

VICTORY PROJECTS LIMITED



15th Annual Report 2005 - 2006

VICTORY PROJECTS LIMITED

Board of Directors	Sri. Maruti Ram Praturi Sri. T. N. DhanRaj Sri. D. Krishna Murthy Rao Sri. Ramachandra Murthy Smt. P. V. Lakshmi	Managing Director Additional Director Director Director Director
Company Secretary	Ms. M. Arpita Lalwani	
Statutory Auditors	Sri. V. Syam Sunder, Chartered Accountant Plot No. 88, Krishna Enclave Indira Nagar, Tirumalagiri Secunderabad - 500 015	
Bankers	ICICI Bank Limited	
Registered Office	G-1, Parameshwara Apartments 6-3-626, Anand Nagar, Khairatabad Hyderabad - 500 004. Telephone: + 91 (40) 23305484 www.victory-india.com email: info@victory-india.com	
Registrars & Share Transfer Agent	XL Softtech Systems Limited 3, Sagar Society, Road No. 2 Banjara Hills, Hyderabad - 500 034. Telephone: + 91 (40) 23545913, 14 Email: xifield@rediffmail.com	

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NOTICE OF THE 15th ANNUAL GENERAL MEETING

Notice is hereby given that the Fifteenth Annual General Meeting of the members of Victory Projects Limited will be held on Friday, the 29th day of September, 2006 at 9.30 a.m., at the registered office of the Company situated at G-1, Parameshwara Apartments, 6-3-626, Anand Nagar, Khairatabad, Hyderabad – 500 004 to transact the following business:

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at March 31, 2006 and the Profit & Loss Account for the year ended on that date together with the Report of the Directors and the Auditors thereon.
2. To appoint Auditor and to fix remuneration.

Special Business:

3. To consider and if thought fit, to pass with or without modifications, if any the following as an Ordinary Resolution:

“RESOLVED THAT Sri. T. N. DhanRaj, who was appointed by the Board of Directors as Additional Director with effective from 31st day of July 2006 and who holds office up to the date of the Annual General Meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of Director, be and is hereby appointed as Director of the Company.”

On behalf of the Board of Directors

Place: Hyderabad
Date: 31-07-2006

Maruti Ram. P
Managing Director

Notes:

- (a) A member of the Company entitled to attend and vote at a 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. Proxies in order to be effective must be received by the Company, not less than 48 hours before the commencement of the meeting.
- (b) The Register of Members and the Share Transfer Books will remain closed from 26-09-2006 to 29-09-2006, both days inclusive.
- (c) Members / Proxies are requested to bring annual report along with the attendance slip filled in for attending the meeting.
- (d) XL Softtech Systems Limited, 3, Sagar Society, Road No. 2, Banjara Hills, Hyderabad – 500 034 is the Registrar and Share Transfer Agent for the physical shares of the Company and also the depository interface of the Company with both NSDL and CDSL.
- (e) Queries on accounts and operations may please be sent to the Company 5 days in advance of the Annual General Meeting so that the answers may be made available at the meeting.
- (f) The relative Explanatory Statement pursuant to Section 173(2) of the Act with regard to the special business set out in item no. 3 is annexed hereto.

Item No. 3:

Sri. T. N. DhanRaj was appointed as an Additional Director by the Board on 31st July 2006 pursuant to the provisions of Section 260 of the Companies Act, 1956. He holds office only up to the date of this Annual General Meeting. The Company has received a notice in writing from a member pursuant to the provisions of Section 257 of the Companies Act, 1956 proposing Sri. DhanRaj for the office of Director.

Sri. DhanRaj aged about 48 years is a B. Tech. and M.B.A. from IIM. He has over 24 years of experience in information technology sector.

The Board of Directors considers that in view of the background and experience of Sri. DhanRaj, it would be in the interest of the Company to appoint him as a Director of the Company.

Sri. DhanRaj does not hold any shares in the Company. The Board recommends this resolution for your approval.

No director is concerned or interested in the passing of this resolution.

DIRECTORS' REPORT

Dear Members,

The Directors present their Fifteenth Annual Report together with the Audited financial statements for the year ended March 31, 2006.

Financial Results

	2005-2006	Rs. in Lakhs 2004-2005
1 Income from Operations	66.31	104.76
2 Total Expenditure	186.37	169.96
3 Gross Profit/Loss after interest but before Depreciation	-120.06	-65.20
4 Depreciation	17.34	12.06
5 Provision for Taxation	Nil	Nil
6 Net Profit/Loss	-137.40	-77.26
7 Reserves excluding Revaluation Reserves	-139.10	-1.96

Review of Operations and Future Outlook:

Your Company has started earning significant revenues in the IT Sector, and finalized the terms of collaborators.

The Company proposes to continue its thrust in the IT sector especially with in the Interactive Voice Responses line of business.

Fixed Deposits:

During the year under review, the Company has not accepted any deposits within the meaning of Section 58A of the Companies Act, 1956 and the rules made there under. As such no amount of principle or interest towards deposit was outstanding on the date of the Balance Sheet.

Corporate Governance:

A report on Corporate Governance including Auditor Certificate thereon as per Clause 49 of the Listing Agreement is contained elsewhere in the Annual Report.

Management Discussions and Analysis:

Management Discussions and Analysis Report, pursuant to clause 49 of the Listing Agreement, form part of this report and the same is annexed.

Listing at Stock Exchange:

The Equity Shares of the Company continue to be listed on The Bombay Stock Exchange Limited and The Hyderabad Stock Exchange Limited the annual listing fees for the year 2005-2006 have been paid to The Bombay Stock Exchange Limited.

Directors:

Sri. T. N. DhanRaj has been appointed as Additional Director on July 31, 2006. Sri. T. N. DhanRaj is an independent director as per the provisions of the Listing Agreement. Resolution seeking approval of the Shareholders for his appointment have been incorporated in the Notice of the forthcoming Annual General Meeting along with his brief profile.

Sri. K. Sriram resigned from the Directorship of the Company due to his inability to attend the Board Meetings. The Board accepted his resignation on July 31, 2006. The Board placed on record its appreciation for the valuable contributions made by him.

The position of Sri. Kondal Rao Saripalli as director was vacated on July 31, 2006 pursuant to provisions of Section 283(1)(g) of the Companies Act, 1956 since he has been absent himself for more than three meetings of the Board of Directors without obtaining leave of absence from the Board.

Auditors:

Sri. V. Syam Sunder, Chartered Accountant, Hyderabad, the Statutory Auditors of the Company hold office till the conclusion of forthcoming Annual General Meeting. Your directors recommend their appointment at the ensuing Annual General Meeting as Statutory Auditors.

Information u/s. 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988.

Conservation of Energy, Technology Absorption, Foreign Exchange earnings and Outgo:

- a) Conservation of Energy: The operations of the Company involve low energy consumption. Adequate measures have, however, been taken to conserve energy.
- b) Technology Absorption: Since business and technologies are changing constantly, investment in research and development activities is of paramount importance. Your Company continues its focus on quality up gradation of product and services development.
- c) Foreign Exchange earnings and outgo: Total foreign exchange earnings during the year were Rs. Nil Lakhs (Previous year Rs. Nil Lakhs) and foreign exchange outgo was Rs. Nil Lakhs (previous year Rs. Nil Lakhs).

Particulars of Employees:

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is not required as no employee falls under the category.

Director's Responsibility Statement:

In terms of the provisions of section 217(2AA) of the Companies Act, 1956 (Act), your Directors confirm as under:

1. That, in the preparation of the annual accounts, the applicable Accounting Standards had been followed along with the proper explanation relating to material departures;
2. That, the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period.
3. That, the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. That, the Directors had prepared the annual accounts on a going concern basis.

Acknowledgements:

The Directors thank the Company's Bankers, Employees and officials of concerned Government Departments for their co-operation and continued support to the Company. Also thank the Members for the confidence they have reposed in your Company and its Management.

On behalf of the Board of Directors

Place: Hyderabad

Date: 31-07-2006

Maruti Ram. P
Managing Director

REPORT ON CORPORATE GOVERNANCE

1. Company's Philosophy on Corporate Governance

The Company's philosophy on Corporate Governance lays strong emphasis on transparency, accountability and integrity. The Company has complied with the requirements of the Corporate Governance Code in terms of Clause 49 of the Listing Agreement with the Stock Exchanges as disclosed here in below:

2. Board of Directors

Composition of the Board:

The Company has an optimum combination of Executive and Non-Executive Directors. The Chairman is a Executive Director and the number of Independent Non-Executive Directors is half of the Board's strength at any point of time. All Independent Non-Executive Directors comply with the legal requirements of being "Independent." The composition of the Board of Directors of the Company as on March 31, 2006 is as follows:

Name of the Director	Category	Designation	Directorship in other Boards of other Companies @	Chairmanship in committees of Boards of other Companies \$	Membership in committees of Board of other Companies
Sri. Maruti Ram Praturi	Promoter Director	Managing Director	Nil	Nil	Nil
Dr. Kondal Rao Saripalli	Promoter Director and Non-Executive	Director	Nil	Nil	Nil
Sri. K. Sriram	Independent Non- Executive Director	Director	Nil	Nil	Nil
Sri. D. Krishna Murthy Rao	Independent Non- Executive Director	Director	Nil	Nil	Nil
Sri. Ramachandra Murthy	Independent Non- Executive Director	Director	Nil	Nil	Nil
Smt. P. V. Lakshmi	Promoter Director and Non-Executive	Director	Nil	Nil	Nil

@ Directorships in private and foreign companies are excluded.

\$ Membership of only Audit Committee and Shareholders Grievance Committee has been considered.

Subsequent changes in the Board:

Sri. K. Sriram resigned from the Directorship of the Company due to his inability to attend the Board Meetings. The Board accepted his resignation on July 31, 2006 and in the vacancy so caused Sri. T. N. DhanRaj has been appointed as Additional Director on July 31, 2006. Sri. T. N. DhanRaj is an independent director as per the provisions of the Listing Agreement.

The position of Sri. Kondal Rao Saripalli as director was vacated on July 31, 2006 pursuant to provisions of Section 283(1)(g) of the Companies Act, 1956 since he has been absent himself from more than three meetings of the Board of Directors without obtaining leave of absence from the Board.

Details of Board Meetings and Attendance:

During the financial year 2005-06 Board of Directors of the Company met five times on 29-04-2005, 27-06-2005, 30-07-2005, 29-10-2005 and 30-01-2006. The attendance details of the directors at the Board Meetings and last Annual General Meeting is as follows:

Name of the Director	Number of meetings held	Number of meetings attended	Whether attended the last AGM in 2005
Sri. Maruti Ram Praturi	5	5	Yes
Dr. Kondal Rao Saripalli	5	0	No
Sri. K. Sriram	5	5	Yes
Sri. D. Krishna Murthy Rao	5	3	Yes
Sri. Ramachandra Murthy	5	3	No
Smt. P. V. Lakshmi	5	5	Yes

Code of Conduct:

The Board has laid down a code of conduct for all Board members and senior management of the Company. All the Board members and senior management personnel have affirmed compliance with the Code of Conduct. A declaration signed by the Managing Director to this effect is enclosed at the end of this report.

3. Audit Committee

The Audit Committee of the Company is constituted in line with the provisions of Clause 49 of the Listing Agreement read with Section 292A of the Companies Act, 1956. The terms of reference include:

- Overseeing the Company financial reporting process.
- Reviewing periodical financial results, financial statements and adequacy of internal control systems.

- c) Approving Internal Audit plans and reviewing efficacy of the function.
- d) Discussion and review of periodic audit reports, and
- d) Discussions with external auditors about the scope of the audit including the observations of the auditors.

Minutes of the Audit Committee are circulated to the members of the Committee and the Board is kept apprised.

Composition and Attendance:

There are three members of the audit committee and all the members of the committee are Non-Executive in which two members are Independent Directors. Members of the Audit Committee are Sri. K. Sriram, Sri. Ramachander Murthy and Smt. P. V. Lakshmi. Sri. K. Sriram is the Chairman of the Audit Committee. The Company Secretary Ms. M. Arpita Lalwani acts as the Secretary to the Committee.

During the financial year 2005-06 Audit Committee met four times on 29-04-2005, 27-06-2005, 30-07-2005, 29-10-2005 and 31-01-2006. All the members of the Committee attended all the above meetings

4. Remuneration Committee

The members of the Remuneration Committee of the Board of Directors of the Company are Sri. K. Sriram, Sri. Ramachander Murthy and Sri. D. Krishna Murthy Rao. Sri. K. Sriram is the Chairman of the said Committee.

The terms of reference of the Remuneration Committee are:

- a) To review and approve / recommend the remuneration for the Corporate officers and Managing Director of the Company
- b) To review and recommend to the Board the remuneration policy for the Company.
- c) To approve grant of stock options to the employees and / or directors of the Company and subsidiary.
- d) To discharge such other functions or exercise such powers as may be delegated to the Committee by the Board from time to time.

Remuneration Policy:

The Committee has the mandate to review and recommend compensation payable to the Managing Director and Senior Executives of the Company. No director other than Sri. Maruti Ram Praturi is drawing remuneration from Company. Sri. Maruti Ram Praturi is drawing remuneration for the services rendered in the capacity of Managing Director of the Company. The Company is not paying any sitting fee to the Directors for attending each board meeting.

The details of remuneration and sitting fees paid or provided to each of the Directors during the year 2005-06 are as follows: