

14th
ANNUAL REPORT
2005 - 2006



VJIL Consulting Limited

VJIL Consulting Limited

BOARD OF DIRECTORS:

J. Venkat Rao	:	Chairman & Managing Director
M. Satyendra	:	Joint Managing Director
J. Vani	:	Director
Dr. Madhu Mohan V. Katikineni	:	Director
Ch.Chidambara Rao	:	Director
Dr. B V R Sridhar Rao	:	Director

AUDITORS:

Katrapati & Associates
Chartered Accountants
1-1-298/2/B/3, 1st Floor,
Sowbhagya Avenue, Street No.1,
Ashok Nagar, HYDERABAD – 500 020.

BANKERS:

State Bank of Hyderabad
Industrial Finance Branch,
Panjagutta,
Hyderabad – 500 0082

REGISTERED OFFICE:

'Usha Kiran' 1-8-165,
S.D. Road,
Secunderabad – 500 003.

REGISTRARS & TRANSFER AGENTS:

M/s Sathguru Management Consultancy Private Limited
Plot No.15, Hindi Nagar
Panjagutta
HYDERABAD – 34
Ph.No. 040-23350586

LISTING AT:

Bombay Stock Exchange Limited
The Hyderabad Stock Exchange Limited.

NOTICE

NOTICE is hereby given that the 14th Annual General Meeting of the members of the company will be held on **SATURDAY, 30TH SEPTEMBER 2006** at 10:00 A.M. at Tyagaraya Gana Sabha, Chikkadapally, Hyderabad to transact the following items of business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2006, Profit & Loss Account for the financial year ended on that date together with the report of the Board of Directors' and Auditor's Report thereof.
2. To appoint a director in place of Mrs. J Vani who retires by rotation and being eligible offers herself for re-appointment.
3. To appoint a director in place of Dr. B V R Sridhar Rao who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint retiring auditors who are eligible for the re-appointment as per Section 224 (1B) of the Companies Act, 1956 from the conclusion of this meeting till the conclusion of the next Annual General Meeting and fixing their remuneration.

By order of the Board of Directors

Place: Secunderabad
Date: 30th June, 2006

Sd/-
J. Venkat Rao
Chairman & Managing Director

NOTES

- 1) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. The proxy in order to be effective must be deposited at the Registered Office of the company not less than 48 hours before the commencement of the meeting.
- 2) The Register of the members and share transfer books of the Company will remain closed from **WEDNESDAY, 27TH SEPTEMBER 2006** to **SATURDAY, 30TH SEPTEMBER 2006** (both days inclusive).
- 3) Members are requested to quote ledger folio number in all their correspondence to avoid delay in communication.
- 4) Members are advised to consolidate their ledger folios where they are holding shares in different folios in the same name/sequence of names.

DIRECTORS REPORT

To
The Members,

Your Directors have pleasure in presenting herewith the 14th Annual Report of your Company together with the Audited Accounts for the financial year ended 31st March, 2006.

1. FINANCIAL RESULTS:

PARTICULARS	(Rs.in lakhs)	
	YEAR ENDED 31.3.2006	YEAR ENDED 31.3.2005
Total Income	1545.91	1563.38
Operating profit before depreciation	108.91	150.37
Less: Depreciation	74.76	97.64
Profit available for appropriation	34.15	52.73
Provision for tax	11.01	1.00
Balance carried forward	23.14	51.73

2. OVERALL PERFORMANCE OF THE COMPANY:

During the year under review, your company has recorded turnover of Rs.1545.91 Lakhs and registered a Net Profit of Rs.23.14 Lakhs as against a turnover of Rs.1563.38 Lakhs and a net profit of Rs.51.73 Lakhs for the previous year.

3. DIVIDEND:

Director of the company do not recommend any dividend for the year 2005-06 in view of the decision of the Board to retain the funds for the future expansion of operations of the company.

4. DIRECTORS:

Dr B V R Sridhar Rao and Smt J.Vani retires by rotation at the ensuing Annual General Meeting and being eligible for re-appointment, offers himself for re-appointment.

5. FIXED DEPOSITS:

Your company has not accepted any deposits falling under Section 58A of the Companies Act, 1956 read with Companies (Acceptance of Deposits) Rules 1975 during the year.

6. DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 217(2AA) of the Companies Act, 1956 the directors of your company hereby confirm that:

- i. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departure, if any, there from;
- ii. The directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of the financial year ended 31st March 2006 and of the profit and loss of the company for that period;

- iii. The directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act, for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities;
- iv. The directors have prepared the annual accounts on a going concern basis.

7. MANAGEMENT’S DISCUSSION ANALYSIS:

Management’s Discussion and Analysis report is enclosed to this report as Annexure – A

8. CORPORATE GOVERNANCE:

Your Company has complied with the requirements of Clause 49 of the Listing Agreement entered with the Stock Exchanges. Report on Corporate Governance including Auditor’s Certificate on Compliance with the code of Corporate Governance under Clause 49 of the listing agreement is enclosed as Annexure – B to this report.

9. AUDITORS:

The Statutory Auditors M/s. Katrapati & Associates, Chartered Accountants held office till the conclusion of ensuing Annual General Meeting. The company is in receipt of confirmation from the statutory auditors that in the event of their re-appointment as Statutory Auditor at the ensuing Annual General Meeting, such appointment will be in accordance with the limits specified in Section 224 (1B) of the Companies Act, 1956 and hence the directors of your company propose to re-appoint them for another tenure to hold office till the conclusion of next Annual General Meeting.

10. PERSONNEL:

Particulars as required to be furnished U/s 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 Details of the employees are as follows:

Name & Age	Designation	Remuneration (Rs.)	Qualifications	Experience	Date of Joining	Particulars of last employment		
						Name of Employer	Designation	Period of Service
J Venkat Rao 39 years.	Chairman & Managing Director	25,29,600	B.S. Comp.	15 years	Since Incorporation	-	-	-

11. SUBSIDIARY:

As required under section 212 of the Companies Act, 1956, the audited statements of accounts for the financial year ended 31st March, 2006 along with report of the Board of Directors’ and Auditor of the Company’s Subsidiary M/s Mercury Outsourcing Management Limited has been enclosed to this report.

12. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:

a) Conservation of Energy:

Your company has taken the internal control procedures by which the cost of electricity shall be identified with the project and thereby there will be an incentive for the concerned department, which consumes optimum power.

No additional investments for reduction of Energy consumption were taken up during the year under review.

b) **Technology absorption:** Not Applicable

	2005-06	<u>(Rs.in lacs)</u> 2004-05
c) Foreign exchange earnings and outgo:		
Foreign Exchange Earnings	1494.22	1525.85
Foreign Exchange outgo	1048.14	950.22

13. EMPLOYEE CONTRIBUTION:

The board wishes to place on record its sincere appreciation for their untiring efforts at all levels and various departments and showing good results in software development and training both in India and abroad.

14. ACKNOWLEDGEMENTS:

The Directors place on record, their appreciation for the co-operation and support from the bankers, Customers, Shareholders, Central and State Government agencies etc.

Place: Secunderabad
Date: 30.06.2006

BY ORDER OF THE BOARD

Sd/-
J. Venkat Rao
Chairman cum Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS**Annexure - A****SOFTWARE INDUSTRY CURRENT SCENARIO:**

Changing economic and business conditions, rapid technological innovation, proliferation of the internet and globalization are creating an increasingly competitive market environment that is driving corporations to transform the manner in which they operate. Customers are increasingly demanding improved products and services with accelerated delivery times and at lower prices. To adequately address these needs, corporations are focusing on their core competencies and are using outsourced technology service providers to help improve productivity, develop new products, conduct research and development activities, reduce business risk, and manage operations more effectively. The role of technology has evolved from supporting corporations to transforming them. Concurrently, the prevalence of multiple technology platforms and a greater emphasis on network security and redundancy have increased the complexity and cost of IT systems, and have resulted in greater technology-related risks. The need for more dynamic technology solutions and the increased complexity, cost and risk associated with this technology platforms have created a growing need for specialists with experience in leveraging technology to help drive business strategy.

BPO industry in Asia is expected to grow at the annual rate of nearly 14% till 2008, generating 6 million new jobs by 2015, according to United Nation Development Program (UNDP)'s Asia Pacific Human Development Report 2006 released in Phnom Penh.

OPPORTUNITIES, THREATS, RISK AND CONCERNS:

The global outsourcing market has grown phenomenally from \$ 570 billion in 2002 to an estimated \$ 1.2 trillion in 2006. India accounts for over 40% of the global BPO market. India's dominant position has meant that services account for nearly 26% of South Asia Exports. Within services-business process outsourcing and short term migration emerge as the most important segments. Of the top 10 BPO destinations in the world, five are in Asia

While India leads the pack other major Asian providers are china, Philippines, Malaysia, Thailand and Vietnam. Asia's advantage lies in its growing pool of highly skilled, low cost workers. The 3000 odd educational institutions in India train more than 200,000 software professionals and an equal number of non-engineering English speaking graduates every year. Add to this, labour shortages in Western Europe and US on account of their ageing populations. All these has turned out to provide Asia, particularly India an edge

While MOML will focus on outsourcing business, VJIL can focus on its core activities i.e.building capabilities and Client Server and Data Warehousing. This will result in tapping the wide range of clientele. Company sees ample opportunities in following major areas of excellence. These are

Client Server Application Development and Maintainance
Data Warehousing
E-Commerce and E-Business applications
Migration and Re-engineering.

Company has well established brand title" VJ INFO" and it is well known in software training and education field for the short term high end and career segments for students and corporate clients. Company's training division positioned itself as one of the largest training company in the high end segment and in addition these divisions focusing on opportunities in Corporate training. Our ability to capitalize and available opportunities through superior relationship management and enhanced breadth of service offerings.

In order to addresses challenges and exploit opportunities, company has taken many initiatives important among them being strengthening relationship with clients and retaining them with quality services while adding new to this list. In this direction company's existing office in Chicago in the United States and Berkshire in United Kingdom works closely with clients in accordance with offshore group in Secunderabad.

SOFTWARE EXPORTS:

Major revenue potential is software export division of your company as in the past constituted major revenue during the year under review. Software exports during the current year are as follows:

Software exports	Rs.1494.22 Lakhs
Domestic	Rs. 43.91 Lakhs

OUTLOOK:

The company 's aim is to consistently improve its working, reduce un-necessary expenditure, to develop new blends by constant research and to ensure the long term financial stability. We have already achieved some success and hope to achieve more in the coming years.

REPORT ON CORPORATE GOVERNANCE

1. COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE:

VJIL is of the firm believe that the corporate Governance is an endeavor for transparency and whole hearted approach in establishing professional management and aimed at continuous enhancement of shareholders value besides complying with statutory requirements under various laws, statements regulations etc.

2. BOARD OF DIRECTORS:

The Board has a fair representation of the executive, non-executive and independent directors. Out of Six Directors on the Board of the Company 2 are Executive Director 1 is non-independent director and 3 Independent Directors.

Name of the Director	Category	No. of Other Directorships	No of Meetings Held	No. of Meetings attended	Whether attended last AGM
J. Venkat Rao	Promoter Executive Director	3	6	6	Yes
M. Satyendra	Promoter Executive Director	2	6	6	Yes
J. Vani	Promoter Non-Executive Director	2	6	6	No
Dr. Madhumohan V Katikineni	Independent Director	-	6	-	No
Ch. Chidambara Rao	Independent Director	-	6	6	Yes
Dr B V R Sridhar Rao	Independent Director	2	6	6	Yes

During the financial year 2005-06, Six Board Meetings were held on the following dates:

01.04.2005	30.06.2005	18.08.2005	15.09.2005	22.10.2005	12.01.2006
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DETAILS OF THE DIRECTORS SEEKING APPOINTMENT/RE-APPOINTMENT AT THE FORTH COMING ANNUAL GENERAL MEETING (IN PURSUANCE OF CLAUSE 49 OF THE LISTING AGREEMENT)

BRIEF PROFILE OF DR. B V R SRIDHAR RAO & SMT.J.VANI WHO RETIRES BY ROTATION AND IS ELIGIBLE FOR RE-APPOINTMENT.

Dr B.V.R.Sridhar Rao is a doctor and having experience over 16 years in medical and corporate fields. He is also director on the board of M/s Balanagar Hospitals Private Limited and M/s Alba Health Care Private Limited.

Mrs. J. Vani is a Graduate in Arts and wife of the Chairman & Managing Director Mr. J. Venkat Rao. She is acting as the Director of the Company from the date of incorporation.

3. AUDIT COMMITTEE:

Audit Committee of your company consist of following three Non-executive independent Directors:

1. Sri Ch Chidambara Rao - Chairman
2. Dr. Madhumohan V. Katikineni - Member
3. Dr. B V R Sridhar Rao - Member

Terms of reference:

1. To oversee the Company's financial reporting process and disclosure of its financial information.
2. To recommend the appointment, re-appointment & removal of Statutory & Internal Auditors and fixation of the Audit Fee.
3. To review the Internal Control Systems, the scope of audit including observations of the Auditors, adequacy of the Internal Audit Function, Major accounting policies and practices, compliance with accounting standards and with the stock exchange and legal requirements concerning financial statements and related party transactions, if any.
4. To review the company's financial and risk management policies and discuss with the internal auditors any significant findings for follow-up thereon.
5. To review the financial statements before submission to the Board of Directors.
6. To ensure that adequate mechanism for prevention & detection of frauds is in place.

Meetings and attendance during the year:

During the financial year, Audit Committee met 4 times i.e., on 30.06.2005, 30.07.2005, 22.10.2005 and 12.01.2006.

4. REMUNERATION COMMITTEE

► **Brief description of terms of reference**

To determine on behalf of the Board and the shareholders, the Company's policy on specific remuneration packages for all Executive and Non-Executive Directors of the Company.

► **Composition-name of members and Chairperson.**

The Remuneration Committee constitutes of following directors:

- | | | | |
|----|------------------------------|---|----------|
| 1. | Sri Ch. Chidambara Rao | - | Chairman |
| 2. | Dr. Madhumohan V. Katikineni | - | Member |
| 3. | Dr. B V R Sridhar Rao | - | Member |

Details of the Directors' Remuneration:

Director	Designation	Remuneration paid/to be paid for Financial year 2005-06 (in Rs.)		
		Salary & Perks	Commission	Total
J. Venkat Rao	Chairman & Managing Director	25,29,600	-	25,29,600
M. Satyendra	Joint Managing Director	18,29,600	-	18,29,600

5. SHARE HOLDERS AND INVESTOR GRIEVANCE COMMITTEE

Shareholders and investors grievance committee comprises of following directors.

- | | | | |
|----|-------------------------|---|----------|
| 1. | Sri. Ch. Chidambara Rao | - | Chairman |
| 2. | Smt. J Vani | - | Member |

The committee specifically looks after the services of the Registrars and share transfer agents and recommends measures for providing efficient services to investors. It shall resolve within the reasonable time, various complaints received from the investors.

6. OTHERS.

(a) **Name and designation of Compliance officer:** Mr P Ramireddy
Manager (Administration)

(b) **Details of Investor complaints received and redressed during the year:**

Nature of Complaints	Year 2005-06		
	Received	Resolved	Pending
Relating to Transfers	5	5	Nil
Other Complaints	14	14	Nil
Total	19	19	Nil

7. General Body Meetings:

► **Location and time where the last three AGMs held:**

Year	Date	Location	Time (A.M)
2004-05	30.09.2005	At Tyagaraya Gana Sabha, Chikkadpally, Hyderabad	10:00
2003-04	30.09.2004	Jawahar Bal Bhavan, Public Garden Premises Hyderabad	10:00
2002-03	29.09.2003	At Indira Priyadarshini Auditorium, Jawahar Bal Bhavan, Public Gardens Premises, Hyderabad.	10:30

No Special Resolutions were passed through postal ballot at the Last Annual General Meeting and no Special Resolutions are proposed through postal ballot at the ensuing Annual General Meeting.

8. Disclosures:

There are no materially significant related party transactions i.e. transactions of the company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc., that may have potential conflict with the interests of company at large.

There was no non-compliance by the company during the last 3 years on any matter relating to capital markets and there were no penalties, strictures imposed on the company by stock Exchange or SEBI or any statutory authority.

9. Means of Communication:

• **Quarterly results:**

Quarterly results and Annual Results of the Company are normally published in The Business Standard and Andhra Bhoomi.

As required by Clause 49 of the Listing Agreement, Management Discussion and Analysis report is a part of the Annual Report.

10. General Shareholder Information:

- **AGM :** The 14th Annual General Meeting of the Company will be held on

Date: 30th September, 2006

Time: 10.00 A.M.

Venue: Tyagaraya Gana Sabha
Chikkadpally
Hyderabad

- **Financial Calendar:**

First Quarter Results	Last week of July 2006
Second Quarter Results	Last week of October 2005
Third Quarter Results	Last week of January 2007
Annual Results For The Year	In the month of June 2007

- **Book Closure Date:** Wednesday, 27th September, 2006 to Saturday, 30th September, 2006

- **Dividend Payment Date:** N.A.

- **Listing on Stock Exchanges:** The shares of the company are listed on

- i. The Hyderabad Stock Exchange Limited
- ii. Bombay Stock Exchange Limited

Listing fee for the financial year 2005-06 has been paid to all the Stock Exchanges where the Shares of the Company are listed.

- **Stock Code:**

Name of the Stock Exchange	Stock Code
The Hyderabad Stock Exchange Limited	- 1091
Bombay Stock Exchange Limited	- 517429

- **Registrar and Transfer Agents :** **M/s. Sathguru Management Consultants (P) Limited**
Plot No.15, Hindi Nagar,
Panjagutta,
Hyderabad – 500 034
Phone:(040)23356507/50586 Fax: (040) 23354042
E-mail: info@sathguru.com

• **Market Price Data:** During the last financial year 2005-06.

High and Low of the each month of the Company's Equity Shares during the last financial year 2005-06 at The Stock Exchange, Mumbai are given below:

Month		High (Rs.)	Low (Rs.)
April	2005	23.48	15.05
May	2005	39.90	16.70
June	2005	38.80	26.00
July	2005	41.35	28.55
August	2005	41.50	32.40
September	2005	45.70	32.90
October	2005	39.95	21.65
November	2005	28.50	22.50
December	2005	26.50	21.15
January	2006	30.20	23.60
February	2006	24.55	20.70
March	2006	24.90	17.50

• **Distribution of Shareholding:** as on 31.03.2006

Sl. No.	Category (No. of Shares) From To	No. of Holders	% of holder	No. of shares	% of shares
1	Upto 5,000	8651	87.80	18310740	23.31
2	5,001 - 10,000	638	6.48	5129760	6.53
3	10,001 - 20,000	290	2.95	4317010	5.49
4	20,001 - 30,000	92	0.93	1777170	2.26
5	30,001 - 40,000	40	0.40	1352070	1.72
6	40,001 - 50,000	34	0.34	1214300	1.54
7	50,001 - 1,00,000	55	0.56	3448470	4.39
8	1,00,001 & above	53	0.54	43036480	54.76
	Total	9853	100	7858600	100

Shareholding pattern as on 31st March 2006:

Sl. No.	Category	No. Of Shares Held	% Of Shareholding
1	Indian Promoters	29,35,200	37.350
2	Mutual Funds & UTI	Nil	Nil
3	Banks, Financial Institutions, Insurance Companies (Central/State Govt. Institutions / Non-Govt. Institution)	300	0.004
4	FII's	Nil	Nil
5	Private Corporate Bodies	4,04,348	5.145
6	Indian Public	44,59,177	56.743
7	NRI's/OCB's	59,575	0.758
8	Other	Nil	Nil
	TOTAL	78,58,600	100

• **Dematerialization of shares and liquidity:** The Shares of the Company are under compulsory demat trading. The Company has already entered into necessary agreements with NSDL and CDSL for demat facility. 86.76% of total equity capital is held in demat form with NSDL and CDSL as on 31st March, 2006.

• **Outstanding GDRs/ ADRs/ Warrants or any Convertible instruments, conversion date and likely impact on equity:** Nil

• **Address for correspondence for both physical and demat:**

M/s Sathguru Management Consultants Private Limited
Plot No.15, Hindi Nagar
Panjagutta, Hyderabad – 500 034
Phone: (040) 23356507, 23350586, Fax: (040) - 23354042
E-mail: info@sathguru.com

DECLARATION OF THE MANAGING DIRECTOR ON COMPLIANCE WITH CODE OF CONDUCT AND ETHICS:

VJIL Consulting Limited has adopted a Code of Business Conduct and Ethics ("the Code") which applied to all employees and director of the company. Under code, it is responsibility of all employees and Directors to familiarize themselves with the Code and Comply with its standards.

I hereby certify that the Board Members and senior management personnel of VJIL Consulting Ltd have affirmed compliance with the Code for the Financial Year 2005-06.

Sd/-
J. Venkat Rao
Chairman & Managing Director

AUDITOR'S REPORT ON CORPORATE GOVERNANCE

To,
The Members
VJIL Consulting Limited,
Secunderabad

We have examined the compliance conditions of Corporate Governance by VJIL Consulting Limited for the year ended 31st March, 2006 as stipulated in Clause 49 of the Listing Agreement of the said company with Stock exchanges.

The Compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedure and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company. In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that in respect of Investor grievances received during the year ended March 31st, 2006, no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by Company. 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 **Katrapati & Associates**
Chartered Accountants

Date: 30.06.2006
Place: Secunderabad.

Sd/-
K. A Sai Prasad
Proprietor.

AUDITORS' REPORT

To

The Members of VJIL Consulting Limited

1. We have audited the attached Balance Sheet of M/s. VJIL Consulting Limited as at 31st March, 2006, the Profit and Loss Account for the year ended on that date annexed thereto and the Cash Flow Statement for the year ended on that date, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with accounting standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors Report) Order, 2003, as amended by the Companies(Auditors' 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' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we set out 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 in Paragraph 3 above, we report that:
 - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our Audit;
 - b. In our opinion the Company has kept proper books of the accounts as required by law so far, as appears from our examination of such books.
 - c. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d. In our opinion the Profit and Loss Account and the Balance Sheet dealt with this report comply with the mandatory Accounting Standards referred to in sub-section 3(c) of Section 211 of the Companies Act, 1956.
 - e. On the basis of written representations received from the Directors, as on March 31, 2006 and taken on record by the Board of Directors of the Company, none of the directors is disqualified from being appointed as a director U/s 274(1)(g) of the Companies Act, 1956
 - f. In our opinion and to the best of our information and according to the explanations given to us, and said accounts together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in continuity with 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 2006.
 - ii. In the case of Profit and Loss Account, of the "Profit" of the Company for the year ended on that date; and
 - iii. In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**for KATRAPATI & ASSOCIATES
CHARTERED ACCOUNTANTS**

Date: 30.06.2006
Place: Secunderabad

Sd/-
K. A. SAI PRASAD
PROPRIETOR

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF THE REPORT OF THE AUDITORS TO THE MEMBERS OF VJIL CONSULTING LIMITED FOR THE YEAR ENDED MARCH 31, 2006.

1. a) The company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.
 - b) Management during the period has physically verified all the Assets and no discrepancies were noticed on such verification.
 - c) In our opinion, and according to the information and explanations given to us, the Company
 - i). has not disposed off a substantial part of fixed assets during the year.
 - ii). none of the Fixed Assets have been revalued during the period.
2. The Company has taken loans - secured and unsecured from companies, firms or other parties listed in the registers maintained under Section 301 & 370 (1-C) of the Companies Act, 1956. The rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interest of the company.
3. The Company has granted loans - secured and unsecured to companies, firms or other parties listed in the registers maintained under Section 301 & 370 (1-C) of the Companies Act, 1956.
4. The parties to whom loans or advances in the nature of loans have been given by the Company are adhering to the terms and conditions stipulated by therein.
5. The Company is having adequate internal control procedures commensurate with its size and nature of its business.
6. In our opinion and according to the information and explanations given us, there are no transactions that need to be entered into the Register maintained under Section 301 of the Act.
7. As explained to us, the Company has not accepted any deposits from the public within the meaning of Section 58A and 58AA of the Act and the rules framed there under.
8. The Company has an internal audit system commensurate with its size and nature of its business.
9. According to the information and explanations given to us and according to the books and records produced and examined by us, in our opinion, the undisputed statutory dues in respect of Provident Fund, investor education and protection fund, employees' state insurance, income-tax, sales tax, wealth-tax, customs duty, and other material statutory dues as applicable, have been regularly deposited by the Company during the year with appropriate authorities. As explained to us, the Company did not have any dues on account of excise duty and cess.
10. The Company has neither accumulated losses as at 31st March 2006, nor it has incurred any cash losses during the financial year ended on that date and the immediately preceding financial year.
11. Based on our audit procedures and on the information and explanations given by the management, in our opinion, the Company has not defaulted in repayment of dues to any financial institution or Bank as at the Balance Sheet date.
12. The Company has obtained a Short Term loan of Rs. 1 Crore during the year.
13. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

14. Based on the information and explanations given to us, the Company has not given any guarantee for loans taken by others from Banks or financial institutions.
15. In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities.
16. Based on the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, in our opinion, there are no funds raised on a short term basis which have been used for long term investment, and vice versa.
17. The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956, during the year.
18. The Company has not raised any money by public issue during the year.
19. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the company, noticed or reported during the year, nor have we been informed of such case by the management.
20. The Company has a reasonable system of allocating man-hours utilised to the relative jobs, commensurate with its size and nature of its business.

Clauses 4(ii), (viii) and (xix) are not applicable in the case of the Company, noticed or reported in the aforesaid order.

for **KATRAPATI & ASSOCIATES**
CHARTERED ACCOUNTANTS

Date: 30.06.2006
Place: Secunderabad

Sd-
K. A. SAI PRASAD
PROPRIETOR

VJIL CONSULTING LIMITED

Registered Office: 1-8-165, "Usha Kiran" Sarojini Devi Road, SECUNDERABAD - 500 003.

BALANCE SHEET

(In Rs.)

	SCHEDULE	AS AT 31.3.2006	AS AT 31.3.2005
SOURCES OF FUNDS			
1. Share Capital	A	7,85,86,000	7,85,86,000
2. Reserves & Surplus	B	18,44,93,751	18,21,79,002
3. Loans	C	5,43,77,935	4,55,58,904
TOTAL (1+2+3)		31,74,57,686	30,63,23,906
APPLICATION OF FUNDS			
1. FIXED ASSETS	D		
a) Gross Block		16,26,64,115	15,69,52,486
b) Depreciation		9,01,13,767	8,27,70,577
c) Net Block		7,25,50,348	7,41,81,909
2. INVESTMENTS	E	6,38,10,815	6,26,66,115
3. CURRENT ASSETS, LOANS & ADVANCES			
a. Inventory	F	4,85,76,364	3,39,76,364
b. Sundry Debtors	G	11,00,20,380	11,07,46,163
c. Cash & Bank Balance	H	28,60,549	63,80,821
d. Loans & Advances	I	3,52,69,534	3,29,20,382
		19,67,26,827	18,40,23,730
LESS: CURRENT LIABILITIES & PROVISIONS	J	1,80,86,544	1,86,98,324
NET CURRENT ASSETS		17,86,40,283	16,53,25,406
4. MISCELLANEOUS EXPENSES (To the extent not written off)	K	24,56,240	41,50,476
TOTAL (1+2+3+4)		31,74,57,686	30,63,23,906

The Schedules referred to herein form an integral part of the Balance Sheet.

As per our Report of even date

For **KATRAPATI & ASSOCIATES**

Chartered Accountants

Sd/-

K A SAI PRASAD

PROPRIETOR

for and on behalf of the Board

Sd/-

J.VENKAT RAO

CHAIRMAN CUM MANAGING DIRECTOR

Sd/-

M.SATYENDRA

JOINT MANAGING DIRECTOR

Date: June 30, 2006

Place: Secunderabad.

VJIL CONSULTING LIMITED

Registered Office: 1-8-165, "Usha Kiran" Sarojini Devi Road, SECUNDERABAD - 500 003.

PROFIT & LOSS ACCOUNT

		(In Rs.)	
	SCHEDULE	YEAR ENDED 31.3.2006	YEAR ENDED 31.3.2005
Sales	-	15,38,13,632	15,59,92,883
Other Income	L	7,77,319	3,45,772
		15,45,90,951	15,63,38,655
EXPENDITURE			
Employees Cost	M	5,46,25,306	6,11,93,718
Administrative & Selling Expenses	N	8,90,73,651	8,01,07,686
Depreciation	D	74,76,471	97,64,114
		15,11,75,428	15,10,65,518
PROFIT BEFORE TAX		34,15,523	52,73,137
Provision For Tax-Current		7,08,000	1,00,000
-Deferred Tax		42,000	-
- Fringe Benefit		3,50,774	-
PROFIT AFTER TAX		23,14,749	51,73,137
Profit Brought Forward		11,56,38,024	11,04,64,887
Surplus Carried to Balance Sheet		11,79,52,773	11,56,38,024
Notes on Accounts	O		

The Schedules referred to herein form an integral part of the Profit and Loss Account.

As per our Report of even date for and on behalf of the Board

For **KATRAPATI & ASSOCIATES**
Chartered Accountants

Sd/-
K A SAI PRASAD
PROPRIETOR

Date: June 30, 2006
Place: Secunderabad.

Sd/-
J.VENKAT RAO
CHAIRMAN & MANAGING DIRECTOR

Sd/-
M.SATYENDRA
JOINT MANAGING DIRECTOR

VJIL CONSULTING LIMITED

Registered Office: 1-8-165, "Usha Kiran" Sarojini Devi Road, SECUNDERABAD - 500 003.

CASHFLOW STATEMENT

IN Rs.

	Year Ended 31.03.2006	Year Ended 31.03.2005
A. CASH FROM OPERATING ACTIVITIES:		
Net profit after Tax and Extraordinary Items	23,14,749	51,73,137
<u>Adjustments for</u>		
Depreciation	73,43,190	97,14,593
Investment Income	(7,77,319)	(3,45,772)
Operating Profit before working capital change	88,80,620	1,45,41,958
<u>Adjustments for</u>		
Trade and Receivables	(16,23,369)	(1,33,39,941)
Inventories	(1,46,00,000)	(1,65,653)
Trade Payables	(6,11,780)	54,90,914
Cash generated from operations	(79,54,529)	65,27,278
Miscellaneous Expenses	16,94,236	6,42,246
NET CASH FROM OPERATING ACTIVITY	A (62,60,293)	71,69,524
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(57,11,629)	(1,56,74,874)
Sale of / Realisation from Investments	(11,44,700)	(33,25,921)
Interest / Dividend Received	7,77,319	3,45,772
NET CASH USED IN INVESTING ACTIVITIES	B (60,79,010)	(1,86,55,023)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Increase in Share Capital	0	0
Share Premium	0	0
Proceeds from long term borrowings	88,19,031	1,08,63,436
NET CASH USED IN FINANCING ACTIVITIES	C 88,19,031	1,08,63,436
NET INCREASE (DECREASE) IN CASH & CASH EQ.	(35,20,272)	(6,22,063)
CASH AND CASH EQUIVALENTS- Opening Balance	63,80,821	70,02,884
CASH AND CASH EQUIVALENTS- Closing Balance	28,60,549	63,80,821

For and on behalf of the Board.

DATE: 30.06.2006

PLACE: SECUNDERABAD.

Sd/-

J. VENKAT RAO

CHAIRMAN & MANAGING DIRECTOR

Sd/-

M. SATYENDRA

JOINT MANAGING DIRECTOR

AUDITORS CERTIFICATE

We have verified the above cash flow statement of VJIL Consulting Limited derived from the audited annual financial statements for the year ended March 31, 2006 and found the same to be drawn in accordance therewith and also with the requirements of Clause 32 of the Listing Agreement with the stock exchanges.

For **KATRAPATI & ASSOCIATES**

Chartered Accountants

Sd/-

K.A. SAI PRASAD

PROPRIETOR

SCHEDULES TO BALANCE SHEET

(In Rs.)

AS AT 31.3.2006 AS AT 31.3.2005

SCHEDULE 'A'

SHARE CAPITAL

Authorised 90,00,000 Equity Shares of Rs. 10/-each.

9,00,00,000	9,00,00,000
9,00,00,000	9,00,00,000

Issued, Subscribed and Paid up 78,58,600 Equity Shares of Rs. 10/- Each.

7,85,86,000	7,85,86,000
7,85,86,000	7,85,86,000

SCHEDULE 'B'

RESERVES & SURPLUS

Balance in Profit & Loss Account

11,79,52,773 11,56,38,024

Capital Reserve

9,662 9,662

Share Premium

6,65,31,316 6,65,31,316

18,44,93,751	18,21,79,002
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SCHEDULE 'C'

LOANS

SECURED LOANS

Cash Credit

3,59,70,390 3,48,94,689

Medium Term Loan

75,83,077 94,66,367

Short Term Corporate Loan

1,00,00,000 ----

State Bank of Hyderabad, IFB Branch, Hyderabad

Against Hypothecation of Current Assets, Movable and

Immovable Assets, Properties and Investments

Vehicle Loans

7,82,468 11,97,848

Un.Secured Loans

- -

Deferred Tax Liability

42,000 -

5,43,77,935	4,55,58,904
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SCHEDULE 'D'

FIXED ASSETS AND DEPRECIATION AS ON 31ST MARCH, 2006

In Rs.

ASSET DESCRIPTION	GROSS BLOCK AT COST				DEPRECIATION				NET BLOCK	
	Upto 31.03.2005	Additions During the Year	Deletion During the Year	As At 31.03.2006	Upto 31.03.2005	For the Year 31.03.2006	Deletion During the Year	Total Upto 31.03.2006	Upto 31.03.2005	As At 31.03.2006
Land	1,51,68,231	48,09,932	-	1,99,78,163	-	-	-	-	1,51,68,231	1,99,78,163
Computers & Accessories	9,03,58,492	11,31,818	-	9,14,90,310	6,19,66,553	50,62,850	-	6,70,29,403	2,83,91,939	2,44,60,907
Furniture & Fixtures	2,74,37,674	9,100	-	2,74,46,774	98,49,560	11,13,828	-	1,09,63,388	1,75,88,114	1,64,83,386
Electrical Installations	94,01,318	41,230	-	94,42,548	50,66,899	6,64,874	-	57,31,773	43,34,419	37,10,775
Air Conditioning	25,33,185	-	-	25,33,185	10,82,150	1,20,326	-	12,02,476	14,51,035	13,30,709
Office Equipments	38,03,080	95,080	-	38,98,160	12,43,638	1,50,080	-	13,93,718	25,59,442	25,04,442
Vehicles	73,91,228	8,53,714	12,29,245	70,15,697	31,81,342	3,33,157	1,33,281	33,81,218	42,09,686	36,34,479
Library	198,034	-	-	1,98,034	1,08,727	-	-	1,08,727	89,307	89,307
Fire Equipments	248,461	-	-	2,48,461	1,11,176	11,802	-	1,22,978	1,37,285	1,25,483
Satelite Link	412,783	-	-	4,12,783	1,60,532	19,554	-	1,80,086	2,52,251	2,32,697
TOTAL	15,69,52,486	69,40,874	12,29,245	16,26,64,115	8,27,70,577	74,76,471	1,33,281	9,01,13,767	7,41,81,909	7,25,50,348
PREVIOUS YEAR	14,12,77,612	1,60,50,149	3,75,275	15,69,52,486	7,30,55,984	97,64,114	49,521	8,27,70,577	6,82,21,628	7,41,81,909

	AS AT 31.03.2006	AS AT 31.03.2005
SCHEDULE 'E'		
INVESTMENTS	6,38,10,815	6,26,66,115
	6,38,10,815	6,26,66,115
SCHEDULE 'F'		
INVENTORIES		
Stationery & Course materials	9,07,118	9,07,118
Consumables (Computer Software)	4,76,69,246	3,30,69,246
	4,85,76,364	3,39,76,364
SCHEDULE 'G'		
SUNDRY DEBTORS		
More than six months (Unsecured considered good)	1,54,10,751	2,20,96,399
Other Debtors	9,46,09,629	8,86,49,764
	11,00,20,380	11,07,46,163
SCHEDULE 'H'		
CASH & BANK BALANCE		
Cash on Hand	17,35,867	4,85,663
Balance with scheduled Banks In Current Accounts	11,24,682	58,95,158
	28,60,549	63,80,821
SCHEDULE 'I'		
LOANS & ADVANCES (Unsecured, considered good, recoverable in cash or in kind or for value to be received)		
1. Deposits	93,20,316	93,06,992
2. For expenses	8,20,599	8,61,365
3. Staff	92,33,461	87,96,811
4. Pre-paid expenses	3,02,931	1,75,517
5. Loans	57,86,707	52,96,677
6. Other Miscellaneous advance	98,05,520	84,83,020
	3,52,69,534	3,29,20,382
SCHEDULE 'J'		
CURRENT LIABILITIES & PROVISIONS		
1. Sundry Creditors	23,81,403	41,54,353
2. For expenses	1,40,95,141	1,20,71,971
3. Advances	16,10,000	24,72,000
	1,80,86,544	1,86,98,324
SCHEDULE 'K'		
MISCELLANEOUS EXPENSES		
a) Deferred Revenue Expenditure	27,46,226.00	
Less: Written off during the year	16,94,236.00	27,46,226
b) Research & Development	14,04,250	14,04,250
	24,56,240	41,50,476

	AS AT 31.3.2006	AS AT 31.3.2005
SCHEDULE `L`		
OTHER INCOME		
1. Dividend	4,58,832	3,600
2. Interest	3,18,487	3,42,172
	<u>7,77,319</u>	<u>3,45,772</u>
SCHEDULE `M`		
EMPLOYEES' COST		
ESI	58,572	1,07,833
Provident Fund	13,67,476	13,68,535
Salaries	5,26,85,496	5,65,47,423
Staff Welfare Expenses	5,13,762	31,69,927
	<u>5,46,25,306</u>	<u>6,11,93,718</u>
SCHEDULE `N`		
ADMINISTRATIVE & SELLING EXPENSES		
Advertisement Charges	9,13,079	1,75,319
Audit Fees	1,20,000	1,20,000
Bank Charges	3,62,468	3,95,060
Business Promotion Expenses	1,57,698	1,52,021
Communication & Satellite Link Charges	31,28,665	36,31,699
Conveyance Charges	64,224	81,880
Courier Charges	1,58,643	1,14,824
Cultural Club Expenses	5,124	850
Consulting Expenses	3,51,51,969	3,00,07,776
Deferred Revenue Expenses Written Off	16,94,236	16,94,236
Director's Remuneration	42,00,000	36,00,000
Foreign Tour & Travel	29,87,299	31,56,200
Fuel and Electricity Charges & Maintenance	18,97,152	18,79,817
Insurance	17,52,201	36,89,106
Interest on Cash Credit	61,21,742	46,87,881
Interest on Vehicle Loans	89,042	1,49,582
Legal & Professional Charges	14,35,725	11,18,539
Misc. Expenses	24,01,255	25,12,802
Postage, Telephone & Telegrams	1,20,630	1,38,448
Printing & Stationery (Consumed)	2,46,087	3,90,283
Rates & Taxes and Licences	9,12,550	86,079
Recruitment Charges	6,82,257	1,75,344
Rent	58,99,824	66,16,754
Repairs & Maintenance (Furniture, Building, Electrical, Computers & Air Conditioners)	2,71,430	2,44,750
Service Tax	4,37,574	2,12,045
Telephone & Faxes	16,80,615	24,37,595
Training Division Expenses	64,673	1,17,548
Vehicle Maintenance	5,98,675	5,81,131
VAT on sales	1,26,62,843	1,19,40,117
Exchange fluctuation	28,55,971	--
	<u>8,90,73,651</u>	<u>8,01,07,686</u>

SCHEDULE 'O'

NOTES ON ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

a. BASIS OF ACCOUNTING

The Company follows the mercantile system of accounting and recognise income and expenditure on accrual basis. The financial statements are prepared on historic cost basis as a going concern. Accounting policies not referred to otherwise are consistent with Generally Accepted Accounting Practices.

b. RECOGNITION OF REVENUE

Income is recognised on signing of agreement for sale in case of domestic sales and in case of exports revenue is recognised on completion of delivery as per terms of relevant agreement or on completion basis whichever is earlier for the year ended.

c. FIXED ASSETS

All fixed assets are valued at cost less depreciation. Depreciation is provided for on a straight-line basis by applying the rates and manner specified in Schedule XIV to the Companies Act, 1956.

d. INVENTORIES

Inventories are valued at cost.

e. FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currency are converted at the rates of foreign exchange ruling at the time such transaction took place.

f. RETIREMENT BENEFITS

Contributions to Provident fund are charged to revenue. The provisions of Payment of Gratuity Act, 1972 are applicable to the Company and necessary provision has been made.

g. INVESTMENTS

Investments are classified as long-term investments and are carried at cost.

2. EARNING PER SHARE

S No.	Particulars	In Rs.	
		Year ended 31 st March, 2006	Year ended 31 st March, 2005
1	Profit after Taxation and Extraordinary Items	23.15	51.73
2.	No of Shares Outstanding	785.86	785.86
3.	Earning Per Share	0.29	0.66

Year Ended 31.03.2006	Year Ended 31.03.2005
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3. VALUES OF IMPORTS AND EXPORTS

Earnings in Foreign Currency (in Lakhs)	Rs.1494.22	Rs. 1525.85
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4. AUDITORS REMUNERATION

Audit Fees (incl. Tax Audit)	Rs. 1,20,000	Rs. 1,20,000
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5. CONTINGENT LIABILITIES NOT PROVIDED FOR:

Guarantees issued by the Bankers on Behalf of the Company	Rs. 2,25,000	Rs. 2,25,000
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6. REMUNERATION TO DIRECTORS

Chairman & Managing Director	Rs. 25,29,600	Rs. 25,29,600
Joint Managing Director	Rs. 19,29,600	Rs. 13,29,600
Includes Salary and company's contribution to Provident Fund		

7. RELATED PARTY TRANSACTIONS

The Company has transactions with the following related parties:

- a) Wholly Owned Subsidiary: Mercury Outsourcing Management Limited
- b) The transactions with the related parties are summarized below:

<u>Nature of the transaction</u>	<u>Transactions for the year ended</u>	
	<u>31.03.2006</u>	<u>31.03.2005</u>
	Amt(Rs)	Amt(Rs)
<u>Transactions with subsidiary:</u>		
Revenue/ Receivables	nil	75,00.000
Investments	12,60,392	87,75,788

8. Previous year's figures have been regrouped wherever found necessary.

As per our Report of even date

For **KATRAPATI & ASSOCIATES**

Chartered Accountants

Sd/-

K A SAI PRASAD
PROPRIETOR

for and on behalf of the Board

Sd/-

J.VENKAT RAO

CHAIRMAN CUM MANAGING DIRECTOR

Sd/-

M.SATYENDRA

JOINT MANAGING DIRECTOR

Date: June 30, 2006

Place: Secunderabad.

PART IV

1. Registration Details

Registration No.	01-14182	State Code	: 01
Balance Sheet Date :	31.03.2006		

2. Capital Raised during the Year (Amount in Rs. Thousands)

Public Issue	N.A.	Right Issue	N.A.
Bonus Issue	N.A.	Private Placement	N.A.

3. Position of Mobilisation and Development of Funds (Amount in Rs. Thousands)

Total Liabilities	317457	Total Assets	317457
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Source of Funds

Paid Up Capital	78586	Reserves & Surplus	184493
Secured Loans	54378	Unsecured Loans	-

4. Application of Funds

Net Fixed Assets	72550	Investments	63811
Net Current Assets	178640	Misc. Expenditure	2456

Accumulated Losses	NIL
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Performance of Company (Amount in Rs. Thousands)

Turnover	154591	Total Expenditure	151175
Profit Before Tax	34.16	Profit After Tax	23.15
Earning Per Share in Rs.	0.29	Dividend Rate	NIL

5. Generic Names of Three Principal Services of Company

Item Code No. (ITC Code)	85249009
Product Description	DEVELOPMENT OF APPLICATIONS AND SYSTEMS SOFTWARE & STUDENT TRAINING

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT RELATING TO SUBSIDIARY COMPANIES

Name of the Subsidiary: MERCURY OUTSOURCING MANAGEMENT LIMITED

1. Financial year of the Subsidiary ended on 31st March, 2006
2. Shares of the Subsidiary held by the Company on the above date:
 - a) Number and face value 29,21,060 equity shares of Rs.10/- each fully paid-up
 - b) Extent of holding 100%
3. Net aggregate amount of profit or (losses) of the Subsidiary not dealt with in the Company's account so far as it concerns the members of the Holding Company
 - a) For the financial year of the Subsidiary (Rs. 30.52 Lakhs)
 - b) For the previous financial year Nil
4. Net aggregate amount of profit or losses of the subsidiary for the above financial year of the Subsidiary dealt with in the company's account
 - a) For the financial year of the Subsidiary Nil
 - b) For the previous financial year Nil

For and on behalf of the Board

Sd/-

J.VENKAT RAO

CHAIRMAN CUM MANAGING DIRECTOR

Sd/-

M.SATYENDRA

JOINT MANAGING DIRECTOR

Date: 30.06.2006
Place: Secunderabad.

MERCURY OUTSOURCING MANAGEMENT LIMITED
3RD FLOOR, USHA KIRAN, S.D. ROAD, SECUNDERABAD-500003.

DIRECTORS REPORT

Dear Members,

The Directors of your Company feel pleased to present the 5th Annual Report together with Audited Accounts for the year ended 31st March, 2006.

FINANCIAL HIGHLIGHTS & BUSINESS STRATEGIES

During the financial year company has achieved turn over of Rs.45,33,724/- as against Rs. 60,95,038/- in the previous year and made net loss of Rs. 30,52,982/- as against net loss of Rs. 35,70,033/- in the previous year. Your company performed well on account of growing demand for outsourcing.

DIVIDEND.

Board of Directors do not recommend any dividend for this financial year as the Board has decided to plough back profits in to the operations of the company to expand operations of the company considering demand for outsourcing.

DEPOSITS:

The Company neither accepted nor renewed any deposits falling under the provisions of Section 58A of the Companies Act, 1956 during the financial year ended 31st March, 2006.

AUDITORS:

M/s. KATRAPATI & ASSOCIATES, Chartered Accountants retire from the office of Auditors at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment as Auditors of the company till the conclusion of the next Annual General Meeting.

The Auditors have submitted the Certificate in this regard.

DIRECTORS:

Sri. M.Satyendra, Director of your company retire at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

PERSONNEL:

As required to be disclosed under Section 217(2A) of the Companies Act, 1956, no employee of your company was in receipt of remuneration in excess of Rs.2,00,000/- per month or Rs.24,00,000/- per annum during the year under review.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 217(2AA) of the Companies Act, 1956 the directors of your company hereby furnish the following responsibility statement with regard to Annual accounts, Accounting policies, Maintenance of adequate accounting records etc.

- i. That in preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departure, if any, therefrom;

- ii. That the directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of the financial year ended 31st March 2006 and of the profit and loss of the company for that period;
- iii. That the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act, for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities;
- iv. That the directors have prepared the annual accounts for the financial year ended 31st March, 2006 on a going concern basis.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:

Conservation Of Energy:

The Company being not engaged in any manufacturing activities the information required to be disclosed under Section 217(1)(e) of the Companies Act 1956, is not applicable.

Technology Absorption: Nil

Foreign Exchange Earnings And Outgo:

	2005-06	2004-2005
1. Foreign Exchange earnings:	45.33	60.95
2. Foreign Exchange out go:	Nil	Nil

ACKNOWLEDGEMENTS

Your Directors place on record their sincere appreciation to all the concerned parties, employees, bankers and Government Authorities for their continued support and cooperation.

For and on behalf of the Board

Place: Secunderabad.
Date : 30.06.2006

Sd/-
J. Venkat Rao
Director

Sd/-
M.Satyendra
Director

AUDITORS' REPORT

To
The Members of Mercury Outsourcing Management Limited

1. We have audited the attached Balance Sheet of M/s. Mercury Outsourcing Management Limited as at 31st March, 2006, the Profit and Loss Account for the year ended on that date annexed thereto and the Cash Flow Statement for the year ended on that date, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with accounting standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors Report) Order, 2003, as amended by the Companies (Auditors' 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' of India (the 'Act') and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we set out 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 in Paragraph 3 above, we report that:
 - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our Audit;
 - b. In our opinion the Company has kept proper books of the accounts as required by law so far, as appears from our examination of such books.
 - c. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d. In our opinion the Profit and Loss Account and the Balance Sheet dealt with this report comply with the mandatory Accounting Standards referred to in sub-section 3(c) of Section 211 of the Companies Act, 1956.
 - e. On the basis of written representations received from the Directors, as on March 31, 2006 and taken on record by the Board of Directors of the Company, none of the directors is disqualified from being appointed as a director U/s 274(1)(g) of the Companies Act, 1956
 - f. In our opinion and to the best of our information and according to the explanations given to us, and said accounts together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in continuity with accounting principles generally accepted in India.
 - a) In the case of the Balance Sheet, of the State of Affairs of the Company as at 31st March 2006.
 - b) In the case of Profit and Loss Account, of the "Loss" of the Company for the year ended on that date; and
 - c) In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

for **KATRAPATI & ASSOCIATES**
CHARTERED ACCOUNTANTS

Date : 30.06.2006
Place: Secunderabad

Sd/-
K. A. SAI PRASAD
PROPRIETOR

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF THE REPORT OF THE AUDITORS TO THE MEMBERS OF MERCURY OUTSOURCING MANAGEMENT LIMITED FOR THE YEAR ENDED MARCH 31,2006.

1. a) The company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.
b) Management during the period has physically verified all the Assets and no discrepancies were noticed on such verification.
c) In our opinion, and according to the information and explanations given to us, the Company
 - i. has not disposed off a substantial part of fixed assets during the year.
 - ii. none of the Fixed Assets have been revalued during the period.
2. The Company has not taken loans - secured and unsecured from companies, firms or other parties listed in the registers maintained under Section 301 & 370 (1-C) of the Companies Act, 1956. The rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interest of the company.
3. The Company has granted loans - secured and unsecured to companies, firms or other parties listed in the registers maintained under Section 301 & 370 (1-C) of the Companies Act, 1956.
4. The parties to whom loans or advances in the nature of loans have been given by the Company are adhering to the terms and conditions stipulated by therein.
5. The Company is having adequate internal control procedures commensurate with its size and nature of its business.
6. In our opinion and according to the information and explanations given us, there are no transactions that need to be entered into the Register maintained under Section 301 of the Act.
7. As explained to us, the Company has not accepted any deposits from the public within the meaning of Section 58A and 58AA of the Act and the rules framed there under.
8. The Company has an internal audit system commensurate with its size and nature of its business.
9. According to the information and explanations given to us and according to the books and records produced and examined by us, in our opinion, the undisputed statutory dues in respect of Provident Fund, investor education and protection fund, employees' state insurance, income-tax, sales tax, wealth-tax, customs duty, and other material statutory dues as applicable, have been regularly deposited by the Company during the year with appropriate authorities. As explained to us, the Company did not have any dues on account of excise duty and cess.
10. The Company has neither accumulated losses as at 31st March 2006, nor it has incurred any cash losses during the financial year ended on that date and the immediately preceding financial year.
11. Based on our audit procedures and on the information and explanations given by the management, in our opinion, the Company has not defaulted in repayment of dues to any financial institution or Bank as at the Balance Sheet date.
12. The Company has not obtained any Term loans during the year.
13. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
14. Based on the information and explanations given to us, the Company has not given any guarantee for loans taken by others from Banks or financial institutions.
15. In our opinion and according to the information and explanations given to us, the Company is not a dealer or trader in securities.

16. Based on the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, in our opinion, there are no funds raised on a short term basis which have been used for long term investment, and vice versa.
17. The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956, during the year.
18. The Company has not raised any money by public issue during the year.
19. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the company, noticed or reported during the year, nor have we been informed of such case by the management.
20. The Company has a reasonable system of allocating man-hours utilised to the relative jobs, commensurate with its size and nature of its business.

Clauses 4(ii), (viii) and (xix) are not applicable in the case of the Company, noticed or reported in the aforesaid order.

for **KATRAPATI & ASSOCIATES**
CHARTERED ACCOUNTANTS

Date: 30.06.2006
Place: Secunderabad

Sd/-
K. A. SAI PRASAD
PROPRIETOR

Mercury Outsourcing Management Limited

Registered Office: 3rd Floor, "Usha Kiran" Sarojini Devi Road, SECUNDERABAD - 500 003.

BALANCE SHEET

In Rs.

	SCHEDULE	AS AT 31.3.2006	AS AT 31.3.2005
SOURCES OF FUNDS			
1. Share Capital	A	2,92,10,600	2,92,10,600
2. Share application	B	3,31,66,895	3,19,06,503
TOTAL (1+2)		6,23,77,495	6,11,17,103
APPLICATION OF FUNDS			
1. FIXED ASSETS	G		
a. Gross Block		1,12,06,406	1,12,06,406
b. Depreciation		45,04,383	29,45,670
c. Net Block		67,02,023	82,60,736
2. INVESTMENTS	I	47,76,000	47,76,000
3. CURRENT ASSETS, LOANS & ADVANCES			
a. Sundry Debtors	D	58,86,165	81,28,121
b. Bank Balance	C	15,35,877	13,27,100
c. Loans & Advances	F	1,34,22,874	1,34,22,365
		2,08,44,916	2,28,77,586
Less Current Liabilities & provisions	H	1,04,31,872	1,00,65,405
NET CURRENT ASSETS		1,04,13,044	1,28,12,181
4. MISCELLANEOUS EXPENSES (To the extent not written off)	E	4,04,86,428	3,52,68,186
TOTAL (1+2+3+4)		6,23,77,495	6,11,17,103

The Schedules referred to herein form an integral part of the Balance Sheet.

As per our Report of even date

For **KATRAPATI & ASSOCIATES**

Chartered Accountants

Sd/-

K A SAI PRASAD

PROPRIETOR

for and on behalf of the Board

Sd/-

J.VENKAT RAO

DIRECTOR

Sd/-

M.SATYENDRA

DIRECTOR

Date: June 30, 2006

Place: Secunderabad.

Mercury Outsourcing Management Limited

Registered Office: 3rd floor "Usha Kiran" Sarojini Devi Road, SECUNDERABAD - 500 003.

PROFIT & LOSS ACCOUNT

		In Rs.	
	SCHEDULE	YEAR ENDED 31.3.2006	YEAR ENDED 31.3.2005
INCOME			
Sales		45,33,724	60,95,038
		45,33,724	60,95,038
EXPENDITURE			
Employees Cost	J	38,79,655	42,83,004
Administrative & Selling Expenses	K	21,32,937	38,34,165
Depreciation	G	15,58,714	15,47,902
		75,71,306	96,65,071
PROFIT BEFORE TAX		(30,37,582)	(35,70,033)
Provision For Tax - Fringe Benefit		15,400	-
PROFIT AFTER TAX		(30,52,982)	(35,70,033)
Profit Brought Forward		(29,53,962)	6,16,071
Surplus Carried to Balance Sheet		(60,06,944)	(29,53,962)
Notes on Accounts			

The Schedules referred to herein form an integral part of the Profit and Loss Account.

As per our Report of even date

For **KATRAPATI & ASSOCIATES**

Chartered Accountants

Sd/-

K A SAI PRASAD

PROPRIETOR

for and on behalf of the Board

Sd/-

J.VENKAT RAO

DIRECTOR

Sd/-

M.SATYENDRA

DIRECTOR

Date: June 30, 2006

Place: Secunderabad.

Mercury Outsourcing Management Limited

Registered Office: 3rd Floor, "Usha Kiran" Sarojini Devi Road, SECUNDERABAD - 500 003.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2006

	Year Ended 31.03.2006	In Rs. Year Ended 31.03.2005
A. CASH FROM OPERATING ACTIVITIES:		
Net profit after Tax and Extraordinary Item	(30,52,982)	(35,70,033)
<u>Adjustments for</u>		
Depreciation	15,58,713	15,47,902
Operating Profit before working capital changes	(14,94,269)	(20,22,131)
<u>Adjustments for</u>		
Trade and Receivables	22,41,447	(1,49,976)
Trade Payables	3,66,467	14,93,573
Cash generated from operations	11,13,645	(6,78,534)
Deferred Revenue Expenditure	(21,65,260)	(75,00,000)
NET CASH FROM OPERATING ACTIVITY	A (10,51,615)	(81,78,534)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	0	(2,05,622)
Sale of / Realisation from Investments	0	0
NET CASH USED IN INVESTING ACTIVITIES	B 0	(2,05,622)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Increase in Share Capital	0	0
Share Application Money	12,60,392	87,75,788
Proceeds from long term borrowings	0	0
NET CASH USED IN FINANCING ACTIVITIES	C 12,60,392	87,75,788
NET INCREASE (DECREASE) IN CASH & CASH EQ..	2,08,777	3,91,632
CASH AND CASH EQUIVALENTS- Opening Balance	13,27,100	9,35,468
CASH AND CASH EQUIVALENTS- Closing Balance	15,35,877	13,27,100

for and on behalf of the Board

Date: June 30, 2006
Place: Secunderabad.

Sd/-
J.VENKAT RAO
DIRECTOR
Sd/-
M.SATYENDRA
DIRECTOR

SCHEDULES TO BALANCE SHEET

	AS AT 31.3.2006	(In Rs.) AS AT 31.3.2005
SCHEDULE `A`		
SHARE CAPITAL		
Authorised 30,00,000 Equity Shares of Rs. 10/- Each.	3,00,00,000	3,00,00,000
	3,00,00,000	3,00,00,000
Issued, Subscribed and Paid up 29,21,060 Equity Shares of Rs. 10/- Each.	2,92,10,600	2,92,10,600
	2,92,10,600	2,92,10,600
SCHEDULE `B`		
Share Application Money	3,31,66,895	3,19,06,503
	3,31,66,895	3,19,06,503
SCHEDULE `C`		
BANK BALANCE		
Balance with Scheduled Banks In Current Accounts	3,95,756	52,344
Cash Balance	11,40,121	12,74,756
	15,35,877	13,27,100
SCHEDULE `D`		
SUNDRY DEBTORS		
Other Debtors	58,86,165	81,28,121
	58,86,165	81,28,121
SCHEDULE `E`		
MISCELLANEOUS EXPENSES		
Preliminary Pre-Operative Expenses	83,14,224	83,14,224
Deferred Revenue Expenses	2,61,65,260	2,40,00,000
Balance in profit and loss account	60,06,944	29,53,962
	4,04,86,428	3,52,68,186
SCHEDULE `F`		
LOANS & ADVANCES (Unsecured, Considered goods, recoverable in Cash or in kind of value to be received)		
Loans & Deposits	51,90,000	51,90,000
Pre-Paid Expenses	16,874	16,365
Advance for Capital Expenses	78,50,000	78,50,000
Deposits	3,66,000	3,66,000
	1,34,22,874	1,34,22,365

SCHEDULE 'G'

FIXED ASSETS AND DEPRECIATION AS ON 31ST MARCH, 2006

in Rs.

ASSET DESCRIPTION	GROSS BLOCK AT COST				DEPRECIATION				NET BLOCK	
	Upto 31.03.2005	Additions During the Year	Deletion During the Year	As At 31.03.2006	Upto 31.03.2005	For the Year 31.03.2006	Deletion During the Year	Total Upto 31.03.2006	Upto 31.03.2005	As At 31.03.2006
Computers&Accessories	86,59,316	-	-	8,659,316	27,71,875	14,03,675	-	41,75,550	58,87,441	44,83,766
Furniture & Fixtures	16,90,779	-	-	16,90,779	1,06,995	1,07,026	-	2,14,021	15,83,784	14,76,758
Electrical Installations	2,80,942	-	-	2,80,942	28,098	19,863	-	47,961	2,52,844	2,32,981
Air Conditioning	5,23,500	-	-	5,23,500	35,419	24,866	-	60,285	4,88,081	4,63,215
Office Equipment	51,869	-	-	51,869	3,283	3,283	-	6,566	48,586	45,303
TOTAL	1,12,06,406	-	-	1,12,06,406	29,45,670	15,58,713	-	45,04,383	82,60,736	67,02,023
PREVIOUS YEAR	1,10,00,784	2,05,622	-	1,12,06,406	13,97,768	15,47,902	-	29,45,670	96,03,016	82,60,736

SCHEDULE H

CURRENT LIABILITIES & PROVISIONS

Sundry Creditors	79,39,992	79,39,992
Provisions	11,10,208	7,43,741
Advance from Customers	13,81,672	13,81,672
	1,04,31,872	1,00,65,405

SCHEDULE I

INVESTMENTS

Investment in Subsidiary in USA (MOM) US \$ 1,00,000	47,76,000	47,76,000
	47,76,000	47,76,000

SCHEDULE J

EMPLOYEE COST

Salaries	38,79,655	42,83,004
	38,79,655	42,83,004

SCHEDULE K

ADMINISTRATIVE & SELLING EXPENSES

Audit Fees	5,000	5,000
Bank Charges	13,691	11,112
Communication & Satellite Links	3,80,102	16,60,981
Tour & Travels	-	54,501
Insurance	17,343	1,488
Rates & Taxes	-	1,000
Recruitment & Training Charges	47,977	33,378
Staff Welfare	-	80,087
Telephone & Faxes	80,305	4,98,219
Gas & Electricity Charges	4,66,014	6,15,539
Rent	8,41,607	7,00,073
Misc. Expenses	2,80,898	1,72,787
	21,32,937	38,34,165

SCHEDULE L

NOTES ON ACCOUNTS

1. SIGNIFICANT ACCOUNTING POLICIES

a. BASIS OF ACCOUNTING

The Company follows the mercantile system of accounting and recognise Income and expenditure on accrual basis. The financial statements are prepared on historic cost basis as a going concern. Accounting policies not referred to otherwise are consistent with Generally Accepted Accounting Practices.

b. RECOGNITION OF REVENUE

Income is recognised on signing of agreement for sale in case of domestic sales and in case of exports revenue is recognised on completion of delivery as per terms of relevant agreement or on completion basis whichever is earlier for the year ended.

c. FIXED ASSETS

All fixed assets are valued at cost less depreciation. Depreciation is provided on straight-line basis by applying the rates and manner as specified in Schedule XIV to the Companies Act, 1956.

d. INVENTORIES

Inventories are valued at cost.

e. FOREIGN CURRENCY TRANSLATIONS

Transactions in foreign currency are converted at the rates of foreign exchange ruling at the time such transaction took place.

f. INVESTMENTS

Investments are classified as long-term investments and are carried at cost.

	Year Ended 31.03.2006	Year Ended 31.03.2005
2. VALUES OF IMPORTS AND EXPORTS		
Earning in Foreign Currency (Rs. In Lakhs)	45.33	60.95
3. AUDITORS REMUNERATION		
Audit Fees	5,000	5,000
4 Previous year's figures have been regrouped wherever found necessary.		

PART IV

1. Registration Details

Registration No.	01-33965	State Code	: 01
Balance Sheet Date	: 31.03.2006		

2. Capital Raised during the Year (Amount in Rs. Thousands)

Public Issue	N.A.	Right Issue	N.A.
Bonus Issue	N.A.	Private Placement	

3. Position of Mobilisation and Development of Funds (Amount in Rs. Thousands)

Total Liabilities	62377	Total Assets	62377
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Source of Funds

Paid Up Capital	29210	Reserves & Surplus	--
Share Application Money	33167	Unsecured Loans	--

4. Application of Funds

Net Fixed Assets	6702	Investments	4776
Net Current Assets	10413	Misc. Expenditure	40486
Accumulated Losses	Nil		

Performance of Company (Amount in Rs. Thousands)

Turnover	45.33	Total Expenditure	75.85
Profit Before Tax	(30.52)	Profit After Tax	(30.52)
Earning Per Share in Rs.	Nil	Dividend Rate	Nil

5. Generic Names of Three Principal Services of Company

Item Code No. (ITC Code)	85249009
Product Description	DEVELOPMENT OF APPLICATIONS, SYSTEMS SOFTWARE & BPO OPERATIONS

CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To
THE BOARD OF DIRECTORS
VJIL CONSULTING LIMITED

1. We have examined the attached Consolidated Balance Sheet of M/s. VJIL Consulting Limited ("the Company") as at 31st March, 2006 and the Consolidated Profit and Loss Account as on the above said date annexed thereto and the Consolidated Cash Flow Statements for the period ended on that date. The Consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We have conducted our audit in accordance with accounting standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the Consolidated financial statements are free of material misstatements. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the Consolidated 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 in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company and its subsidiaries included in the consolidated financial statements.
4. On the basis of the information and explanations given to us and the consideration of the separate audit reports on the individual audited financial statements of the Company and its subsidiary, we are of the opinion that the said consolidated financial statements given a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) In the case of the Consolidated Balance Sheet, of the consolidated State Of Affairs of the Company and its subsidiary as at 31st March 2006;
 - b) In the case of Consolidated Profit and Loss, of the consolidated results of operations of the Company and its subsidiary for the year ended on that date; and
 - c) In the case of the Consolidated Cash Flow Statement, of the Consolidated cash flows of the Company and its subsidiary for the year ended.

Date : 30.06.2006
Place : Secunderabad

for **KATRAPATI & ASSOCIATES**
CHARTERED ACCOUNTANTS

Sd/-
K. A. SAI PRASAD
PROPRIETOR

VJIL CONSULTING LIMITED

Registered Office: 1-8-165, "Usha Kiran" Sarojini Devi Road, SECUNDERABAD - 500003.

CONSOLIDATED BALANCE SHEET

In Rs.

	SCHEDULE	AS AT 31.3.2006	AS AT 31.3.2005
SOURCES OF FUNDS			
1. Share Capital	A	7,85,86,000	7,85,86,000
2 Reserves & Surplus	B	17,84,86,807	17,92,25,040
3 Loans	C	5,43,77,935	4,55,58,904
TOTAL (1+2+3)		<u>31,14,50,742</u>	<u>30,33,69,944</u>
APPLICATION OF FUNDS			
1. FIXED ASSETS	D		
a. Gross Block		17,38,70,521	16,81,58,892
b. Depreciation		9,46,18,150	8,57,16,247
c. Net Block		<u>7,92,52,371</u>	<u>8,24,42,645</u>
2. INVESTMENTS	E	62,09,320	63,25,012
3. CURRENT ASSETS, LOANS & ADVANCES			
a. Inventory	F	4,85,76,364	3,39,76,364
b. Sundry Debtors	G	11,59,06,545	11,88,74,284
c. Cash & Bank Balance	H	43,96,426	77,07,921
d. Loans & Advances	I	4,86,92,408	4,63,42,747
		<u>21,75,71,743</u>	<u>20,69,01,316</u>
LESS: CURRENT LIABILITIES & PROVISIONS	J	2,85,18,416	2,87,63,729
NET CURRENT ASSETS		<u>18,90,53,327</u>	<u>17,81,37,587</u>
4. MISCELLANEOUS EXPENSES (To the extent not written off)	K	3,69,35,724	3,64,64,700
TOTAL (1+2+3+4)		<u>31,14,50,742</u>	<u>30,33,69,944</u>

The Schedules referred to above and statements on significant Accounting Policies form an integral part of the Consolidated Balance Sheet.

As per our Report of even date

For **KATRAPATI & ASSOCIATES**
Chartered Accountants

Sd/-

K A SAI PRASAD
PROPRIETOR

Date: June 30, 2006

Place: Secunderabad.

for and on behalf of the Board

Sd/-

J.VENKAT RAO
CHAIRMAN & MANAGING DIRECTOR

Sd/-

M.SATYENDRA
JOINT MANAGING DIRECTOR

VJIL CONSULTING LIMITED

Registered Office: 1-8-165, "Usha Kiran" Sarojini Devi Road, SECUNDERABAD - 500 03.

CONSOLIDATED PROFIT & LOSS ACCOUNT

		In Rs.	
	SCHE DULE	YEAR ENDED 31.3.2006	YEAR ENDED 31.3.2005
INCOME			
Sales	-	15,83,47,356	16,20,87,921
Other Income	L	7,77,319	3,45,772
		15,91,24,675	16,24,33,693
EXPENDITURE			
Employees Cost	M	5,85,04,961	6,55,56,809
Administrative & Selling Expenses	N	9,12,06,589	8,38,61,764
Depreciation	D	90,35,184	1,13,12,016
		15,87,46,734	16,07,30,589
PROFIT BEFORE TAX		3,77,941	17,03,104
Provision For Tax-Current		7,08,000	1,00,000
-Deferred Tax		42,000	-
-Fringe Benefit		3,66,174	-
PROFIT AFTER TAX		(7,38,233)	16,03,104
Profit Brought Forward		11,26,84,062	11,10,80,958
Surplus Carried to Balance Sheet		11,19,45,829	11,26,84,062
Notes on Accounts	O		

The Schedules referred to above and Statement on Significant Accounting Policies form an integral part of the Consolidated Profit and Loss Account.

As per our Report of even date

For **KATRAPATI & ASSOCIATES**

Chartered Accountants

Sd/-

K A SAI PRASAD

PROPRIETOR

Date: June 30, 2006

Place: Secunderabad.

for and on behalf of the Board

Sd/-

J.VENKAT RAO

CHAIRMAN & MANAGING DIRECTOR

Sd/-

M.SATYENDRA

JOINT MANAGING DIRECTOR

VJIL CONSULTING LIMITED

Registered Office: 1-8-165, "Usha Kiran" Sarojini Devi Road, SECUNDERABAD - 500 003.

CONSOLIDATED CASH FLOW STATEMENT

		Year Ended 31.03.2006	In. Rs. Year Ended 31.03.2005
A. CASH FROM OPERATING ACTIVITIES:			
Net profit before Tax and Extraordinary Items		(7,38,233)	16,03,104
<u>Adjustments for</u>			
Depreciation		89,01,903	1,12,62,495
Investment Income		(7,77,319)	(3,45,772)
Operating Profit before working capital change		73,86,351	1,25,19,827
Adjustments for			
Trade and Receivables		6,18,078	(1,34,89,917)
Inventories		(1,46,00,000)	(1,65,653)
Trade Payables		(2,45,313)	69,84,487
Cash generated from operations		(68,40,884)	58,48,744
Deferred Revenue Expenditure		(4,71,024)	(68,57,754)
NET CASH FROM OPERATING ACTIVITY	A	(73,11,908)	(10,09,010)
B. CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Fixed Assets		(57,11,629)	(1,58,80,496)
Sale of / Realisation from Investments		(11,44,700)	(33,25,921)
Interest / Dividend Received		7,77,319	3,45,772
NET CASH USED IN INVESTING ACTIVITIES	B	(60,79,010)	(1,88,60,645)
C. CASH FLOW FROM FINANCING ACTIVITIES			
Increase in Share Capital		-	-
Share Premium		-	-
Share Application Money		12,60,392	87,75,788
Proceeds from long term borrowings		88,19,031	1,08,63,436
NET CASH USED IN FINANCING ACTIVITIES	C	1,00,79,423	1,96,39,224
NET INCREASE (DECREASE) IN CASH & CASH EQ.		(33,11,495)	(2,30,431)
CASH AND CASH EQUIVALENTS- Opening Balance		77,07,921	79,38,352
CASH AND CASH EQUIVALENTS- Closing Balance		43,96,426	77,07,921

For and on behalf of the Board

Sd/-

J.VENKAT RAO

CHAIRMAN CUM MANAGING
DIRECTOR

Sd/-

M.SATYENDRA

JOINT MANAGING DIRECTOR

Date: June 30, 2006
Place: Secunderabad.

SCHEDULES FORMING PART OF THE CONSOLIDATED BALANCE SHEET

	AS AT 31.3.2006	In Rs. AS AT 31.3.2005
SCHEDULE `A		
SHARE CAPITAL		
Authorised 9,00,00,000 Equity Shares of Rs. 10/- Each.	9,00,00,000	9,00,00,000
	9,00,00,000	9,00,00,000
Issued, Subscribed and Paid up 78,58,600 Equity Shares of Rs. 10/- Each.	7,85,86,000	7,85,86,000
	7,85,86,000	7,85,86,000
SCHEDULE `B		
RESERVES & SURPLUS		
Balance in Profit & Loss Account	11,19,45,829	11,26,84,062
Capital Reserve	9,662	9,662
Share Premium	6,65,31,316	6,65,31,316
	17,84,86,807	17,92,25,040
SCHEDULE `C		
LOANS		
SECURED LOANS		
Cash Credit with SBH	3,59,70,390	3,48,94,689
Medium Term Loan	75,83,077	94,66,367
Short Term Corporate Loan	1,00,00,000	-
Against Hypothecation of Current Assets, Movable and Immovable Assets, Properties and Investments		
Vehicle Loans	7,82,468	11,97,848
Un-Secured Loans	-	-
Deferred Tax Liability	42,000	-
	5,43,77,935	4,55,58,904

SCHEDULE `D

FIXED ASSETS AND DEPRECIATION AS ON 31ST MARCH, 2006

ASSET DESCRIPTION	GROSS BLOCK AT COST				DEPRECIATION				NET BLOCK	
	Upto 31.03.2005	Additions During the Year	Deletion During the Year	As At 31.03.2006	Upto 31.03.2005	For the Year 31.03.2006	Deletion During the Year	Total Upto 31.03.2006	Upto 31.03.2005	As At 31.03.2006
	Land	1,51,68,231	48,09,932	-	1,99,78,163	-	-	-	-	1,51,68,231
Computers & Accessories	9,90,17,808	11,31,818	-	10,01,49,626	6,47,38,428	64,66,525	-	7,12,04,953	3,42,79,380	2,89,44,673
Furniture & Fixtures	2,91,28,453	9,100	-	2,91,37,553	99,56,555	12,20,854	-	1,11,77,409	1,91,71,898	1,79,60,144
Electrical Installations	96,82,260	41,230	-	97,23,490	50,94,997	6,84,737	-	57,79,734	45,87,263	39,43,756
Air Conditioning	30,56,685	-	-	30,56,685	11,17,569	1,45,192	-	12,62,761	19,39,116	17,93,924
Office Equipments	38,54,949	95,080	-	39,50,029	12,46,921	1,53,363	-	14,00,284	26,08,028	25,49,745
Vehicles	73,91,228	8,53,714	12,29,245	70,15,697	31,81,342	3,33,157	1,33,281	33,81,218	42,09,886	36,34,479
Library	1,98,034	-	-	1,98,034	108,727	-	-	1,08,727	89,307	89,307
Fire Equipments	2,48,461	-	-	2,48,461	1,11,176	11,802	-	1,22,978	1,37,285	1,25,483
Satelite Link	4,12,783	-	-	4,12,783	1,60,532	19,554	-	1,80,086	2,52,251	2,32,697
TOTAL	16,81,58,892	69,40,874	12,29,245	17,38,70,521	8,57,16,247	90,35,184	1,33,281	9,46,18,150	8,24,42,645	7,92,52,371
PREVIOUS YEAR	15,22,78,396	1,62,55,771	3,75,275	16,81,58,892	7,44,53,752	1,13,12,016	49,521	8,57,16,247	7,78,24,644	8,24,42,645

	AS AT 31.3.2006	AS AT 31.3.2005
SCHEDULE 'E		
INVESTMENTS	62,09,320	63,25,012
	62,09,320	63,25,012
SCHEDULE 'F		
INVENTORIES (AT COST)		
Stationery & Course materials	9,07,118	9,07,118
Consumables (Computer Software)	4,76,69,246	3,30,69,246
	4,85,76,364	3,39,76,364
SCHEDULE 'G		
SUNDRY DEBTORS		
More than six months (Unsecured considered good)	1,54,10,751	2,20,96,399
Other Debtors	10,04,95,794	9,67,77,885
	11,59,06,545	11,88,74,284
SCHEDULE 'H		
CASH & BANK BALANCE		
Cash on Hand	28,75,988	17,60,419
Balance with scheduled Banks In Current Accounts	15,20,438	59,47,502
	43,96,426	77,07,921
SCHEDULE 'I		
LOANS & ADVANCES (Unsecured, considered good, recoverable in cash or in kind or for value to be received)		
Deposits	96,86,316	96,72,992
For expenses	8,20,599	8,61,365
Staff	92,33,461	87,96,811
Pre-paid expenses	3,19,805	1,91,882
Loans	1,09,76,707	1,04,86,677
Other Misc. Advance	1,76,55,520	1,63,33,020
	4,86,92,408	4,63,42,747
SCHEDULE 'J		
CURRENT LIABILITIES & PROVISIONS		
Sundry Creditors	1,03,21,395	1,20,94,345
For expenses	1,52,05,349	1,28,15,712
Advances	29,91,672	38,53,672
	2,85,18,416	2,87,63,729
SCHEDULE 'K		
MISCELLANEOUS EXPENSES		
a). Preliminary Pre-Operative Expenses	83,14,224	83,14,224
b). Deferred Revenue Expenditure	2,72,17,250	2,67,46,226
c). Research & Development	14,04,250	14,04,250
	3,69,35,724	3,64,64,700

	AS AT 31.3.2006	AS AT 31.3.2005
SCHEDULE `L		
OTHER INCOME		
Dividend	4,58,832	3,600
Interest	3,18,487	3,42,172
	<u>7,77,319</u>	<u>3,45,772</u>
SCHEDULE `M		
EMPLOYEE COST		
ESI	58,572	1,07,833
Provident Fund	13,67,476	13,68,535
Salaries	5,65,65,151	6,08,30,427
Staff Welfare Expenses	5,13,762	32,50,014
	<u>5,85,04,961</u>	<u>6,55,56,809</u>
SCHEDULE `N		
ADMINISTRATIVE & SELLING EXPENSES		
Advertisement Charges	9,13,079	1,75,319
Audit Fees	1,25,000	1,25,000
Bank Charges	3,76,159	4,06,172
Business Promotion Expenses	1,57,698	1,52,021
Communication & Satellite Link Charges	35,08,767	52,92,680
Conveyance Charges	64,224	81,880
Courier Charges	1,58,643	1,14,824
Cultural Club Expenses	5,124	850
Consulting Expenses	3,51,51,969	3,00,07,776
Deferred Revenue Expenses Written Off	16,94,236	16,94,236
Director's Remuneration	42,00,000	36,00,000
Foreign Tour & Travel	29,87,299	32,10,701
Fuel and Electricity Charges & Maintenance	23,63,166	24,95,356
Insurance	17,69,544	36,90,594
Interest	61,21,742	46,87,881
Interest on Vehicle Loans	89,042	1,49,582
Legal & Professional Charges	14,35,725	11,18,539
Misc. Expenses	26,82,154	26,85,589
Postage, Telephone & Telegrams	1,20,630	1,38,448
Printing & Stationery	2,46,087	3,90,283
Rates & Taxes and Licences	9,12,550	87,079
Recruitment Charges	6,82,257	2,08,722
Rent	67,41,431	73,16,827
Repairs & Maintenance	2,71,430	2,44,750
Service Tax	4,37,574	2,12,045
Telephone & Faxes	17,60,920	29,35,814
Training Division Expenses	1,12,650	1,17,548
Vehicle Maintenance & Repairs	5,98,675	5,81,131
VAT on sales	1,26,62,843	1,19,40,117
Exchange fluctuation	28,55,971	-
	<u>9,12,06,589</u>	<u>8,38,61,764</u>

SCHEDULE 'O' - NOTES ON CONSOLIDATED FINANCIAL STATEMENTS

1. SUBSIDIARY CONSIDERED FOR CONSOLIDATION:

Sl No	Name of the Subsidiary Company	Country Of Incorporation	Extent of holding (%) as on 31.03.2006
1.	Mercury Outsourcing Management Limited	India	100%

2. PRINCIPLES OF CONSOLIDATION.

The Consolidated financial statements relate to VJIL Consulting Limited (“the Company”) and its subsidiary company. The Consolidated financial statements have been prepared as follows:

The financial statements of the company and its subsidiary company is combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses in accordance with Accounting Standard (AS) 21-“Consolidated Financial Statements” issued by the Institute Of Chartered Accountants of India.

As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company’s separate financial statements.

3. RECOGNITION OF REVENUE

Income is recognised on signing of agreement for sale in case of domestic sales and in case of exports revenue is recognised on completion of delivery as per terms of relevant agreement or on completion basis whichever is earlier for the year ended.

4. FIXED ASSETS

All fixed assets are valued at cost less depreciation. Depreciation is provided for on a straight-line basis by applying the rates and manner specified in Schedule XIV to the Companies Act, 1956.

5. INVENTORIES

Inventories are valued at cost.

6. FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currency are converted at the rates of foreign exchange ruling at the time such transaction took place.

7. RETIREMENT BENEFITS

Contributions to Provident fund are charged to revenue. The provisions of Payment of Gratuity Act, 1972 are applicable to the Company and necessary provision has been made.

8. INVESTMENTS

Investments are classified as long-term investments and are carried at cost.

9. CONTINGENT LIABILITIES NOT PROVIDED FOR:

Guarantees issued by the Bankers on Behalf of the Company Rs. 2,25,000/-

10. REGROUPING / RECLASSIFICATION

The figures for the previous year have been regrouped / reclassified wherever necessary, to conform to the current year figures.

As per our Report of even date

For **KATRAPATI & ASSOCIATES**
Chartered Accountants

Sd/-
K A SAI PRASAD
PROPRIETOR

Date: June 30, 2006
Place: Secunderabad.

for and on behalf of the Board

Sd/-
J.VENKAT RAO
CHAIRMAN CUM MANAGING DIRECTOR

Sd/-
M.SATYENDRA
JOINT MANAGING DIRECTOR

VJIL CONSULTING LIMITED

Registered Office: 1-8-165, "Usha Kiran", Sarojini Devi Road, Secunderabad – 500 003.

ATTENDANCE SLIP

I hereby record my presence at the **14th ANNUAL GENERAL MEETING** of the Company to be held at Thyagaraya Gana Sabha, Chikkadapally, Hyderabad on **Saturday, 30th September, 2006** at 10:00 AM.

_____ Signature
 Full Name of the Shareholder _____
 Folio No./DP ID No _____ No. of Shares held _____

_____ Signature
 Full Name of the Proxy (In block letters) _____
 (To be filled if the Proxy attends instead of the Member)

✂-----

VJIL CONSULTING LIMITED

Registered Office: 1-8-165, "Usha Kiran", Sarojini Devi Road, Secunderabad –500 003.

PROXY FORM

Folio No. _____ DP ID: _____ Client ID: _____

I/We _____ of _____ in the district of _____ being a member / members of the above named company, hereby appoint Mr/Ms/Kum _____ in the district of _____ as my / our proxy to attend and vote for me/us on my/our behalf at the 14th Annual General Meeting of the company to be held at Thyagaraya Gana Sabha, Chikkadapally, Hyderabad on **Saturday, September 30, 2006** at 10:00 AM and at any adjournment thereof.

Signed this _____ day of _____ 2006.

Address _____

Affix Re. 1 Revenue Stamp

Signature _____

Note: The Proxy form duly completed must be deposited at the **Registered Office at 1-8-165, "Usha Kiran" S.D. Road, Secunderabad – 500 003, AP, India**, not less than 48 hours before the time for holding the meeting. A proxy need not be a member.

BOOK POST

If undelivered please return to

M/s. SATHGURU MANAGEMENT CONSULTANTS PVT. LTD.,
Unit: VJIL CONSULTING LIMITED
Plot No. 15, Hindi Nagar, Panjagutta,
HYDERABAD - 500 034. INDIA.