV and AIDS awareness programs for the rural people in and around the borders of Andhra and Karnataka.
Other Directorships : 2
2. Name : Srinivas Mahankali
Age : 40 years
Qualifications : B.Tech from IIT (Chennai), MBA from IIM (Bangalore)
Expertise : Mr Srinivas Mahankali, a Management Graduate from IIM Bangalore and Alumni of IIT Chennai, has over 16 years of experience in varying capacities in senior management roles. His experience of working with the Indian conglomerates as well as multinationals such as HCL Info systems, BPL, Godrej, Bausch and Lomb (I) and United Telecoms will enable Virinchi benefit from his widespread experience in business development in the fields of Telecom, consumer durables, Industrial marketing, retail and distribution management in India and overseas. Mr Mahankali's key focus will be to help Virinchi to introduce new products in India that were very successful in overseas markets
Other Directorships : 1

DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting you the Nineteenth **Annual Report** of your company together with the Audited Accounts for the year ended 31st March, 2008.

Financial Results

(Amount in Rs. Lakhs)

Particulars	2007-08	2006-07
Total Income	3,981.97	3,449.57
Profit before interest, depreciation and tax	1,309.31	1,346.89
Interest	82.30	39.27
Depreciation	534.29	426.07
Provision for Taxation	112.20	9.15
Profit after interest, Tax and depreciation	580.51	872.39
Deferred Tax Provision	40.64	45.30
Dividend	-	70.69
Provision for Dividend Tax	-	12.01
Balance brought forward	2,310.48	1,566.09
Balance Carried to Balance Sheet	2,850.35	2,310.48

Financial Highlights & Company Affairs

Virinchi recorded Rs.39.8 Crores revenues for the year 2007-08 as against Rs 34.49 Crores in the previous financial year 2006-07. We have achieved good growth of 15 % in annual revenues even though the most of the revenues are in USD and there is huge depletion in the value of USD., The Company's net profit before tax stood at Rs. 5.8 Crores in 2007-08.

The Consolidated Revenues rose to 56.87 crores as against Rs. 46 crores for the Year 2006-07.

Reserves and Surplus:

During the year the Company has transferred Rs. 5,39,87,001 to Reserves and Surplus.

Material changes and commitments:

There are no material changes and commitments occurred between the end of the financial year of the company and the date of the report affecting the financial position of the company

Directors:

In accordance with the provisions of the Companies Act, 1956 Jagadish K Rao & Dr.Venugopal retire by rotation at the forthcoming Annual General Meeting. Sri Srinivas Mahankali appointed as Managing director w.e.f 28th January, 2008.

Mr. Jaganmohan Rao, Mr. Sreenivasa Sreekanth Uppuluri , Mr. Steve Clevenger resigned from their directorships.

Issue of Equity Shares and Warrants:

The Company has passed a special resolution in the 18th Annual General meeting of the Company to allot Equity shares and warrants to promoters under preferential allotment guidelines. . The Company has allotted 4,00,000 Equity Shares at a price of Rs. 32/- per share and 21,00,000 Warrants at a price of Rs.32/- 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, 2008, 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 2008 and of the profit of the company for the financial year ended 31st March 2008.
- 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, 2008 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, 2008 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 2898.18 Lacs towards Export of Software.

Outgo : Rs. 564.15 Lacs towards Foreign Travel and Rs. 502.76 Lakhs towards expenses.

d) The company has not made any technology absorption during the year.

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 2007-08
01	K. Viswanath	24,00,000
02	Srinivas Mahankali	4,16,667
03	Sreenivasa Sreekanth Uppuluri	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, 2008 under the Virinchi Employee Stock Options Scheme, 2004 are as under:

Sl.No	Description	Details
1	Options Granted during 2007-08	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	2,85,100
4	Options exercised	2,85,100
5	The total number of shares arising as a result of exercise of option	2,85,100
6	Options lapsed	Nil
7	Variation of terms of options	There is no variation of terms in this financial year
8	Money realized by exercise of options	28,51,000
9	Total number of options in force	Total options reserved under the scheme: 11,67,000 and Total options granted: 9,00,000
10	Employee wise details of options granted 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 2007-08 based on Intrinsic value method is Rs. 51.17 lakhs . Had the company used the Fair value method, the ESOP cost in the financial year 2007-08 would have been Rs, 49.80 lakhs. 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 rateii. Expected lifeiii. Expected Volatilityiv Expected dividendsv. 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

DATE : 29.08.2008

SRINIVAS MAHANKALI

MANAGING DIRECTOR

Annexure to Director's 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 2 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 2007-08 the Board of Directors met 5 times on the following dates:

30.04.2007, 28.07.2007, 25.08.2007, 26.10.2007, 28.01.2008

The attendance of each Director is given below:

Name of the Director	Category	No. of other Directorships	No. of Committees in which Member	No. of Board Meetings Participated	Whether Participated in last AGM
Mr.Viswanath Kompella	Promoter Chairman and director	2	2	5	Yes
Datuk Santha Kumar S	Independent Non Executive Director	4	-	-	No
Datuk Kunasingam Sittampalam	Independent Non-Executive Director	6	3	-	Yes
Mr.Jagadish K. Rao	NonExecutiveDirector		-	-	No
Mr. K. Jagan Mohan Rao*	Executive Director	-	-	5	No
Srinivas Mahankali	Managing Director	1	-	-	No
Dr. Venugopal	Independent Non-Executive Director	2	3	5	Yes
Sreenivasa Sreekanth Uppuluri*	Executive Director	-	-	5	No
Anil Kumar Pinapala	Executive Director	1	-	5	Yes
Samad A.Momin	Independent Non-Executive Director	-	2	-	No
Steve Clevenger*	Independent Non-Executive Director	-	-	-	No

* All are Resigned

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 Participated
Dr. Venugopal	Chairman	Independent Non Executive Director	4
Datuk Kunasingam Sittampalam	Member	Independent Non Executive Director	4
Viswanath Kompella	Member	Executive Director	4
Samad A momin	Member	Independent Non Executive Director	-

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	Participation
Dr. Venugopal	Chairman	Independent	2
Viswanath Kompella*	Member	Executive Director	-
Samad A Momin**	Member	Independent	2
Datuk Kunasingam Sittampalam	Member	Non Executive Director	2

*Resigned with effect from 01.04.2007

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 2007-2008		
				Sitting fees Rs.	Salary Rs.	Commission / Bonus Rs.
Mr. Viswanath Kompella	None	None	-	24,00,000	-	24,00,000
Mr. Jagan Mohan Rao*	None	None	-	6,75,000	-	6,75,000
Dr. Venugopal	None	None	1,90,000	—	—	
Mr. Sreenivasa Sreekanth Uppuluri**	None	None	-	18,00,000	—	18,00,000
Mr. Anil Kumar Pinapala	None	None	—	—	8,00,000	8,00,000
Mr. Srinivas Mahankali	None	None	—	4,16,667	—	4,16,667

* Appointed from 28th January, 2008

** Resigned on 28th January, 2008

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.

5. INVESTORS' GRIEVANCE COMMITTEE:

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

Composition of the Committee:

Dr. Venugopal Chairman

Datuk Kunasingam Sittampalam Member

Viswanath Kompella Member

Name & Designation of the Compliance officer: Mr.K.Ravindranath Tagore, Company Secretary

The total No. of Complaints received and complied during the year were;

Complaints Received-70

Complied-68

Pending-2

The Complaints had been attended to within seven days from the date of receipt of the complaint, as communicated by our Registrars and Share Transfer Agents M/s. Aarthi Consultants Pvt. Ltd.

The outstanding complaints as on 31st March, 2008 were: 2

6. Details of Annual General Meetings: Location and time of the last Three AGMs.

Financial year	Date & Time	Venue	Nature of Special Resolutions if any passed
2006-07	28.09.2007 11.00 A.M.	Padmashali Kalyana Mandapam,2-12-66, Nehru Nagar, West Marredapilly, Secunderabad -26	<ol style="list-style-type: none"> 1. Increase of Authorised capital 2. Appointment of Sreenivasa Sreekanth Uppuluri 3. Appointment of Jagan mohan Rao Karpey 4. Appointment of Anil Kumar Pinapala 5. Issue of shares to the promoters under preferential allotment 6. Issue of warrants to the promoters under preferential allotment 7. Issue of ADR's, GDR's, FCCB's
2005-06	29.09.2006 11.00 A.M.	Padmashali Kalyana Mandapam,2-12-66, Nehru Nagar, West Marredapilly, Secunderabad -26	<ol style="list-style-type: none"> 1. Preferential allotment of shares and warrants 2. Modification to the VESOS, 2004
2004-05	23.09.2005 11.00 A.M.	Padmashali Kalyana Mandapam,2-12-66, Nehru Nagar, West Marredapilly, Secunderabad -26	<ol style="list-style-type: none"> 1. Increase of Authorised capital and amendment of Articles of Association 2. Re- appointment of Managing Director 3. Approval of payment of sitting fees to Non-Executive Directors as per clause 49 of the Listing Agreement 4. Preferential allotment of shares and warrants to strategic investors and promoters 5. Resolution U/S 372A for purchase or subscription of shares, securities upto a limit of Rs.100 Crores.

None of the Resolutions were put through postal ballot in the last year.

7. Disclosures

A. Disclosure on materially significant related party transactions i.e. transactions of the company of material nature with its promoters, the directors or the management's, their subsidiaries or relatives etc. that may have potential conflict with the interests of the company at large.

None

B. Details of non-compliance by the company, penalties, Strictures imposed on the company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

None

8. Means of Communications:

As per the listing requirements, the company published periodical financial results in The Economic Times, Andhra Bhoomi, and leading English and regional newspapers. The Company has also posted its Quarterly results, shareholding pattern, Code of Conduct etc on the website of the company at www.virinchi.com and also in the EDIFAR site in terms of Clause 51 of the Listing Agreement.

9. General Shareholder information :

- a) AGM: Date, Time and Venue : 30th September, 2008 at 11.A.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, 2008	Before end of July 08
Half year ending September 30, 2008	Before end of October 08
Quarter ending December 31, 2008	Before end of January, 09
Quarter ending March 31, 2009	Before end of April, 09

- c) Date of Book Closure : 26th September 2008 to 30th September 2008
(both days Inclusive)
- d) 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 2008-09.
- e) Stock Code
- i) Stock Code – Physical
Hyderabad: Not Allotted
Mumbai : 532372
- ii) Demat ISIN in NSDL and CDSL
INE539B01017

f) Market Price Data:

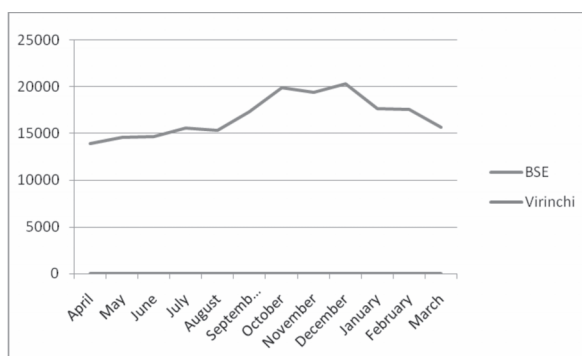
The Monthly high and low quotation and the volume of shares traded on The Stock exchange, Mumbai are as under:

Month	Highest(Rs.)	Lowest(Rs.)	Volume of Shares traded
April, 2007	37.95	31.40	474261
May, 2007	36.00	30.05	911302
June, 2007	35.60	29.00	811669
July, 2007	37.90	29.10	1056695
August, 2007	31.80	26.10	909116
September, 2007	38.90	29.10	1839491
October, 2007	34.95	25.00	777192
November, 2007	35.00	22.25	1015139
December, 2007	45.70	28.00	3194989
January, 2008	49.00	22.15	1931629
February, 2008	30.15	22.10	607237
March, 2008	24.90	16.20	548658

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.

g) Performance of share price of the company in comparison to the BSE Sensex



h) Registrar and share transfer agents : Aarhi 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. Aarhi Consultants Pvt. Ltd, Hyderabad.

j) Distribution Shareholding as on 31st March, 2008

Share Holding of Nominal Value	Share Holders			Share Amount	
	Rs.	Numbers	% of Total	In Rs.	% of Total
	(1)	(2)	(3)	(4)	(5)
1	5,000	8035	75	17228040	11.95
5,001	10,000	1336	13	11372000	7.89
10,001	20,000	619	6	9798950	6.79
20,001	30,000	235	2	6116970	4.24
30,001	40,000	96	1	3437180	2.38
40,001	50,000	81	1	3879950	2.69
50,001	1,00,000	123	1	9164060	6.35
1,00,001	And above	136	1	83225850	57.71
TOTAL		10661	100	144223000	100.00

k) Share holding pattern as on 31st March 2008.

	CATEGORY	No. of Shares held	Percentage of shareholding
A	PROMOTER'S HOLDING:		
1.	Promoters*		
	- Indian Promoters	2569837	17.82
	- Foreign Promoters	1221083	8.47
2.	Persons acting in Concert #	Nil	Nil
B.	NON-PROMOTERS HOLDING		
3.	Institutional Investors	Nil	Nil
a.	Mutual Funds	Nil	Nil
b.	Banks, Financial Institutions, Insurance Companies (Central/ State Govt. Institutions / Non-government Institutions)	Nil	Nil
c.	FII's	Nil	Nil
4.	OTHERS		
a.	Private Corporate Bodies	1112641	7.71
b.	Indian Public	8275906	57.38
c.	NRIs / OCBs	1215710	8.43
d.	Clearing Members	27123	0.19
	TOTAL	14422300	100.00

- l) Dematerialization 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. 91.01% of the Company's share capital is dematerialized as on 31.03.2008
- m) Outstanding GDRs./ADRs./Warrants or any Convertible instruments Conversion date and likely Impact on equity : The Company has issued 40,00,000 Warrants to some promoters and strategic investors at Rs.40/- But the same have not been exercised and they have been forfeited by the company.
- 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 : 29.08.2008

SRINIVAS MAHANKALI
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:**Industry Structure and developments:**

India continues to offer and deliver the best 'bundle' of benefits sought from global sourcing. With significant potential still untapped, it is expected that the global sourcing phenomenon will continue to expand in scope, scale and geographic coverage. As global delivery matures, multi-location strategies will become the norm and most sourcing destinations, including emerging locations, will grow in size. Strong fundamentals of

a large talent pool, sustained cost competitiveness and an enabling business environment will help India sustain its position as the preferred sourcing destination.

According to Nasscom's annual survey, despite FY 2007-08 not having been easy for the Indian IT software industry, the sector has logged in a 28 per cent (with adjusted exchange rates) growth. The figures rose up to US\$ 52 billion for year 2007-08 as against US\$ 39.6 billion in the previous fiscal.

The current growth rates show the IT industry's resilience. Despite facing several problems last year, like the sub-prime crisis, fluctuating currency etc, Indian IT industry continued growth story. We saw revenues grow 28 per cent and employment 26 per cent in the exports sector alone.

The software services sector too moved northward by 30 per cent, to earn revenues of US\$ 40.4 billion, while the domestic segment registered 26 per cent growth to touch revenues of US\$ 11.6 billion. The survey also projects that the overall software and services revenues will grow by 21-24 per cent (with adjusted exchange rates) to touch US\$ 50 billion in 2008-09.

Source: www.nasscom.com

Opportunities and Threats:

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.

Threat continues to be competition among companies within india and from emerging low cost destinations.

Segment wise or product wise performance:

This does not applicable to the company as the company is operating in only one segment.

Outlook

The company has various plans including the restructuring of the organization. It has appointed some financial and legal consultants to work on this. The Board expects that the company will make good results in the coming years and also expects to enter into new markets which are not explored in Europe and UK.

Risks and concerns:

The main risks causing concern to the IT Industry and your Company as well are Economic slow-down, ability to attract and retain talent, withdrawal of Tax benefits, Currency Exchange risks, High Customer concentration, etc. Your Company has a Risk Assessment and minimization process, which is monitored on a periodic basis. Various risks that are closely monitored are Business risks i.e. Client concentration risk, geographical risk, competition risk and Financial risk mainly in the area of foreign currency fluctuations.

Internal Control Systems & Their Adequacy

The Management Information Systems is the back bone of our internal control mechanism. The Com-

pany 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

Financial highlights

1. Revenues

The business has shown a steady growth. Revenue for the year ended 31st March, 2008 increased by 15%.

Your Company's strategy of building strong delivery capability with its multi-pronged emphasis on technology, people & processes has resulted not only in increased business from existing customers but also in new customer acquisition.

Operating Expenses

The ratio of operating expenditure to total income is at 62 % , increased by 1% over the same period last year.

3. EBIDT

The EBIDT was at 38 % for the year ended 31st March, 2008 as compared to 39 % for the same period last year.

4. Profit after Tax

Profit after Tax was at 14 % for the year ended 31st March, 2008 as compared to 24% for the same period last year.

5. Interest and Borrowings

The Company was debt free as on 31st March, 2008 and had a Net Cash balance of Rs. 57.5 million. During the year the company has incurred interest cost of Rs. 8.2 Million on its Working Capital facility.

6. Capital Employed

The Return on Average Capital Employed (ROCE) for the year ended 31st March, 2008 was 24 % as compared to 40 % for the same period last year.

7. Net Worth

The Return on Average Net Worth (RONW) for the year ended 31st March, 2008 was 8% as compared to 14% for the same period last year.

8. Fixed Assets

The Company added to its fixed assets Rs. 37.77 million. The additions were mainly incurred for the Additional Tech Facility at Hyderabad.

9. Receivables

Debtors as number of days' sales stood at 143 days for the year ended 31st March, 2008 as compared to 54 days for the same period last year.

10. Cash Generation

Cash generated from operations was Rs.151 million for the year ended 31st March, 2008

11.Manpower

The total employee strength as on 31st March, 2008 was 350 as against 300 as on 31st March, 2007.

PERFORMANCE SUMMARY

1. Revenue

Revenue increased by 15% at Rs.395.48 million for the year ended 31st March, 2008 as compared to Rs.341.63 million for the same period last year.

2. EBIDT

EBIDT was Rs. 151 million for the year ended 31st March, 2008 as compared to Rs.134.69 for the same period last year.

3. Profit After Tax (PAT)

a. PAT stood at Rs. 53.9 million for the year ended 31st March, 2008 as compared to Rs. 82.71 million for the same period last year.

b. Profit Margin was at 14% for the year ended 31st March, 2008 as compared to 24% for the same period last year.

4. Cash Generation

Cash generation was Rs.151 million for the year ended 31st March, 2008 as compared to Rs. 134.69 million for the same period last year.

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 350 employees on the rolls and keeping abreast with the envisaged growth, your company aims to increase its headcount to about **400** by the end of year 2008-09. 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.

Certification as required under Revised Clause 49 of the Listing Agreement

We, Viswanath Kompella, Chairman, Srinivas Mahankali, Managing Director, of Virinchi Technologies Limited to the best of our knowledge and belief, certify that :

1. We have reviewed the balance sheet and profit and loss account, and its schedules and notes on accounts, as well as the Cash Flow statement and the Directors report.
2. Based on our knowledge and information, these statements do not contain any un true statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the statements made
3. Based on our knowledge and information, the financial statements, and other financial information included in this report, fairly present in all material respects, the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report, and are in compliance with the existing accounting standards and/or applicable laws and regulations.
4. To the best of our knowledge and belief, no transactions entered into by the company during the year are fraudulent, illegal or violative of the Company's code of conduct.
5. The Company's other certifying officers and we, are responsible for establishing and maintaining disclosure controls and procedures for the company, and we have:
 - a) Designed such disclosure controls and procedures to ensure that material information relating to the company is made known to us particularly during the period in which this report is being prepared. and
 - b) Evaluated the effectiveness of the Company's disclosure, controls and procedures.
6. We have disclosed to the Company's auditors and the audit committee
 - a) all significant changes in internal control during the year;
 - b) Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements and
 - c) any fraud, whether or not material, that involves management or other employees who have significant role in the company's internal controls.

Srinivas Mahankali
Managing Director

Place: HYDERABAD

Date: 29.08 2008

**For P. MURALI & CO.
CHARTERED ACCOUNTANTS**

**P.MURALIIMOHANARAO
PARTNER
M.No: 23412**

**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: 29.08.2008
Place: Hyderabad

Srinivas Mahankali
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, 2008 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 : 29.08.2008**

**P.MURALI MOHANA 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, 2008 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 report 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, 2008 and taken on record by the Board of Directors, we report that, none of the Directors is disqualified as on 31st March, 2008 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, 2008.
 - ii) In the case of the Profit and Loss Account, of the **Profit** for the year ended on that date;
 - iii) In the case of cash flow statement of the cash flows for the year ended on that date.

And

**For P. MURALI & CO.,
CHARTERED ACCOUNTANTS**

**PLACE : HYDERABAD
DATE : 29.08.2008**

**P.MURALI MOHANA RAO
PARTNER.
M.No:23412**

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 : 29.08.2008**

**P.MURALI MOHANA RAO
PARTNER.
M.No:23412**

VIRINCHI TECHNOLOGIES LIMITED

BALANCE SHEET AS ON 31st MARCH, 2008

PARTICULARS	SCHEDULE Nos.	AS AT 2007-08 (Rupees)	AS AT 2006-07 (Rupees)
I SOURCES OF FUNDS			
1. SHAREHOLDERS FUNDS			
a) Share Capital	1	143,767,697	140,916,697
b) Share Warrants		16,000,000	24,040,000
c) Reserves & Surplus	2	516,317,988	449,173,725
2. LOAN FUNDS			
a) Secured Loans	3	62,958,041	39,600,751
3. DEFERRED TAX LIABILITY		40,680,757	36,616,619
TOTAL		779,724,483	690,347,792
II APPLICATION OF FUNDS			
1. FIXED ASSETS			
a) Gross Block	4	554,093,129	516,326,136
b) Less: Depreciation		186,054,492	132,625,047
c) Net Block		368,038,638	383,701,089
2. INVESTMENTS	5	86,281,050	105,082,000
3. CURRENT ASSETS, LOANS AND ADVANCES			
a) Sundry Debtors	6	157,282,068	51,631,664
b) Cash and Bank Balances	7	57,585,283	52,190,273
c) Advances and Deposits	8	143,609,279	123,063,032
Less: Current Liabilities, Provisions and Advances	9	33,071,835	25,320,266
NET CURRENT ASSETS		325,397,295	201,564,703
TOTAL		779,724,483	690,347,792
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
M.No: 23412

VISWANATH KOMPPELLA
CHAIRMAN

SRINIVAS MAHANKALI
MANAGING DIRECTOR

PLACE : HYDERABAD
DATE : 29-08-08

K. RAVINDRANATH TAGORE
COMPANY SECRETARY

VIRINCHI TECHNOLOGIES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2008

PARTICULARS	SCHEDULE Nos.	YEAR ENDED 2007-08 (Rupees)	YEAR ENDED 2006-07 (Rupees)
1 INCOME			
Income from Operations		395,483,588	341,633,972
Interest on FDR		2,710,882	3,323,265
Other Income		2,800	-
TOTAL		398,197,270	344,957,237
2 EXPENDITURE			
Salaries and Other Benefits to Employees		66,047,098	57,969,613
Business and Administrative Expenses	10	181,124,101	152,299,057
Interest and Financial Expenses		8,229,751	3,927,402
Depreciation		53,429,445	42,606,778
Goodwill Written Off		20,095,383	-
TOTAL		328,925,777	256,802,850
3 PROFIT BEFORE TAX		69,271,494	88,154,386
4 PROVISION FOR INCOME TAX			
Provision for Income Tax		7,848,460	780,000
Fringe Benefit Tax		3,371,894	135,000
Deferred Tax		4,064,138	4,529,800
5 PROFIT AFTER TAX		53,987,001	82,709,586
6 PROVISION FOR DIVIDEND		-	7,068,600
7 PROVISION FOR DIVIDEND TAX		-	1,201,309
8 PROFIT AFTER DIVIDEND		53,987,001	74,439,678
9 BALANCE BROUGHT FORWARD		231,048,498	156,608,820
10 BALANCE CARRIED FORWARD TO BALANCE SHEET		285,035,499	231,048,498
11 BASIC EARNINGS PER SHARE (PAT)		3.74	5.85
12 DILUTED EARNING PER SHARE		3.37	5.00
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
M.No. 23412

VISWANATH KOMPPELLA
CHAIRMAN

SRINIVAS MAHANKALI
MANAGING DIRECTOR

PLACE : HYDERABAD
DATE : 29-08-08

K. RAVINDRANATH TAGORE
COMPANY SECRETARY

VIRINCHI TECHNOLOGIES LIMITED

PARTICULARS	For the Year Ended 2007-08 (Rupees)	For the Year Ended 2006-07 (Rupees)
SCHEDULE 1		
SHARE CAPITAL		
AUTHORISED :		
25,000,000 Equity Share of Rs.10/- each	250,000,000	180,000,000
ISSUED, SUBSCRIBED & PAID UP :		
14,422,300 Equity shares of Rs.10/- each (Previous year 1,41,37,200 Shares of Rs. 10/- each)	144,223,000	141,372,000
LESS: Calls in Arrears	(455,303)	(455,303)
	143,767,697	140,916,697
SCHEDULE 2		
RESERVES AND SURPLUS		
Balance Upto Previous year	231,048,498	156,608,820
Share Warrants Forfieted	8,040,000	-
Surplus in Profit and Loss Account	53,987,001	74,439,678
	293,075,499	231,048,498
Employee Stock Option Scheme	22,102,129	28,174,424
Less:Deferred Employee Compensation	13,065,405	18,182,667
	9,036,724	9,991,757
Securities Premium (Share Premium)	214,205,765	208,133,470
	516,317,988	449,173,725
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)	29,991,456	23,172,901
Vehicle Finance (Secured against Vehicles)	4,425,228	3,658,186
Canara Bank - Bill Discounting	18,015,993	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)	10,525,364	165,932
	62,958,041	39,600,751

SCHEDULE 4 FIXED ASSETS

Particulars	Gross Block As On 01-04-2007	Additions During the Year	Gross Block As On 31-03-2008	Depreciation Upto 31-03-2007	Depreciation During The year	Total Depreciation 31-03-2008	Net Block as at 31-03-2008	Net Block as at 31-03-2007
Computer Hardware	108,487,576	4,844,022	113,331,598	58,393,822	8,573,623	66,967,445	46,364,153	50,093,754
Computer Software	100,003,465	8,661,148	108,664,613	39,737,176	10,390,933	50,128,109	58,536,504	60,266,289
Furniture and Fixtures	10,050,589	591,546	10,642,135	3,333,069	442,245	3,775,314	6,866,821	6,717,520
Interior Decoration	31,669,617	11,985,764	43,655,381	5,480,611	2,106,555	7,587,166	36,068,215	26,189,006
Office Equipments	8,202,209	4,512,131	12,714,340	1,213,935	458,943	1,672,878	11,041,462	6,988,274
Air Conditioners	2,319,703	2,832,980	5,152,683	506,242	176,930	683,171	4,469,512	1,813,461
Vehicles	11,555,282	2,470,374	14,025,656	4,100,835	711,643	4,812,478	9,213,178	7,454,447
Electrical Equipment	1,228,094	1,869,027	3,097,121	286,773	107,738	394,511	2,702,610	941,321
Product Development Expenses	213,225,846		213,225,846	19,572,585	30,460,835	50,033,420	163,192,426	193,653,261
Land & Land Development Charges	29,583,756		29,583,756	-	-	-	29,583,756	29,583,756
	516,326,137	37,766,992	554,093,129	132,625,047	53,429,445	186,054,492	368,038,638	383,701,090

PARTICULARS	For the Year Ended 2007-08 (Rupees)	For the Year Ended 2006-07 (Rupees)
SCHEDULE 5		
INVESTMENTS		
Shares of Canara Bank (Cost price of 400 Shares @ Rs.35/- per share) (Market Price of share as on 31st March,2008 is Rs.225.20 per share)	14,000	14,000
K Soft Systems Inc, wholly owned subsidiary (Acquisition effective from 1st October 2006)		
Share Capital	4,591,087	4,591,087
Goodwill	80,381,532	100,476,913
Shares of DLF Limited (Cost price of 1750 Shares Average @ Rs.739.67/- per share) (Market Price of share as on 31st March,2008 is Rs.646.50 per share)	1,294,432	-
	86,281,050	105,082,000
SCHEDULE 6		
SUNDRY DEBTORS		
(Unsecured, Considered good)		
Debtors not exceeding six months	157,282,068	51,631,664
Debtors exceeding six months	-	-
Others Debts	-	-
	157,282,068	51,631,664
SCHEDULE 7		
CASH AND BANK BALANCES		
Cash in Hand	36,327	160,686
Balance with Schedule Banks		
In Current Accounts	12,726,077	8,436,219
In Deposit Accounts	44,815,379	43,593,368
	57,577,783	52,190,273
SCHEDULE 8		
ADVANCES AND DEPOSITS		
ADVANCES		
Virinchi Employees Welfare Trust	109,398,534	101,589,055
Advances - K Soft	14,420,000	18,960,000
Other Advances	12,544,950	-
	1,743,366	648,948
DEPOSITS		
Rent Deposits	4,457,728	820,328
Other Deposits	1,044,701	1,044,701
	143,609,279	123,063,032

PARTICULARS	For the Year Ended 2007-08 (Rupees)	For the Year Ended 2006-07 (Rupees)
SCHEDULE 9		
CURRENT LIABILITIES, ADVANCES AND PROVISIONS		
Sundry Creditors, Advances & Creditors for Expenses	13,660,113	10,664,141
Other Current Liabilities	957,722	1,413,000
Outstanding Expenses and Provisions	6,042,102	4,058,217
Provision for Taxation	12,411,898	915,000
Provision for Dividend	-	7,068,600
Provision for Dividend tax	-	1,201,309
	33,071,835	25,320,266
SCHEDULE 10		
BUSINESS AND ADMINISTRATIVE EXPENSES		
Postage, Telephone and Telegrams	5,228,597	6,510,045
Repairs and Other Maint. Charges	8,058,401	3,604,559
Rent, Rates and Taxes	4,654,598	1,679,700
Auditors Remuneration	168,540	112,750
Directors Remuneration	6,281,661	4,300,000
Printing and Stationery	682,084	746,866
Travelling and Conveyance	51,281,903	11,462,596
Marketing and Business Expenses	88,627,159	107,047,855
Other Administrative Expenses	16,141,159	16,834,687
	181,124,101	152,299,057

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 & losses 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 Amortisation:

- (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. Products which are considered as Redundant due to Technological advancement would be written off immediately.

Taxation:

As per the Finance Bill 2007, Companies claiming exemption U/s 10 B are subject to the provisions of Minimum Alternative Tax (MAT) U/s. 115JB. Company has provide provision for Income Tax as per Sec.115JB of Income Tax Act, 1961. 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. Company has created Separate Gratuity Trust for 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

	K. Viswanath	Rs. 24,00,000/-
	Srinivas Mahankali	Rs. 4,16,667/-
	Sreenivasa Sreekanth Uppuluri	Rs. 24,00,000/-
- Directors Remuneration

	<u>Current Year(Rs.)</u>	<u>Previous Year(Rs.)</u>
	Rs. 60,61,667/-	Rs.43,00,000 /-
- Auditors Remuneration

	<u>Current Year.(Rs.)</u>	<u>Previous Year(Rs.)</u>
	Rs.1,68,540/-	Rs. 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.
- 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	502.76 Lacs
Other Expenses	564.15 Lacs
- Earnings in Foreign Exchange as reported by the Company to Government of India and as certified by Management.

	<u>Current Year(Rs.)</u>
Foreign Exchange Inflow	2898.18 Lacs
- There are no outstanding dues to SSI Units.
- Confirmations were not obtained from debtors/creditors as to the balances receivable from/payable to them as at year end.
- 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. 40,64,138 /-towards deferred income tax liability. (Previous year Rs. 45,29,800/- towards deferred Income tax liability).
- Previous years figures have been regrouped wherever necessary.
- The figures have been rounded off to the nearest rupee.
- In accordance with Accounting Standard 17(AS 17) issued by the ICAI, there is no identifiable segment hence segmental report is not applicable.
- The details of auditor remuneration is as follows

- As auditor	Rs.1,12,360/-
- As tax adviser	Rs. 56,180/-

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL PROFILE

I) 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	2,843.5

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

Total Liabilities:	779,717	Total Assets :	779,717
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Sources of Funds

Paid-up Capital	: 143,760
Reserves & Surplus	: 516,318
Secured Loans	: 62,958
Unsecured Loans	: NIL

Application of Funds

Net Fixed Assets	: 68,039
Investments	: 86,281
Net Current Assets	: 325,397
Miscellaneous Expenditure	: NIL
Accumulated Losses	: NIL

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

Turnover	: 395,484	Total Expenditure	: 328,926
Profit/Loss before	: 69,271	Profit after Tax	: 53,987
Tax	: 88154		
Earning per share (Rs.)	: 3.74	Dividend Rate	: NIL

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, 2008

PARTICULARS	Year Ended 31-03-2008 Rs. in Lacs	Year Ended 31-03-2007 Rs. in Lacs
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit/ (Loss) before taxation and extraordinary items	692.71	881.54
Adjustments for:		
Depreciation	534.29	426.07
W/o expenses	200.95	-
Interest expenses	82.30	39.27
Operating Profit before working capital changes	1510.26	1346.89
Working Capital Changes		
Trade and other receivables	-1261.97	-22.56
Trade payables	77.52	-328.31
Cash generated from operations	325.81	996.00
Interest paid	-82.30	-39.27
Taxation for the year	-112.20	-9.15
Dividend for the year	-	-70.69
Dividend Tax for the year	-	-12.01
Deferred Employee Compensation	-9.55	62.46
Cash flow before extraordinary items	121.76	927.36
Extraordinary items	-	-
Net Cash from Operating Activities	121.76	927.36
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	-377.67	-792.72
Investment	-12.94	-1050.68
Public Issue Expenses	-	-
Net Cash used in Investing Activities	-390.61	-1843.40
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from Equity Shares	28.44	18.60
Issue of Share Warrants	-	160.00
Share Premium	60.72	83.48
Net Proceeds from Long Term Borrowings	233.57	7.70
Net Cash used in Financing Activities	322.73	269.78
Net increase in cash and cash equivalents	53.88	-646.26
Cash and Cash equivalents as at 01.04.2007	521.90	1168.17
Cash and Cash equivalents as at 31.03.2008	575.78	521.91

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
M.No. 23412

VISWANATH KOMPPELLA
CHAIRMAN

SRINIVAS MAHANKALI
MANAGING DIRECTOR

PLACE : HYDERABAD
DATE : 29-08-08

K. RAVINDRANATH TAGORE
COMPANY SECRETARY

AUDITOR'S CERTIFICATE

To

THE BOARD OF DIRECTORS
VIRINCHI TECHNOLOGIES LIMITED
SECUNDERABAD

We have examined the attached cash flow statement of M/s Virinchi Technologies Limited, for the year ended 31st March, 2008. 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 29th August, 2008 to the Members of the Company.

for P.MURALI & CO.,
CHARTERED ACCOUNTANTS

PLACE : HYDERABAD
DATE : 29th AUGUST, 2008

P.MURALI MOHANA RAO
PARTNER
M.No. 23412

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, 2007- March, 2008

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 2007-08:

Rs. In Lacs

S.No.	Particulars	Year ended 31.03.2008	Year ended 31.03.2007
1	Net sales /Income from operations	1942.10	1150.52
2	Other Income	2.56	0
3	Total Income	1944.66	1150.52
4	Software development expenses	1699.63	510.45
5	Gross Profit	245.03	640.07
6	Administrative & General expenses	225.67	629.55
7	Depreciation	0.11	0.08
8	Net Profit (Loss) before tax	19.25	10.45
9	Income tax	5.78	3.13
10	Deferred taxes	0	0
11	Profit (Loss) after tax	13.48	7.32
12	Paid up equity share capital	45.91	45.91

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

Anil Kumar Pinapala
Director

Accountant's Review Report

To
The Board of Directors
K SOFT SYSTEMS Inc

We have **reviewed** the accompanying balance sheets of K Soft Systems Inc. (a wholly owned subsidiary of Virinchi Technologies Limited) as of March 31, 2008, Profit and Loss account and cash flows for the year 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:29.08.2008
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, 2008

PARTICULARS	SCHEDULE Nos.	AS AT 2007-08 (Rupees)	AS AT 2006-07 (Rupees)
I SOURCES OF FUNDS			
1. SHAREHOLDERS FUNDS			
a) Share Capital	1	4,591,087	4,591,087
b) Reserves & Surplus	2	2,079,011	731,278
2. LOAN FUNDS			
a) Un Secured Loans	3	-	8,688,336
TOTAL		6,670,098	14,010,700
II APPLICATION OF FUNDS			
1. FIXED ASSETS			
a) Gross Block	4	217,846	158,191
b) Less: Depreciation		18,447	7,514
c) Net Block		199,399	150,677
2. CURRENT ASSETS, LOANS AND ADVANCES			
a) Sundry Debtors	5	30,887,435	31,925,803
b) Cash and Bank Balances	6	13,403,865	8,499,863
Less: Current Liabilities, Provisions and Advances	7	38,307,018	26,827,700
NET CURRENT ASSETS		5,984,283	13,597,966
Foreign Exchange Translation Reserve (Dr.)		486,417	262,057
TOTAL		6,670,098	14,010,700
Notes to Accounts	9		

Schedules 1 to 8, 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
M.No. 23412

ANIL KUMAR PINAPALA
DIRECTOR

PLACE : HYDERABAD
DATE: 29-08-08

K SOFT SYSTEMS Inc
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2008

PARTICULARS	SCHEDULE Nos.	AS AT 2007-08 (Rupees)	AS AT 2006-07 (Rupees)
1 INCOME			
Income from Operations		194,210,352	115,052,055
Other Income - Brokerage Income		255,807	
TOTAL		194,466,159	115,052,055
2 EXPENDITURE			
Salaries and Other benefits to Employees		169,963,254	51,044,602
Business and Administrative Expenses	8	22,566,638	62,955,257
Depreciation		10,933	7,514
TOTAL		192,540,826	114,007,373
3 PROFIT BEFORE TAX		1,925,333	1,044,682
4 PROVISION FOR TAX			
Current Tax		577,600	313,405
5 PROFIT AFTER TAX		1,347,733	731,278
9 BALANCE BROUGHT FORWARD		731,278	-
10 BALANCE CARRIED FORWARD TO BALANCE SHEET		2,079,011	731,278
11 BASIC EARNINGS PER SHARE (PAT)			
Notes to Accounts	9		

Schedules 1 to 8, 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
M.No. 23412

ANIL KUMAR PINAPALA
DIRECTOR

PLACE : HYDERABAD
DATE: 29-08-08

PARTICULARS	For the Year Ended 31.03.08 (Rupees)	For the Year Ended 31.03.07 (Rupees)
SCHEDULE 1		
SHARE CAPITAL		
ISSUED, SUBSCRIBED & PAID UP :		
200,000 Equity Share of USD 1/- each	4,591,087	4,591,087
	4,591,087	4,591,087
SCHEDULE 2		
RESERVES AND SURPLUS		
Balance Upto Previous year	731,278	NA
Surplus in Profit and Loss Account	1,347,733	731,278
	2,079,011	731,278
SCHEDULE 3		
UNSECURED LOANS		
Wachovia Line of Credit	-	8,688,336
	-	8,688,336
SCHEDULE 4		
Fixed Assets		
Equipments	158,191	158,191
Furniture	59,655	-
	217,846	158,191
Less :Accumulated Depreciation	18,447	7,514
Net Block	199,399	150,677
SCHEDULE 5		
SUNDRY DEBTORS		
(Unsecured, considered good)		
Debtors not exceeding six months	30,887,435	31,925,803
	30,887,435	31,925,803
SCHEDULE 6		
CASH AND BANK BALANCES		
Cash in Hand	-	-
Cash at Bank		
Chase Bank	6,815,846	-
Wachobia Securities - 8954	1,921,234	163,177
Wachobia Securities - 9979	4,666,784	8,336,686
	13,403,865	8,499,863
SCHEDULE 7		
CURRENT LIABILITIES, ADVANCES AND PROVISIONS		
Sundry Creditors	15,273,442	17,910,602
Employees payable	9,812,198	6,655,990
Others - virinchi	12,336,222	1,947,704
Provision for Taxation	885,155	313,405
	38,307,018	26,827,700
SCHEDULE 8		
BUSINESS AND ADMINISTRATIVE EXPENSES		
Postage,Telephone and Telegrams	333,234	129,026
Rent, Rates and Taxes	2,488,183	738,713
Marketing and Business Expenses	3,825,577	7,037,534
Other Administrative Expenses	15,919,645	55,049,984
	22,566,638	62,955,257

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.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2008

PARTICULARS	Year Ended 31-03-2008 Rs.in Lacs	Year Ended 31-03-2007 Rs.in Lacs
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit/ (Loss) before taxation and extraordinary items	19.25	10.45
Adjustments for:		
Depreciation	0.11	0.08
W/o expenses	-	
Operating Profit before working capital changes	19.36	10.52
Working Capital Changes		
Trade and other receivables	10.38	(319.26)
Trade payables	114.79	268.28
Cash generated from operations	144.54	(40.46)
Taxation for the year	(5.78)	(3.13)
Foreigh Exchange Transalation Loss	(2.24)	(2.62)
Cash flow before extraordinary items	136.52	(46.21)
Extraordinary items		
Net Cash from Operating Activities	136.52	(46.21)
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	(0.60)	(1.58)
Net Cash used in Investing Activities	(0.60)	(1.58)
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from Equity Shares	-	45.91
Net Proceeds from Long Term Borrowings	(86.88)	86.88
Net Cash used in Financing Activities	(86.88)	132.79
Net increase in cash and cash equivalents	49.04	85.00
Cash and Cash equivalents as at 01.04.2007	85.00	
Cash and Cash equivalents as at 31.03.2008	134.04	85.00

AS PER OUR REPORT OF EVEN DATE
for P MURALI & CO.,
Chartered Accountants

P.MURALI MOHANA RAO
Partner
M.No. 23412

PLACE : HYDERABAD
DATE: 29-08-08

FOR AND ON BEHALF OF THE BOARD
K SOFT SYSTEMS INC

ANIL KUMAR PINAPALA
DIRECTOR

AUDITOR'S REPORT

To

The Board of Directors,

VIRINCHI TECHNOLOGIES LIMITED

1. We have audited the attached Consolidated Balance Sheet of **M/s VIRINCHI TECHNOLOGIES LIMITED** and its subsidiary **K SOFT SYSTEMS INC** as at 31st March 2008, the related Consolidated Profit and Loss Account and the consolidated cash flow statement for the period ended on that date annexure thereto, which we have signed under reference to this report. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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. We report that the consolidated Financial Statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard 21 "Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the company and its subsidiaries included in the Consolidated Financial statements.
4. Based on our audit and on consideration of separate audit reports on individual audited financial statements of the company and its consolidated subsidiary, in our opinion, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) In the case of the Consolidated Balance Sheet, of the State of affairs of the Group as at 31st March, 2008.
 - ii) In the case of the Consolidated Profit and Loss Account, of the **Profit** for the year ended on that date;

And

- iii) In the case of Consolidated Cash Flow statement of the cash flows for the year ended on that date.

**For P. MURALI & CO.,
CHARTERED ACCOUNTANTS**

**PLACE : HYDERABAD
DATE : 29-08-2008**

**P.MURALI MOHANA RAO
PARTNER
M.No. 23412**

VIRINCHI TECHNOLOGIES LIMITED
CONSOLIDATED BALANCE SHEET AS ON 31st MARCH, 2008

PARTICULARS	SCHEDULE Nos.	AS AT 2007-08 (Rupees)	AS AT 2006-07 (Rupees)
I SOURCES OF FUNDS			
1. SHAREHOLDERS FUNDS			
a) Share Capital	1	143,760,197	140,916,697
b) Share Warrants		16,000,000	24,040,000
c) Reserves & Surplus	2	517,910,582	449,634,144
2. LOAN FUNDS			
a) Secured Loans	3	62,958,041	48,289,087
3. DEFERRED TAX LIABILITY		40,680,757	36,622,311
TOTAL		781,309,578	699,502,240
II APPLICATION OF FUNDS			
1. FIXED ASSETS			
a) Gross Block	4	554,310,976	516,484,328
b) Less: Depreciation		186,072,939	132,635,670
c) Net Block		368,238,037	383,848,658
2. INVESTMENTS	5	1,308,432	14,000
3. CURRENT ASSETS, LOANS AND ADVANCES			
a) Sundry Debtors	6	188,169,503	82,144,467
b) Cash and Bank Balances	7	70,981,648	60,690,136
c) Advances and Deposits	8	131,064,329	123,063,032
Less: Current Liabilities, Provisions and Advances	9	58,833,903	50,734,966
NET CURRENT ASSETS		331,381,578	215,162,669
4. GOODWILL		80,381,532	100,476,914
TOTAL		781,309,578	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
M.No. 23412

VISWANATH KOMPPELLA
CHAIRMAN

SRINIVAS MAHANKALI
MANAGING DIRECTOR

PLACE : HYDERABAD
DATE : 29-08-08

K. RAVINDRANATH TAGORE
COMPANY SECRETARY

VIRINCHI TECHNOLOGIES LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2008

PARTICULARS	SCHEDULE Nos.	AS AT 2007-08 (Rupees)	AS AT 2006-07 (Rupees)
1 INCOME			
Income from Operations		565,812,484	456,686,026
Interest on FDR		2,969,489	3,323,265
			-
TOTAL		568,781,973	460,009,291
2 EXPENDITURE			
Salaries and Other Benefits to Employees		212,128,896	109,000,215
Business and Administrative Expenses	10	203,416,410	215,254,314
Interest and Financial Expenses		8,509,277	3,927,402
Depreciation		53,440,378	42,617,400
Goodwill Written Off		20,095,383	
TOTAL		497,590,344	370,799,332
3 PROFIT BEFORE TAX		71,191,628	89,209,960
4 PROVISION FOR INCOME TAX			
Current Tax		8,426,060	1,093,405
Fringe Benefit Tax		3,371,894	135,000
Deferred Tax		4,064,138	4,535,492
5 PROFIT AFTER TAX		55,329,536	83,446,063
6 PROVISION FOR DIVIDEND		-	7,068,600
7 PROVISION FOR DIVIDEND TAX		-	1,201,309
8 PROFIT AFTER DIVIDEND		55,329,536	75,176,154
9 BALANCE BROUGHT FORWARD		75,176,154	-
10 BALANCE CARRIED FORWARD TO BALANCE SHEET		130,505,690	75,176,154
11 BASIC EARNINGS PER SHARE (PAT)		3.84	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
M.No. 23412

VISWANATH KOMPPELLA
CHAIRMAN

SRINIVAS MAHANKALI
MANAGING DIRECTOR

PLACE : HYDERABAD
DATE : 29-08-08

K. RAVINDRANATH TAGORE
COMPANY SECRETARY

VIRINCHI TECHNOLOGIES LIMITED
Schedules to Consolidated Financial Statements

PARTICULARS	For the Year Ended 2007-08 (Rupees)	For the Year Ended 2006-07 (Rupees)
SCHEDULE 1 SHARE CAPITAL		
AUTHORISED :		
25,000,000 Equity Share of Rs.10/- each	250,000,000	180,000,000
ISSUED, SUBSCRIBED & PAID UP :		
1,442,150 Equity shares of Rs.10/- each (Previous year 14,137,200 Shares of Rs. 10/- each)	144,215,500	141,372,000
LESS: Calls in Arrears	(455,303)	(455,303)
	143,760,197	140,916,697
Share Warrants	16,000,000	24,040,000
SCHEDULE 2:		
RESERVES AND SURPLUS		
Balance Upto Previous year	231,784,974	156,608,820
Share Warrants Forfeited	8,040,000	-
Surplus in Profit and Loss Account	55,329,536	75,176,154
	295,154,510	231,784,974
Employee Stock Option Scheme	22,102,129	28,174,424
Less:Deferred Employee Compensation	13,065,405	18,196,667
	9,036,724	9,977,757
Securities Premium (Share Premium)	214,205,765	208,133,470
Foreign Exchange Translation Reserve (Dr.)	(486,417)	(262,057)
	517,910,582	449,634,145
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)	29,991,456	23,172,901
Vehicle Finance (Secured against Vehicles)	4,425,228	3,658,186
Canara Bank - Bill Discounting	18,015,993	12,603,732
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)	10,525,364	165,932
Wachovia Line of Credit	-	8,688,336
	62,958,041	48,289,087

SCHEDULE 4 FIXED ASSETS

(Rupees)

Particulars	Gross Block As On 01-04-2007	Additions During the Year	Gross Block As On 31-03-2008	Depreciation Upto 31-03-2007	Deapreciation During The year	Total Depreciation 31-03-2008	Net Block as at 31-03-2008	Net Block as at 31-03-2007
Computer Hardware	108,487,576	4,844,022	113,331,598	58,393,822	8,573,623	66,967,445	46,364,153	50,093,754
Computer Software	100,003,465	8,661,148	108,664,613	39,737,176	10,390,933	50,128,109	58,536,504	60,266,289
Furniture and Fixtures	10,050,589	651,201	10,701,790	3,336,178	446,021	3,779,090	6,922,700	6,717,520
Interior Decoration	31,669,617	11,985,764	43,655,381	5,480,611	2,106,555	7,587,166	36,068,215	26,189,006
Office Equipments	8,360,400	4,512,131	12,872,531	1,221,449	466,100	1,687,549	11,184,982	7,135,842
Air Conditioners	2,319,703	2,832,980	5,152,683	506,242	176,930	683,171	4,469,512	1,813,461
Vehicles	11,555,282	2,470,374	14,025,656	4,100,835	711,643	4,812,478	9,213,178	7,454,447
Electrical Equipment	1,228,094	1,869,027	3,097,121	286,773	107,738	394,511	2,702,610	941,321
Product Development Expenses	213,225,846		213,225,846	19,572,585	30,460,835	50,033,420	163,192,426	193,653,261
Land & Land Development Charges	29,583,756		29,583,756	-	-	-	29,583,756	29,583,756
	516,484,328	37,826,647	554,310,976	132,635,670	53,440,378	186,072,939	368,238,037	383,848,658

PARTICULARS	For the Year Ended 2007-08 (Rupees)	For the Year Ended 2006-07 (Rupees)
SCHEDULE 5: INVESTMENTS		
Canara Bank Shares (Cost price of 400 Shares @ Rs.35/- per share) (Market Price of share as on 31st March,2008 is Rs.225.20 per share)	14,000	14,000
Karvy Stock Broking Limited (Cost price of 1750 Shares Average @ Rs.739.67/- per share) (Market Price of share as on 31st March,2008 is Rs.646.50 per share)	1,294,432	-
	1,308,432	14,000
SCHEDULE 6: SUNDRY DEBTORS		
Debtors not exceeding six months	188,169,503	82,144,467
Others	-	-
	188,169,503	82,144,467
SCHEDULE 7: CASH AND BANK BALANCES		
Cash in Hand	36,327	160,686
Cash with Schedule Banks		
In Current Accounts	12726077	8,436,219
In Deposit Accounts	44815379	43,593,368
- In Checking Account USA		
Chase Bank	6,815,846	-
Wachobia Securities - 8954	1,921,234	163,177
Wachobia Securities - 9979	4,666,784	8,336,686
	70,981,648	60,690,136
SCHEDULE 8: ADVANCES AND DEPOSITS		
ADVANCES		
Advances	109,398,534	33,851,565
Virinchi Employees Welfare Trust	14,420,000	18,960,000
Other Advances	1,743,366	68,386,438
DEPOSITS:		
Rent Deposits	4,457,728	820,328
Other Deposits	1,044,701	1,044,701
	131,064,329	123,063,032
SCHEDULE 9: CURRENT LIABILITIES, ADVANCES AND PROVISIONS		
Sundry Creditors	28,933,555	32,150,347
Advances & Creditors for Expenses	9,812,198	1,667,385
Others Current Liabilities	748,994	3,360,704
Outstanding Expenses and Provisions	6,042,102	4,058,217
Provision for Taxation	13,297,054	1,228,405
Provision for Dividend	-	7,068,600
Provision for Dividend Tax	-	1,201,309
	58,833,903	50,734,966
SCHEDULE 10: BUSINESS AND ADMINISTRATIVE EXPENSES		
Postage, Telephone and Telegrams	5,561,831	6,639,071
Repairs and Other Maint. Charges	10,546,583	3,604,559
Rent, Rates and Taxes	4,654,598	2,418,413
Auditors Remuneration	168,540	112,750
Directors Remuneration	6,281,661	4,300,000
Printing and Stationery	682,084	746,866
Travelling and Conveyance	51,281,903	11,462,596
Marketing and Business Expenses	92,457,933	114,085,389
Other Administrative Expenses	31,781,278	71,884,671
	203,416,410	215,254,314

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2008

	Year Ended 31-03-2008 Rs.in Lacs	Year Ended 31-03-2007 Rs.in Lacs
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit/ (Loss) before taxation and extraordinary items	711.92	892.10
Adjustments for:		
Depreciation	534.40	1326.36
W/o expenses	200.95	0.00
Interest expenses	85.09	39.27
Operating Profit before working capital changes	1532.37	2257.73
Working Capital Changes		
Trade and other receivables	-1140.26	-2052.07
Trade payables	80.99	507.35
Cash generated from operations	473.09	713.00
Interest paid	-85.09	-39.27
Taxation for the year	-117.98	-12.28
Dividend for the year	0.00	-70.69
Dividend Tax for the year	0.00	-12.01
Foreign exchange Loss	-2.24	
Deferred Employee Compensation	-9.41	320.87
Cash flow before extraordinary items	258.37	899.62
Extraordinary items	-	-
Net Cash from Operating Activities	258.37	899.62
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	-378.27	-6169.61
Investment	-12.94	-0.14
Public Issue Expenses	0.00	0.00
Net Cash used in Investing Activities	-391.21	-6169.75
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from Equity Shares	28.44	3072.41
Issue of Share Warrants	0.00	240.40
Share Premium	60.72	2081.33
Net Proceeds from Long Term Borrowings	146.69	482.89
Net Cash used in Financing Activities	235.85	5877.04
Net increase in cash and cash equivalents	103.00	606.91
Cash and Cash equivalents as at 01.04.2007	606.91	0.00
Cash and Cash equivalents as at 31.03.2008	709.91	606.91

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
M.No. 23412

VISWANATH KOMPELLA
CHAIRMAN

SRINIVAS MAHANKALI
MANAGING DIRECTOR

PLACE : HYDERABAD
DATE : 29-08-08

K. RAVINDRANATH TAGORE
COMPANY SECRETARY

CONSOLIDATED NOTES TO ACCOUNTS

SIGNIFICANT ACCOUNTING POLICIES AND NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. 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 through wholly owned subsidiary **K SOFT SYSTEMS Inc.**

2. 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, 2008
Balance Sheet items	39.90
Revenue items	40.26

3. 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.

4. **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.

5. **Goodwill:**

Goodwill represents the difference between the purchase price and the fair value of the assets and liabilities acquired after considering reserves transferred. **Goodwill is being amortized on Straight Line Method over a period of 5 years.**

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

6. **Taxation:**

As per the Finance Bill 2007, Companies claiming exemption U/s 10 B are subject to the provisions of Minimum Alternative Tax (MAT) U/s. 115JB. Company has provide provision for Income Tax as per Sec.115JB of 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.

7. **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.

8. **Gratuity**

The Company has made provision for the gratuity to its employees. Company has created Separate Gratuity Trust for employees and amount invested with Aviva Life Insurance Company India Ltd.

9. **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".

VIRINCHI TECHNOLOGIES LIMITED

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

ATTENDANCE SLIP

I hereby record my presence at the 19th Annual General Meeting of the Company being held on Tuesday, the 30th day of September, 2008 at 11.00 A.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 MEETINGVENUE

VIRINCHI TECHNOLOGIES LIMITED

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

PROXY FORM

Regd. Folio No/

No. of Shares held

Client ID

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 19th Annual General Meeting of the Company to be held on Tuesday, the 30th September 2008 at 11.00 A.M. or at any adjournment thereof.

Signed this day of2008

Signature

Affix Re. 1/- Revenue Stamp

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.