

TELESYS SOFTWARE LIMITED

Annual Report

2005 - 2006

TELESYS SOFTWARE LIMITED

BOARD OF DIRECTORS:

Mr. Heera Chand Surana	Chairman
Mr. Y.Satyakumar	Director
Ms.Bhushan Babu	Director
Mr. Rajkumar Suriya Prakash	Director
Mr. AXN Prabhu	Director
Mr. R. Vednarayanan	Director

AUDITORS

Mr.Chinnappan
Chartered Accountant

BANKERS

Tamilnadu Mercantile Bank,
Mount Road Branch,
Chennai – 600002

REGISTERED OFFICE

New No:33, Old No:15, Postal Colony
1st Street,
West Mambalam
Chennai – 600 033

SHARE TRANSFER AGENTS

M/s.CAMEO CORPORATE SERVICES LIMITED
"Subramaniam Building "
V Floor, 1 Club House Road,
Chennai – 600002
Phone: (044) 28460390 (5 Lines)
Fax:(044) 2846129

TELESYS SOFTWARE LIMITED

NOTICE

NOTICE is hereby given that the Fourteenth Annual General Meeting of the Members of Telesys Software Limited will be held on 30th day of September 2006 at 09:30AM at New No:33, (Old no:15) Postal Colony, 1st Street, West Mambalam, Chennai – 600033

ORDINARY BUSINESS:

01. To receive , consider and adopt the audited balance Sheet as at 31st March 2006 and the Profit and Loss Account for the year ended on that date and the report of the Board of Directors and auditors thereon.
02. To appoint Mr. AXN Prabhu as a Director in place of Ms.Usha Natarajan who retires by rotation.
03. To appoint Mr. R. Vednarayanan as a Director in place of Mr.Lakshmpathy who retires by rotation.
04. To appoint Auditors of the company to hold office from the conclusion of this Annual General Meeting until the conclusion of the Next Annual General Meeting of the company. The remuneration may be fixed by the Board of Directors.

SPECIAL BUSINESS:

05. To pass the following Resolution as a Special Resolution either with modification or without.
“ RESOLVED THAT, pursuant to Section 17 of the Companies Act and any other applicable provisions in this regard the existing main object be numbered and as “1” and some more Object Clauses mentioned herein under be included as the main objects of the Company in addition to the existing one.

2. To design, construct, build, sell, lease, lease-out, hire, hire-out, maintain, operate, dispose off, buy, sell, deal, transact Technology Parks, Export Processing Zones, Malls, Multiplexes, Shopping Complexes, Office Complexes, Commercial Complexes of all kinds, Special Export Processing Zones, Residential Complexes, Super Structure Hi Tech Parks, Infra Structures of all kinds, Properties of all kinds including real estates and to create and establish a dedicated Fund which may be open ended or close ended as the case may be for any of these purposes mentioned herein.

3. To manufacture, buy, sell , trade, distribute, maintain, electric and other conventional or non conventional powers of all kinds, by adopting any technology and any raw material whatsoever anywhere in India.

4. To manufacture and trade, eatables of all kinds, food products of all kinds, coffee, tea, nourishing drinks of all kinds, breweries of all kinds, aerated drinks of all kinds, soft drinks of each and every kind, alcoholic drinks of each and every kind, alcohols of all kinds and to install , construct, build, buy, sell, lease, hire, operate, maintain, dispose off Bottling plants of all kinds, Distilleries of all kinds anywhere in India
06. To pass the following Resolution as an Ordinary Resolution either with Modification or without:-
The Company had received a notice in writing from one of the shareholders proposing

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the candidature for the office of Chairman and Director of the company recommending Mr. Heera Chand Surana, for such appointments by the members by means of an ordinary resolution to be passed as mentioned herein below:

"RESOLVED THAT pursuant to Section 257 and other applicable provisions if any of the Companies Act, 1956, Mr. Heera Chand Surana be and is hereby appointed as the Chairman and Director of the Company, who shall not be retiring by rotation.

By Order of the Board
For Telesys software Limited

(Y.SatyaKumar)
Managing Director

Place: Chennai
Date:01-09-2006

1. A MEMBER WHO IS ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
2. PROXIES IN ORDER TO BE EFFECTIVE MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE HOLDING THE MEETING.
3. The Register of Members and the Transfer of Book in respect of the Equity Shares will remain closed from 22nd September 2006 to 28th September 2006 both days inclusive.
4. The Members are requested to intimate to the Registrar and Transfer Agents, Cameo Corporate Services Limited, #1 Subramaniam Building, Club House Road, Mount Road, Chennai- 600 002, change of address if any at the earliest quoting their registered folio number .

**Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956.
For item 05 :-**

The Board of Directors are contemplating huge growth and market for IT related structures and buildings of all kinds. Also the Directors are keen on purchasing an existing bottling plant to augment the Sales and profitability of the Company. Also a Distillery plant is also eyed for purchase and the initial talks are started. A power generation unit may also be considered in case the distillery plant is made operative. In view of these initiations the Directors would like to request the members to approve the change of object clauses suggested which would result in huge revenue increase and higher profitability of the Company. The Resolution is sought to be passed as a Special Resolution.

For item 06:-

Special notice is hereby by given to the members about the candidature of Mr. Heera Chand Surana, for the position of the Chairman and Director proposed by one of the shareholders of the Company. Mr. Heera Chand Surana, is a seasoned business man and has high potential to bring in diversified business activities to the company by his extensive connections. He has also expressed his willingness to serve the company as a Chairman and Director of the company. The Board suggests the members to pass the said resolution as an ordinary resolution, which would enable the said person to be a director not to retire by rotation.

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DIRECTORS REPORT

Your Directors have great pleasure in presenting the fourteenth Annual Report of the Company with the audited accounts for the year ended 31st March 2006.

Financial Results:

Rupees in Lakhs

Particulars	Year ended 31.03.2006	Year ended 31.03.2005
Revenue from Operations	131.64	240.00
Profit before Depreciation & Deduction	(69.54)	22.21
Less: Depreciation	85.49	73.99
Less: Goodwill written off	151.84	151.84
Less: Dim in Value of Investment	0.00	(16.90)
Profit / Loss before tax	(306.87)	(186.72)
Less: Provisions for Tax-Current & Deferred		(15.51)
Profit /(Loss) After Tax	(306.87)	(171.21)
Balance carried forward to Balance sheet.	(505.34)	(198.47)

DIVIDEND:

Our directors have not recommended any dividend as the company was running under loss.

REVIEW OF OPERATIONS:

- a) The Present situation in the Software industry is facing declining trend both in india and abroad and the Company is also finding difficult to compete with the MNC software Companies.
- b) **Business Performance:**

The Turnover is Rs:131.64 Lakhs in the Financial Year 2005-06 against s:240.00 lakhs in the Financial Year 2004-05. The company has incurred loss of Rs:306.87

Lakhs after tax compared to previous year loss of Rs:171.21 Lakhs. Your Directors are hopeful of maintaining and improving the turnover and profit in the forth coming years by strategic business plans.

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c) Internal Control System and their adequacy:

Much has been done in cutting off expenditures in almost all areas. Manpower is carefully taken in by making systematic study of their skill and exposure in regard to the projects the company is handling greater care is shown in the effective utilization of these skills by coordinating all the individual efforts towards the corporate goal incurring minimal cost.

d) Human Resources and Industrial relations:

Your Directors wish to place on record their deep appreciation of the dedication and commitment of employees to the growth of your company during the year. Your Directors also express their sincere gratitude to the Bankers, Consultants, Auditors and shareholders for their continued patronage and co-operations.

DIRECTORS:

During the year Ms.Usha Natarajan and Mr.lakshmi pathy retire by rotation.

DEPOSITS:

The Company has not accepted any deposit from the public.

DIRECTOR'S RESPONSIBILITY STATEMENT:

As required under section 217 of the Companies Act, 1956 the Directors hereby confirm that :

1. In the preparation of the annual accounts, the applicable accounting standards has been followed along with proper explanation relating to material departures.
2. The Directors had selected such accounting policies and applied them consistently and made judgements 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 of the company for that period.

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3. The Directors had 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 fraud and other irregularities.
4. The Directors had prepared the annual accounts on a going concern basis.

AUDITOR AND AUDITOR REPORT:

The Board recommends the appointment of Mr.A.Chinnappan , Chartered Accountant as the auditors of the company from the conclusion of the ensuing the Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as may be fixed by the Board. A letter from the auditor about the compliance under section 224(1B) of the companies Act, has been duly received.

CORPORATE GOVERNANCE:

Your company has always striven to incorporate appropriate standards for good corporate governance. It has taken adequate steps to ensure that all mandatory provisions of corporate governance as prescribed under the amended listing agreements of the Stock exchanges, with which the company is listed are complied with. A separate report on corporate governance is produced as a part of the annual report.

CONSEVATION OF ENERGY , TECHNOLOGY ABSORBTION & FOREIGN EXCHANGE EARNINGS/ OUTGO:

The company has no activity relating to conservation of energy or technology absorption. The company did not have any foreign exchange earnings or out go during the year.

STATEMENT UNDER SECTION 217(2A) ON PERSONNEL:

Particulars of Employees pursuant to Section 217(2A) of the Companies Act, 1956 are not applicable since none of the employees are in receipt of remuneration in excess of the limits specified herein during the period under review:

ACKNOWLEDGEMENTS:

Your Directors wish to place on record their deep appreciation of the dedication and commitment of employees to the growth of your company during the year. Your Directors also express their sincere gratitude to the Bankers, consultants, Auditors and the shareholders for their continued patronage and cooperation.

**By Order of the Board
For Telesys Software Limited**

Place:Chennai
Date:30.06.2006

(Usha Natarajan)
Director

(Y.Satya Kumar)
Managing Director

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STATEMENT AND REPORTS ON CORPORATE GOVERNANCE:

A MANDATORY REPORTS ON CORPORATE GOVERNANCE:

I. Company's Philosophy on Corporate Governance:

The Company's philosophy is aimed at exhibiting maximum transparency to the investors by providing them with more information. This is done not only with the information that are to be revealed under mandatory provisions but also with those information which according to the Management and the Board are relevant to the investors and other Statutory Authorities to whom these Reports are addressed to:

II. BOARD OF DIRECTORS:

Name	Designation	Category	No of Board Meetings attended during 2005-06	Whether attended the Last AGM	No of Directorships in public companies	No of other Board committees in which he/she is Member or Chairperson
Mr.Y.Satyakumar	Managing Director	Executive	6	Yes	Nil	Nil
Ms.Usha Natarajan	Director	Executive	6	Yes	Nil	Nil
Mr.Bhusan Babu	Director	Non Executive	6	Yes	Nil	Nil
Mr. Rajkumar Suriya Prakash	Director	Non Executive	6	Yes	2	2
*Mr.Lakshmi Pathy	Director	Non Executive	3	Yes	Nil	Nil

* Appointed on 15.07.2005

The Board of Directors comprise of Two Executive Directors, and Three Independent Directors.

BOARD MEETINGS:

Six Board Meeting were held on the following dates:

11.5.2005,29.6.2005,30.6.2005,8.8.2005,31.10.2005 and 31.1.2006

None of the Directors is member in more than 10 committees or acting as Chairman of more than Five Committees.

III.AUDIT COMMITTEE:

Constitution:

The Committee consists of 3 Directors.

1.Mr. Lakshmi Pathy – Chairman

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2.Mr. Rajkumar Suirya Prakash– Director

3.Mr.Bhushan Babu – Director

The Committee is chaired by Mr.Lakshmi Pathy

TERMS OF REFERENCE:

The charter of the committee is as prescribed under clause 49 of the Listing Agreement viz.,

1. Oversight of Company's Financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
2. Recommending the appointment and removal of external auditors, fixation of audit fee and also approval of any other services.
3. Reviewing with the management the annual financial statements before submission to the Board focusing primarily on:
 - i) Any charges in accounting policies and practices.
 - ii) Major accounting entries based on exercise of judgment by Management.
 - iii) Qualification in draft audit report.
 - iv) Significant adjustments arising out of audit.
 - v) The 'Going Concern" assumption.
 - vi) Compliance with Accounting Standards.
 - vii) Any related party transaction i.e., transaction of the company of material nature with promoters of the management and their subsidiaries or relatives etc., that may have potential conflict with the interest of the company at large.
4. Reviewing with management, external and Internal audit function including the structure of internal control system.
5. Reviewing the adequacy of internal audit function including the structure of Internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
6. Discussing with internal auditors any significant findings and follow up thereon.
7. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud and irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
8. Discussing with the external auditors before the audit commences, nature and scope of audit, as well as post-audit discussion to ascertain any area of concern.
9. Reviewing the company's financial and risk management policies.
10. Looking into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividend) and creditors.

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Meetings and attendance:

The Audit committee met 3(Three) times during the year i.e, on 30.6.2005, 31.10.2005 and 31.1.2006 and all the director have attended all the three (3) the meetings.

IV. REMUNERATION COMMITTEE:-

Constitution:

The Committee consists of 3(Three) directors.

- 1.Mr. Rajkumar Suriya Prakash. - Chairman
- 2.Mr. Bhushan Babu - Director
- 3.Mr. Satya Kumar - Director

The committee is headed by MrRajkumar Suriya Prakash.

TERMS OF REFERENCE:

The Remuneration committee has been constituted to recommend and review the remuneration packages of the Managing Director, Whole Time Directors and to formulate a broad policy for management remuneration .

REMUNERATION POLICY:

The Remuneration Policy as outlined by the committee aims at recognizing and rewarding performances and achievements, while fixing the remuneration of Directors, their contribution by way of their professional. This policy is in tune with current national and international practices.

Meetings and Attendances:

During the year 2005-06, the committee met once i.e on 31.10.2005.

Details of Remuneration of Directors:

Name	Salary per annum	Perquisites	Commission	Contribution to Provident fund	Sitting Fees	Stock Option	Total Rs
Mr.Y.Satya kumar	120000	NII	NII	NII	NII	NII	120000
Ms . U s h a Natarajan	120000	NII	NII	NII	NII	NII	120000
Total	240000	NII	NII	NII	NII	NII	240000

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V.SHARE HOLDERS COMMITTEE:

Constitution:

The Committee consists of 3(Three) Directors.

- 1.Mr.Bhushan Babu
- 2.Ms.Usha Natarajan.
- 3.Mr.Lakshmi Pathy

The Committee is headed by Mr.Bhushan Babu.

Name and designation of the Compliance Officer: Mr.Satya kumar

Pending Share Transfers: There are no pending transfers.

VI. GENERAL BODY MEETING:

General Body Meeting	Date	Venue	Time	Special Resolutions Passed at AGM
AGM for the year 31.3.2005	29.09.2005	48,Nalvar Thirmana Maaligai SRP Koil Street, Agaram, Chennai	09:30AM	Yes *
AGM for the year 31.3.2004	29.09.2004	48,Nalvar Thirmana Maaligai SRP Koil Street, Agaram, Chennai	09:30AM	No
AGM for the year 31.3.2003	29.09.2003	48,Nalvar Thirmana Maaligai SRP Koil Street, Agaram, Chennai	09:30AM	No

***The company has passed a special Resolution by way of postal ballot under section 372A of the Companies Act,1956 in the AGM on 29.9.2005.**

VII.DISCLOSURES:

There are no materially significant transaction made by the company with its promoters, the directors or the Management, their subsidiaries or relatives etc., which require separate disclosure. No penalties / strictures have been imposed on the company by any regulatory authority for non – compliance of any law.

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VIII. MEANS OF COMMUNICATIONS:

Quarterly Results:

The Company has published its quarterly Financial Results in the Following News papers:-

Quarter ended :30.6.2005:Tirinity Mirror and Makkal Kural on 31.07.2005

Quarter ended :30.9.2005: Tirinity Mirror and Makkal Kural on: 31.10.2005

Quarter ended :31.12.2005: Tirinity Mirror and Makkal Kural on:2.2.2006

Company e.mai.ID: telesyssoftware@yahoo.com

Management Discussion and Analysis Report:

The Management Discussion and Analysis Report is included in the Director's Report and Forms part of the annual Report.(Annexure – A to the Directors Report).

IX.GENERAL SHAREHOLDER INFORMATION:

Number of AGM	: 14 th AGM
Date	: 30 th September 2006
Day	: Saturday
Time	: 9.30AM
Venue	: New No:33(old No:15) Postal Colony, I street, West Mambalam, Chennai-600 033

FINANCIAL YEAR: April 2005 to March 2006.

Book Closure date 22.09.2006 to 28.09.2006 (Both days Inclusive).

Dividend Payment date : Not Applicable.

LISTING ON STOCK EXCHANGES:

The share are listed on the following Stock Exchanges:

1.The Bombay Stock Exchange Ltd, Mumbai

Listing Fee : Listing Fee paid upto :2006-07

Stock Code:532315

Market Price Data:

The High and Low prices of shares during the year.

52 Week High :2.41

52 Week Low :1.37

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REGISTRAR AND TRANSFER AGENTS:

M/s.Cameo Corporate Service Ltd,
"Subramaiam Building"
No*1, Boat Club House Road,
Chennai -600001

SHARE TRANSFER SYSTEM:

The share transfers are processed and the share certificates returned within a period of 10 to 15 days from the date of receipt, so long as the documents have been clear in all respects. The Company has, as per SEBI Guidelines offers the facility of transfer cum demat.

SHARE HOLDING PATTERN:

Category	Shares	%
A. Promoters Holding:		
1.Promoters	1325000	5.70
Indian Promoters		
Foreign Promoters		
2.Persons Acting in concert		
Sub- Total	1325000	5.70
B. Non Promoters Holding:		
3.Institutional Investors		
a) Mutual Funds and UTI		
b) Banks,Financial Institution, Insurance Companies (Central/State Govt/Institutions/ Non-Govt Institutions) City Union Bank	100	0.0004
c) FII's		
Sub - Total	100	0.0004
4. Others:		
a. Private Bodies Corporate	8800353	37.88
b. Pan Link Consultants		
c. Indian Public	13089098	56.33
d. NRI/ OCB's		
e. Any Other (Please Specify)	20699	0.09
Shares in Transit		
Forfeited Shares		
Foreign National		
Sub- Total	21910150	94.30
Grand Total	23235250	100.00

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DISTRIBUTION SCHEDULE:

No of Equity Shares held	No of shareholders	%	No of shares	%
Up to 5000	26589	92.0831	3391211	14.5951
5001-10000	1106	3.8303	973593	4.1902
10001-20000	575	1.9913	937420	4.0345
20001-30000	203	0.7030	527347	2.2696
30001-40000	79	0.2736	288031	1.2396
40001-50000	98	0.3394	472206	2.0323
50001-100000	118	0.4087	905148	3.8956
100001 and above	107	0.3706	15740294	67.7432
Total	28875	100.000	23235250	100.0000

No of Shares in Physical mode : 15274610
No of shares in dematerialized mode : 7960640
Outstanding GDR's/ADRs/Warrants : Nil
Address for Correspondence : New No:33(old No:15) Postal Colony Street,
I Street, West Mambalam,
Chennai – 600 033
Factory Location : NIL

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AUDITOR CERTIFICATE REGARDING COMPLIANCE WITH CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENT:-

REGISTRATION NO OF THE COMPANY: 18 - 23621

NOMINAL CAPITAL: Rs. 25,00,00,000/-

TO

THE MEMBERS OF THE TELESYS SOFTWARE LTD:

CHENNAI

We have examined all the relevant records of M/s. Telesys Software Ltd, Chennai for the purpose of certifying compliance of the conditions of Corporate Governance under clause 49 of the Listing Agreement with BSE for the financial year ended 31.3.2006. I have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of certification.

The Compliance of the conditions of Corporate Governance is the responsibility of the management . Our examination was limited to the procedure and implementation thereof. This certificate is neither as assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

On the basis of our examination of the records produced, explanation and information furnished , we certify that the Company has complied with :

- (a) All the mandatory conditions of the said Clause 49 of the Listing Agreement .
- (b) The following non mandatory requirements of the said clause 49.

Signature

Membership No: 202520

Date:30.06.2006

Place:Chennai

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Certification by CEO and CFO s issued pursuant to revised Clause 49 of the Listing Agreement:

I, Y. Satya Kumar Managing Director of M/s. Telesys Software limited, Chennai certify that:

- (a) I have reviewed the financial statements including the cash flow statement of M/s. Telesys Software Limited, Chennai for the year ended 31st March 2006
- I. To the best of my knowledge and belief , the financial statements including cash flow statements do not contain any materially untrue statement or omit any material fact or contains statements that might be mis- leading :
 - II. To the best of my knowledge and belief, the financial statements including cash flow statements presents a true and fair view of company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) To the best of my knowledge and belief, there are no transactions entered into by the company during the year , which are fraudulent, illegal or violative to the company's code of conduct.
- (c) Based on my observance and on the basis of submission received through sub-certification process, I certify that internal controls for financial reporting are established, maintained and are effective considering the nature and size of the business. Further no deficiencies have observed in design or operation of such internal controls for the period covered by this report.
- (d) During the period under review, no significant changes were observed in the internal controls over financial reporting and accounting policies of the company. Furthermore, no instance of fraud found by management or employees having a significant role on the company's internal control system over financial reporting.

Date:30.06.2006
Place: Chennai

Y.Satya Kumar
(Signature of the Certifying Authority)
Managing Director

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AUDITORS' REPORT TO THE MEMBERS OF TELESYS SOFTWARE LIMITED

1. I have audited the attached Balance Sheet of Telesys Software Limited as at 31st March 2006, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. My responsibility is to express an opinion on these financial statements based on my audit.
2. I conducted my audit in accordance with auditing standards generally accepted in India. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, I enclose in the Annexure a statement of the matters specified in paragraphs 4 and 5 of the said order.
4. Further to my comments in the Annexure referred to above, I report that:
 - i) I have obtained all the information and explanations, which to the best of my knowledge and belief were necessary for the purposes of my audit;
 - ii) In my opinion, the company has kept proper books of account as required by law so far as appears from my examination of those books.
 - iii) The Balance Sheet, Profit and Loss Account dealt with by this report are in agreement with the books of account
 - iv) In my opinion, the Balance Sheet, Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - v) On the basis of written representations received from the directors, as on 31st March 2006, and taken on record by the Board of Directors, I report that none of directors are disqualified as on 31st March 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - vi) In my opinion and to the best of my information and according to the explanations given to me, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;

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- a. in the case of Balance Sheet, of the state of affairs of the company as at 31st March 2006;
 - b. in the case of the Profit and Loss Account, of the Loss for the year ended on that date;
- vii) I have also examined the attached Cash Flow Statement of the company for the year ended 31st March 2006. The Statement has been prepared by the company in accordance with the requirements of clause 32 of the listing agreement entered into with the Stock Exchanges.

Place: Chennai
Date:30th June 2006

A.Chinnappan
Chartered Accountant

Annexure to the Auditors' Report

The Annexure referred to in Para 3 of the Auditors' Report to the members of M/s. Telesys Software Limited for the year ended 31st March 2006.

1.
 - a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - b. All the assets have been physically verified by the management during the year and there is regular programme of verification which, in my opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
2.
 - a. The inventory has been physically verified during the year by the management. In my opinion, the frequency of verification is reasonable.
 - b. The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and nature of its business.
 - c. The company is maintaining proper records of inventory. There were no discrepancies noticed on verification between the physical and the book stocks.
3. The Company has neither taken nor granted any loans, secured and unsecured to/from companies, firms and other parties listed in the register maintained under section 301 of the Companies Act 1956.
4. In my opinion and according to the information and explanations given to me, there are adequate internal control procedures commensurate with the size of the company and the nature of its business. During the course of audit, I have not observed any continuing failure demanding correction of weaknesses in internal control system.

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5. The company has not entered into any contracts or arrangements attracting provisions of Section 301 of the Companies Act 1956 requiring the maintenance of a register under the above section.
6. The company has not accepted any deposits from the public.
7. In my opinion, the company has an internal audit system commensurate with the size and nature of its business.
8. The Company has not been required by the Central Government to maintain cost records under section 209 (1) (d) of the Companies Act, 1956.
9.
 - a. The company is regular in depositing with appropriate authorities undisputed statutory dues such as sales tax, Income tax, education cess and other material statutory dues applicable to it.
 - b. According to the information and explanations given to me, no undisputed amounts payable in respect of income tax sales tax and cess were in arrears as at 31st March 2006 for a period of more than six months from the date they became payable.
10. In my opinion, the accumulated losses of the company are not more than fifty percent of its net worth. The company has incurred cash losses during the financial year covered by this audit and the immediately preceding financial year.
11. In my opinion and according to the information and explanations given to me, the company has not availed any loan from financial institution, bank or debenture holders and hence the question of default in repayment doesn't arise.
12. The company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly Clause 4(xii) of the order is not applicable.
13. In my opinion, the company is not a chit fund or a nidhi/ mutual benefit fund/ society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditors' Report) Order, 2003 are not applicable to the company.
14. The company has given guarantee to Andhra Bank, Sowcarpet Branch for Rs.20.48 Crores against Term Loan sanctioned to M/S.Chitra Bio Energy Limited and the terms and conditions whereof are not prejudicial to the interest of the company
15. According to the information and explanations given to me, I report that the company has not raised any term loan during the year.
16. According to the information and explanations given to me, I report that the company has not raised any short-term or long-term funds during the year.

TELESYS SOFTWARE LIMITED

17. According to the information and explanations given to me, during the year 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.
18. According to the information and explanations given to me, during the period covered by this audit report, the company has not issued any debentures.
19. The company has not raised any money by way of public issue during the year.
20. According to the information and explanations given to me, no fraud on or by the company has been noticed or reported during the course of the audit.

Place: Chennai
Date: 30th June 2006

A.Chinnappan
Chartered Accountant

TELESYS SOFTWARE LIMITED

BALANCE SHEET AS AT 31.03.2006

Particulars	Sch	As at March 31, 2006 Rs.	As at March 31, 2005 Rs.
SOURCES OF FUNDS			
SHARE HOLDERS' FUNDS			
Share capital	1	232,352,500	232,352,500
Reserves & Surplus	2	34,949,500	34,949,500
LOAN FUNDS			
Secured Loans		-	-
Unsecured Loans		-	-
Deffered Tax Liability		3,033,448	3,033,448
		270,335,448	270,335,448
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	3	155,613,962	148,344,472
Less: Depreciation		61,910,267	53,360,523
Net Block		93,703,695	94,983,949
Goodwill on Amalgamation		45,550,920	60,734,560
INVESTMENTS			
	4	5,321,520	36,929,245
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories		-	-
Sundry Debtors	5	13,021,725	35,216,725
Cash And Bank Balances	6	1,023,342	1,355,592
Loans and Advances	7	65,603,014	21,429,083
Sub Total		79,648,081	58,001,400
Less: CURRENT LIABILITIES AND PROVISIONS			
Liabilities & provisions	8	6,865,067	3,554,067
NET CURRENT ASSETS			
Miscellaneous Expenditure (To the Extent not written off or adjusted)	9	2,441,999	3,393,607
Profit & Loss Account		50,534,301	19,846,754
		270,335,448	270,335,448
Significant Accounting Policies & Notes to Accounts	12		

For and on behalf of board

As per my report of Even date

Y.Satya Kumar
Director

Ms.Usha Natarajan
Director

A.Chinappan
Chartered Accountant

Chennai
Date: June 30, 2006

TELESYS SOFTWARE LIMITED

Profit and Loss Account for the year ended March 31, 2006

	Schedule	As On 31/03/2006	As On 31/03/2005
INCOME			
Sales and service Income		8,185,000	22,922,000
Other income		4,979,121	1,078,288
Provision for dimunition Reversed			1,690,200
		13,164,121	25,690,488
EXPENDITURE			
Decrease in Inventories			12,342,552
Software Development Expenses	10	5,108,915	6,180,000
Operating &Administrative expenses	11	14,057,761	2,305,420
Depreciation		8,549,744	7,398,709
Preliminary Expenses Written off		951,608	951,608
Goodwill Written Off		15,183,640	15,183,640
		43,851,668	44,361,929
PROFIT BEFORE TAX		(30,687,547)	(18,671,441)
Provision for taxation-Current		-	56,000
Provision For Deferred Tax		-	-
PROFIT AFTER TAX		(30,687,547)	(18,727,441)
Add:Deferred Tax Asset		-	1,607,059
		(30,687,547)	(17,120,382)
Add:Balance brought forward		(19,846,754)	(2,726,372)
Balance carried to Balance sheet		(50,534,301)	(19,846,754)

Notes to Accounts 12

For and on behalf of the board As per my report of Even date

Y.Satya Kumar
Director

Ms.Usha Natarajan
Director

A.Chinappan
Chartered Accountant

Chennai

Date: June 30, 2006

TELESYS SOFTWARE LIMITED

Schedules forming part of Accounts

Particulars	As at March 31, 2006 Rs	As at March 31, 2005 Rs
SCHEDULE 1		
SHARE CAPITAL		
Authorized		
25000000 Equity Shares of Rs.10/- each	250,000,000	250,000,000
Issued and Subscribed & Paid Up:-		
2,32,35,250 Equity Shares each of Rs.10/-	232,352,500	232,352,500
Fully Paid Up	232,352,500	232,352,500
SCHEDULE 02		
RESERVES & SURPLUS		
Share Premium	34,949,500	34,949,500
	34,949,500	34,949,500
SCHEDULE 03		
FIXED ASSETS		
(Separate Statement Attached)		
SCHEDULE 4		
INVESTMENT		
Quoted Investments		
IQ Infotech Limited	31,395	225,091
Cost of 122019 Equity Shares of face value Rs 10/each		
Sharpre Infotech India Limited (P.Y 11,33,933)	1,760,000	1,760,000
Cost of 1133933 Equity Shares of face value Rs 10/each		
Omni ax's software limited	1,451,250	173,029
Cost of 89564 Equity Shares of face value Rs 10/each		
SMR Universal Softech Limited (P.Y 4,89,500)	1,199,275	1,199,275
Cost of 489500 Equity Shares of face value Rs 10/each		
Twincities Infotech Limited (P.Y 6,87,000)	879,600	879,600
Cost of 687000 Equity Shares of face value Rs 10/each		
Non Quoted Investments		
Chitra Bio Energy Limited		28,960,000
Cost of 1518000 Equity Shares of face value Rs 10/each		
Golden Palms(India)Limited		152,250
Cost of 1015000 Equity Shares of face value Rs 10/each		

SCHEDULE - 3

FIXED ASSETS

PARTICULARS	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 1.4.2006 Rs.	Additions Rs.	Deletions Rs.	As at 31.3.2006 Rs.	Upto 1.4.2005 Rs.	For the Period Rs.	Deletions Rs.	Upto 31.3.2006 Rs.	As at 31.3.2006 Rs.	As at 31.3.2005 Rs.
Computers, Softwares & Peripherals	115,115,978	--	--	115,115,978	49,853,365	8,152,554	--	58,005,919	57,110,059	65,262,613
Office Equipments	1,487,444	56,000	--	1,543,444	732,455	105,668	--	838,123	705,321	754,989
Furnitures & Fixtures	4,353,252	--	--	4,353,252	2,757,211	288,883	--	3,046,094	1,307,158	1,596,041
Vehicles	26,288	--	--	26,288	17,492	2,639	--	20,131	6,157	8,796
	120,982,962	56,000	--	121,038,962	53,360,523	8,549,744	--	61,910,267	59,128,695	67,622,439
Capital Work in Progress (Software under development)	27,361,510	22,800,000	15,586,510	34,575,000	--	--	--	--	34,575,000	27,361,510
	148,344,472	22,856,000	15,586,510	155,613,962	53,360,523	8,549,744	--	61,910,267	93,703,695	94,983,949

TELESYS SOFTWARE LIMITED

Rajyoga Securities Limited		35,000
Cost of 17500 Equity Shares of face value Rs 10/each		
Sree Skandaguru profiles (p) Limited		410,000
Cost of 13667 Equity Shares of face value Rs 10/each		
Dynamic Securities Limited		100,000
Cost of 10000 Equity Shares of face value Rs 10/each		
Gigo Softlogic (P)Limited		260,000
Cost of 26200 Equity Shares of face value Rs 10/each		
Mardia Sons Holdings (P) Limited		175,000
Cost of 88700 Equity Shares of face value Rs 10/each		
Axe End India(P)Limited		2,600,000
Cost of 88700 Equity Shares of face value Rs 10/each		
	5,321,520	36,929,245
SCHEDULE 05		
SUNDRY DEBTORS		
Unsecured Considered Good		
Debts outstanding for a period exceeding six months	13,021,725	6,421,725
Other debts		28,795,000
	13,021,725	35,216,725
SCHEDULE 06		
CASH AND BANK BALANCES		
Cash on hand	706,941	1,187,122
On Current Accounts	316,401	168,470
	1,023,342	1,355,592
SCHEDULE 07		
LOANS AND ADVANCES		
Unsecured considered good		
Unsecured considered good Advances		
recoverable in cash or in kind for value to be received	65,267,602	16,571,693
Share Application Money-Rajyoga Securities Limited		4,100,000
Tax Deducted At Source		103,703
Opening Balance	103,703	
Add: Additions During the Year	231,709	
Advances & Deposits		653,687
	65,603,014	21,429,083

TELESYS SOFTWARE LIMITED

SCHEDULE 08

CURRENT LIABILITIES & PROVISIONS

Sundry Creditors for Expenses & Other Liabilities	4,171,000	825,000
Provision for Taxation	2,694,067	2,729,067
	6,865,067	3,554,067

SCHEDULE 09

MISCELLANEOUS EXPENDITURE

Opening Balance	3,393,607	4,345,215
Less: Written off during the year	951,608	951,608
	2,441,999	3,393,607

SCHEDULE 10

SOFTWARE DEVELOPMENT EXPENSES

Salaries Allowances & Incentives	542,500	357,500
Staff Welfare	66,415	40,000
Cost of Software Packages & computer Maintenance	4,500,000	5,782,500
	5,108,915	6,180,000

SCHEDULE 11

OPERATING AND ADMINISTRATIVE EXPENSES

Directors Remuneration	240,000	506,500
Travelling & Conveyance	66,315	93,850
Rent & Electricity	67,919	67,500
Postage & Telephones	360,539	334,260
Printing & Stationary	107,400	138,000
Repairs & Maintenance	26,683	20,000
Advertisement & Marketing Expenses	35,000	42,000
Directors Sitting Fees	25,000	20,000
Share Transfer Agent Fees	32,000	
Loss on sale of assets	-	
Loss on sale of shares	12,870,250	52,786
Auditors Remuneration	15,000	25,000
Miscellaneous Expenses	23,470	58,858
Bank Charges	1,485	
NSDL Fees	90,000	
Listing Fees	50,000	163,000
Consultancy Charges	46,700	25,000
Income Tax Paid		758,666
	14,057,761	2,305,420.00

For and on behalf of board

As per my report of Even date

Y.Satya Kumar
Director

Ms.Usha Natarajan
Director
[26]

A.Chinappan
Chartered Accountant

TELESYS SOFTWARE LIMITED

SCHEDULE-12

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

I Significant Accounting Policies

1. *Basis of preparation of Financial Statements:*

The Financial Statements have been prepared in accordance with the generally accepted accounting principles on accrual basis and comply with the accounting standards referred to in section 211 (3C) of the Companies Act, 1956 as adopted consistently by the company. The company follows the mercantile system of accounting and recognizes income and expenditure on accrual basis.

2. *Revenue Recognition:*

Revenue from software development is recognized at the time of invoicing them to customers

3. *Fixed Assets:*

Fixed assets are stated at historical cost less accumulated depreciation.

4. *Investments:*

Investments are classified as long-term investments and current investments. Long-term investments are stated at cost and any decline other than temporary, in the value of such investments is charged to the Profit and Loss Account. Current investments are stated at lower of cost and market value. Investments are held in the name of the company.

5. *Depreciation:*

Depreciation on fixed assets is provided on written down value basis at the rates prescribed in schedule XIV to the Companies Act, 1956. The Company has provided depreciation only on the assets utilized during the year.

II Notes on Accounts

1. *Miscellaneous Expenditure* represents preliminary expenses amortised over a period of five years and public issue expenses to be written off over a period of ten years.
2. In compliance with the Accounting Standard – AS 22 relating to “Accounting for Taxes on Income” issued by the Institute of Chartered Accountants of India, the deferred tax asset has not been created due to uncertainty of future years’ income

TELESYS SOFTWARE LIMITED

3. Related Party Disclosure:

As per Accounting Standard 18, issued by the Institute of Chartered Accountants of India, the disclosure of transaction with the related parties are given below:

I Name of the related party:

Key Management Personnel (KMP): Mr. Satya Kumar (Director)
Mrs. Usha Natarajan (Director)

II Disclosure of related party transaction:

<i>Nature of transaction</i>	<i>Nature of Relationship</i>	<i>Amount</i>
Directors' Remuneration	KMP	2,40,000

4. Auditors' Remuneration:

	<u>2005-06</u>	<u>2004-05</u>
	Rs.	Rs.
Audit Fees	10,000	15,000
Income Tax Matters	5,000	4,500
Expenses reimbursed	-	5,500
	<u>15,000</u>	<u>25,000</u>

5 Contingent Liability -Nil

6 Expenditure in Foreign Currency – Nil

7 CIF Value of imports-Capital Goods –Nil

8 Salaries, allowances and incentives includes Directors' Remuneration of Rs.2,40,000/-

9 Earnings per Share:

	<u>2005-06</u>	<u>2004-05</u>
Profit/(Loss) after tax as per Accounts	(30687547)	(171320382)
Weighted Average number of Equity Shares	2,32,35,250	2,32,35,250
Basic earnings per share (Rs.)	(1.32)	(0.74)

TELESYS SOFTWARE LIMITED

- 10 Information pursuant to the provisions in part II of Schedule VI of the Companies Act, 1956 – Expenditure on employees drawing remuneration of Rs. 24 Lacs or more per annum when employed throughout the year or Rs. 2,00,000/- or more per month when employed for part of the year – Nil
- 11 As the Company is engaged in the development of software, it is not possible to give the quantitative details.
- 12 Previous year's figures have been regrouped or restated wherever necessary to conform to the current year's presentation.

Y.Satyakumar
Director

Usha Natarajan
Director

A.Chinnappan
Chartered Accountant

Place: Chennai
Date : 30th June 2006

TELESYS SOFTWARE LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2006

	(Rs.In Lakhs)	
	2005-06	2004-05
A: CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit/Loss Before Tax And Extra Ordinary Items	(306.88)	(186.71)
Adjustment for:		
- Depreciation	85.50	73.99
- Miscellaneous expenses written off	9.52	9.52
- Loss on sale of Fixed Assets & Shares	128.70	0.53
Profit on sale of shares	(14.33)	(1.06)
Goodwill Written off	151.84	151.84
Provision for dimution in the value of investments		(16.90)
Operation Profit before Working Capital Changes	54.35	31.19
Adjustment for:		
- Trade Receivables & other assets	221.95	(1.65)
- Inventories	-	123.42
- Other Payables	33.11	(63.66)
Net Cash From Operating Activities	309.41	89.30
B: CASH FLOW FROM INVESTING ACTIVITIES:		
- Purchase of Fixed Assets	(72.69)	(38.50)
- Sale of Fixed Assets		18.88
Loans & Advances	(441.74)	145.62
- Investments	201.70	(216.09)
Net Cash used in Investing Activites	(312.73)	(90.09)
C: CASH FLOW FROM FINANCING ACTIVITIES:		
- Proceed From Issue Of Share Capital		
Increase In Unsecured Loan		
- Fees paid for Increase In Authorised Captial		
- Other income		
Net Cash From Financing Activies		-
D: NET INCREASE IN CASH AND CASH EQUIVALENTS	(3.34)	(0.79)
E.Cash & Cash equivalents at the beginning of the year	13.56	14.35
F.Cash and Cash Equivalents at the end of the year	10.23	13.56

Place :Chennai
Date :30/06/2006

Y.Satya Kumar
Director

AUDITORS CERTIFICATE

I have examined the attached cash flow statement of Telesys Software Limited(the company) for the year ended 31st March 2006.The statement has been prepared by the company in accordance with the requirments of Listing Agreement and is based on and in agreement with the Corresponding Profit and Loss Account and Balance Sheet of the company covered by our report of even date to the members of the company.

Place :Chennai
Date :30/06/2006

A.Chinappan
Chartered Accountant

TELESYS SOFTWARE LIMITED

PART IV - BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS

Registration No.	:	23621	(State Code)	18	(Refer Code List)
Balance Sheet Date	:	31	03	2006	
		Date	Month	Year	

II. CAPITAL RAISED DURING THE YEAR (Amount in Rs. Thousands)

Public Issue	:	NIL	Rights Issue	:	NIL
Bonus Issue	:	NIL	Private Placement	:	NIL

III. POSITION OF MOBILISATION & DEPLOYMENT OF FUNDS (Amount in Rs. Thousands)

Total Liabilities	:	277200	Total Assets	:	277200
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SOURCE OF FUNDS

Paid up Capital	:	232352	Reserves & Surplus	:	34,949
Secured Loans	:	NIL	Unsecured Loans	:	NIL

APPLICATION OF FUNDS

Net Fixed Assets	:	93703	Investments	:	532
Net Current Assets	:	72783	Misc. Expenditure	:	NIL
Accumulated Losses	:	50534			

IV. PERFORMANCE OF THE COMPANY (Amount in Rs. Thousands)

Turnover	:	13164	Total Expenditure	:	43851
Profit/(Loss) Before Tax	:	(30687)	Profit/(Loss) After Tax	:	(30687)
Earning per share in Rs.	:	NIL	Dividend Rate %	:	NIL

V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS / SERVICES OF COMPANY (as per monetary terms)

Item Code No. (ITC Code)	:	99
Product Description	:	Development of Software
Item Code No. (ITC Code)	:	NA
Product Description	:	NA
Item Code No. (ITC Code)	:	NA
Product Description	:	

NOTE: For ITC Code of Products please refer to the publication Indian trade Classification based on harmonized commodity description and coding system by Ministry of Commerce, Directorate General of Commercial Intelligence and Statistics, Calcutta-700 001.

TELESYS SOFTWARE LIMITED

TELESYS SOFTWARE LIMITED

New No. 33, (Old No. 15) Postal Colony, 1st Street, West Mambalam, Chennai-600 033.

ATTENDANCE SLIP

Please complete the Attendance Slip and hand it over at the entrance of the Meeting Hall.

Name & Address of the Shareholder(s) :

Ledger Folio No. :

No. of Shares held :

I hereby record my presence at the Annual General Meeting of the Company, at New No. 33, (Old No. 15) Postal Colony, 1st Street, West Mambalam, Chennai-600 033 to be held on Saturday, the 30th September 2006 at 9.30 a.m.

SIGNATURE OF THE SHAREHOLDER / PROXY *

* Strike out whichever is not applicable.

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TELESYS SOFTWARE LIMITED

New No. 33, (Old No. 15) Postal Colony, 1st Street, West Mambalam, Chennai-600 033.

FORM OF PROXY

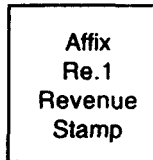
Proxy No.....

Ledger Folio No.....

No. of Shares.....

I/We.....being a Member/
Members of **TELESYS SOFTWARE LIMITED** hereby appoint.....or failing
him/her.....of.....as my/our
proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held
on Saturday, the 30th September 2006, at 9.30 a.m.

Signed this.....day of.....2006.



BOOK POST

**If Undelivered Please Return to :-
REGISTERED OFFICE
New No.33, Old No. 15, Postal Colony,
1st Street, West Mambalam,
Chennai - 600 033.**