

VSF PROJECTS LIMITED

17th ANNUAL REPORT

2008-2009



BOARD OF DIRECTORS:

Sri C.R. Sen Gupta	-	Chairman
Sri B.Narayana Murthy	-	Managing Director
Sri G.S. Ramachandra Rao	-	Director
Smt. B. Vijaya Lakshmi	-	Director
Sri J. Srikanth Babu	-	Director
Sri A. Satya Prasad	-	Director

Registered Office:

Ankulpatur Village,
Chillakur Mandal,
Nellore District,
Andhra Pradesh

Corporate Office:

Plot No.1107,
Ayyappa Society Colony,
Madhapur,
Hyderabad – 500 081,
Andhra Pradesh.
Email : vsfprojectsLtd@rediffmail.com

Bankers

Vijaya Bank,
Jubilee Hills
Hyderabad

Bank of Baroda
Masab Tank
Hyderabad

Auditors:

M/s. A.M. REDDY & CO.,
Chartered Accountants,
Masab Tank,
Hyderabad, Andhra Pradesh.

Registrars & Share Transfer Agents:

Aarthi Consultants (P) Ltd.,
1-2-285, Near Gaganmahal Hospital,
Domalaguda, Hyderabad - 500 029.
Andhra Pradesh.



NOTICE

NOTICE is hereby given that the 17th Annual General Meeting of the Members of the company will be held at the Registered Office of the company situated at Ankulpatur Village, Chillakur Mandal, Nellore District of Andhra Pradesh on 31st December, 2009, Thursday at 11.00 A.M. to transact the following business.

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2009 and Profit & Loss A/c for the year ended 31st March, 2009 along with Auditor's Report and Directors Report thereon.
2. To appoint a Director in place of Smt. B. Vijaya Lakshmi, who retires by rotation and being eligible offers herself for re-appointment.
3. To appoint M/s AM Reddy & Co., Chartered Accountants, Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorize the Board to fix their remuneration.

SPECIAL BUSINESS:

4. To Consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution:

“RESOLVED THAT Shri J Srikanth Babu, who was appointed as an Additional Director of the Company pursuant to the provisions of Section 260 of the Companies Act, 1956 and who holds office as such upto the date of this Annual General Meeting and in respect of whom the Company has received a Notice in writing under Section 257 read with Section 190 of the said Act, along with a deposit of

Rs.500/- proposing his candidature for the office of Director of the Company be and is hereby appointed as a Director of the Company whose period of office shall be determinable by retirement of Directors by rotation.”

5. To Consider and if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution:

“RESOLVED THAT Shri A Satya Prasad, who was appointed as an Additional Director of the Company pursuant to the provisions of Section 260 of the Companies Act, 1956 and who holds office as such upto the date of this Annual General Meeting and in respect of whom the Company has received a Notice in writing under Section 257 read with Section 190 of the said Act, along with a deposit of Rs.500/- proposing his candidature for the office of Director of the Company be and is hereby appointed as a Director of the Company whose period of office shall be determinable by retirement of Directors by rotation.”

By order of the Board

Sd/-

(B.N. MURTHY)
Managing Director

Place: Hyderabad
Date : 09.12.2009

NOTES:

1. Proxy: A Member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote on a poll instead of himself and such Proxy need not be a member of the company. In order to be effective, must be received at the Registered Office of the company not less than forty-eight hours before the meeting.



2. Book Closure: The Register of Members and Share Transfer Register will remain closed from 28th December, 2009 to 31st December, 2009.
3. Member Identification:
Members are requested to bring the attendance slips duly filled in along with their copies of Annual Reports to the meeting.
4. The information pursuant to Clause 49 of the Listing Agreement with respect to the details of the Directors seeking appointment / re-appointment in this Annual General Meeting is annexed.
5. Explanatory Statement pursuant to the provisions of Section 173 (2) of the Companies Act, 1956 is annexed herewith

**EXPLANATORY STATEMENT
(Pursuant to section 173(2) of the
Companies Act 1956)**

Item No. 4

The Board of Directors co opted Shri J Srikanth Babu, as Additional Director w.e.f 15th November, 2008. As per the provisions of Section 260 of the Companies Act, 1956, he holds office of director upto the date of the ensuing Annual General Meeting.

The Company has received notice in writing from a Member of the Company along with a deposit of Rs.500/- under Section 257 read with Section 190 of the Companies Act, 1956 proposing the candidature of Shri J Srikanth Babu for the Office of Director whose period of office is determinable by retirement of Directors by rotation. As per the provisions of Section 257 of the Act, any such

proposal ought to be approved by the members in their General Meeting.

Hence, the resolution is commended for your approval.

The profile of the said Director is annexed hereto under the head "Additional Information"

None of the Directors except Shri J Srikanth Babu is interested in the above said resolution.

Item No. 5

The Board of Directors co opted Shri A Satya Prasad, as Additional Director w.e.f 31st May, 2009. As per the provisions of Section 260 of the Companies Act, 1956, he holds office of director upto the date of the ensuing Annual General Meeting.

The Company has received notice in writing from a Member of the Company along with a deposit of Rs.500/- under Section 257 read with Section 190 of the Companies Act, 1956 proposing the candidature of Shri A Satya Prasad for the Office of Director whose period of office is determinable by retirement of Directors by rotation. As per the provisions of Section 257 of the Act, any such proposal ought to be approved by the members in their General Meeting.

Hence, the resolution is commended for your approval.

The profile of the said director is annexed hereto under the head "Additional Information"

None of the Directors except Shri A Satya Prasad is interested in the above said resolution.



ADDITIONAL INFORMATION
(pursuant to Clause 49 VI (A) of the Listing Agreement)

Sri J Srikanth Babu

Sri J Srikanth Babu, M.Com has 10 years of experience in Real Estate. The Board considers the experience of Shri J Srikanth Babu, as invaluable use for the Company.

He neither holds any Directorship nor membership of any committee, other than that of the Company.

Shareholding in the Company: NIL Equity shares

Sri A Satya Prasad

Sri A Satya Prasad is a M.Com, and has 18 years of experience in land development and Infrastructure works Considering his knowledge and experience, the Board co opted him as Addditional Director,

The Board is of the view that the knowledge and experience of Shri A Satya Prasad will be of immense value and benefit to the Company

He neither holds any directorship nor membership of any committee, other than that of the Company.

Shareholding in the Company: NIL Equity shares

DIRECTOR'S REPORT

Dear Members,

The Directors have pleasure in presenting before you the 17th Annual Report of the company for the year ended 31st March, 2009.

1. FINANCIAL RESULTS

Particulars	Rs. In Lakhs	
	31.03.09	31.03.08
Gross Income	954.46	854.78
Total Expenditure before	881.62	773.43
Profit before Interest & Depreciation	72.84	81.35
Interest	1.70	0.62
Depreciation	4.02	4.02
Profit before tax	67.12	76.70
Current tax	6.34	0.00
Deferred tax	-15.78	31.27
Fringe Benefit tax	0.25	0.12
Profit/(Loss) after tax	76.30	45.32
Capital Reduction Adjustment	215.35	0
Balance carried forward from previous years	-149.42	-410.09
Balance carried forward to Balance sheet	-73.11	-364.77

OPERATIONS:

The overall implementation progress of all the road projects during the period under review was satisfactory. In this year the company has taken new work contracts from NCC Limited.

The company has given Farm lease to M/s CP Aquaculture India Pvt. Ltd., Chennai for the period of 5 years. The company appointed a legal advisor to argue the MPEDA Arbitration case.

DIVIDEND:

In view, of the accumulated losses, your Directors do not recommend any dividend for the financial year 2008-09.



DIRECTORS:

In accordance with the provisions of the Companies Act, 1956, Smt. B. Vijaya Lakshmi, retires by rotation and being eligible, offer herself for reappointment.

Further Shri J Srikanth Babu & Shri A Satya Prasad were appointed as Additional Directors w.e.f 15th November, 2008. Subsequently A Satya Prasad resigned from the Board w.e.f 28.03.2009 and again reappointed as Additional Director w.e.f 31st May, 2009.. As per the provisions of Section 260 of the Companies Act, 1956, they hold office of director upto the date of the ensuing Annual General Meeting. The Company has received notice proposing their caniature for the appointment as Directors of the Company, liable to retire by rotation. The relevant resolutions for appointing them as Director is included in the Notice of the AGM.

AUDITORS:

M/s A.M. Reddy & Co., Chartered Accountants, Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. They have furnished a certificate stating that their appointment, if made, will be within the limits laid down under Section 224(1B) of the Companies Act, 1956.

The Board recommends their appointment as the Statutory Auditor of the Company for the FY 2009 -10

PUBLIC DEPOSITS:

The Company has neither accepted nor renewed any deposits failing within the provisions of Section 58A of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, 1975 from the public during the financial year.



DIRECTORS RESPONSIBILITY STATEMENT AS PER SECTION 217 (2AA) OF THE COMPANIES ACT, 1956:

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

- (i) That in the preparation of the accounts for the financial year 31st March, 2009, the applicable accounting standards have been followed along with proper explanation relating to material departures:
- (ii) That the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that were 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 the year under review.
- (iii) That the Directors have taken proper and sufficient care for the maintenance of adequate records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- (iv) That the Directors have prepared the accounts for the financial year ended 31st March, 2009 on a going concern basis.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT :

Management Discussion and Analysis Report, pursuant to Clause 49 of the Listing Agreement forms part of this Report and is annexed hereto.



CORPORATE GOVERNANCE:

The Company has implemented the procedures and adopted practices in conformity with the Code of Corporate Governance enunciated in Clause 49 of the Listing Agreement with the Stock Exchanges. A separate report on Corporate Governance is annexed herewith, as a part of the Annual Report along with the Auditor's Certificate on its compliance.

LIFTING OF SUSPENSION IN BSE:

The Bombay Stock Exchange Limited, Mumbai has considered the application of the Company for lifting suspension in trading of the shares of the Company and accordingly, the shares of the Company are tradable on the exchange w.e.f 2nd April, 2009.

RESTRUCTURING

The members of the Company may note that, Hon'ble High Court of Andhra Pradesh, has approved the Scheme of Arrangement between the Company, the shareholders and its Unsecured Creditors vide its certified order copy dated 8th December, 2009.

The Highlights of the scheme are as follows:

- a. Reducing the subscribed and paid up capital of the Company by 50 % from Rs.4,30,71,000/- (Rupees Four Crores Thirty Lakhs and Seventy One Thousand Only) consisting of 43,07,100 shares, to Rs. 2,15,35,500/- (Rupees Two Crores Fifteen Lakhs Thirty Five Thousand Five Hundred Only) divided into 43,07,100 equity shares of Rs.5/- each.
- b. Thereafter 2 equity shares of Rs 5/- each shall be consolidated into 1 equity shares of Rs 10/-each. Accordingly the Paid up

share capital of the Company shall be Rs.2,15,35,500/- (Rupees Two Crores Fifteen Lakhs Thirty Five Thousand Five Hundred Only) divided into 21,53,550/-equity shares of Rs.10/- each.

- c. Rs. 2,15,35,500/- (Rupees Two Crores Fifteen Lakhs Thirty Five Thousand Five Hundred Only) representing the reduced paid up capital, shall be used to set off the accumulated losses.
- d. Issue of 32,00,000 Equity shares of Rs.10/- each at a Premium of Rs. 2.50 /- per share by converting the unsecured loans.
- e. Increase of authorized capital from Rs.5 crores to Rs. 6 Crores

PARTICULARS OF EMPLOYEES:

There are no employees whose particulars are required to be furnished under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, and as amended from time to time as remuneration of none of the employees is in excess of Rs.2,00,000/- per month, if employed for the part of year or Rs.24,00,000/- per annum during the financial year 2008-09.

CONSERVATION OF ENERGY, TECHNOLOGY, ABSORPTION AND FOREIGN EXCHANGE:

Information on conservation of Energy, Technology absorption, Foreign Exchange earnings and outgo required to be disclosed U/s 217 (1) (e) of the Companies Act, 1956 read with Companies (Disclosures of particulars in report of the Board of Directors) Rules, 1988 are provided in the **Annexure** forming part of this report.



COMPLIANCE CERTIFICATE:

Annexure

A copy of Compliance Certificate pursuant to the provisions of Section 383A of the Companies Act, 1956, obtained from M/s P.A.P. Murthy & Associates, Company Secretaries, Hyderabad is attached to this Report.

ACKNOWLEDGEMENTS:

The Board of Directors place on record their appreciation for whole hearted and sincere support and co-operation extended to the company by different agencies in particular the Government of India, Government of Andhra Pradesh, Government of Karnataka, Andhra Pradesh Industrial Development Corporation Limited, The Marine Products Export Development Authority for their co-operation and continued support to the Company.

Your Directors also place on record their sincere appreciation to the contributions made by the employees of the Company at all levels through their hard work, dedication, solidarity and support.

For and on behalf of the Board

Sd/-
(B. VIJAYA LAKSHMI)
Director

Sd/-
(B.N. MURTHY)
Managing Director.

Place: Hyderabad
Date : 09.12.2009

CONSERVATION OF ENERGY, RESEARCH AND DEVELOPMENT, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS/ OUTGO

A) CONSERVATION OF ENERGY

1) Energy conservation measures taken :
The Company is very careful in using the power to reduce the cost of maintenance and conserve the resources and constantly evaluates new technologies and invests to make its infrastructure more energy-efficient.

2) Additional investments and proposals, if any, being implemented for reduction of conservation of energy : NIL

3) Impact of the clause (1) and (2) above the reduction of energy consumption and consequent impact on the production of goods : N.A

B) TECHNOLOGY ABSORPTION Research and Development (R&D)

1.	Specific areas in which R&D carried out by the Company	NIL
2.	Benefits derived as a result of the above R&D	NIL
3.	Future plans of action	
4.	Expenditure on R&D	
	Capital	NIL
	Recurring	NIL
	Total	NIL
	Total R&D Expenditure as % of total turnover	NIL

Technology Absorption, Adaptation and Innovation

1. Efforts made towards technology absorption adaptation and innovation
NIL



2. Benefits deried as a result of above efforts
NIL
3. Information about imported technology
 - a. Technology imported: NIL
 - b. Year of Import : N.A.
 - c. Whether Technology fully absorbed : N.A.
 - d. If not fully absorbed, areas and reasons for future plans actions : N.A.

FOREIGN EXCHANGE EARNINGS AND OUTGO :

1. Activities relating to exports, initiatives taken to increase exports, development of new export market for products and services and exports plans.- NIL
2. **Foreign exchange earnings and outgo:**

	2008-09	2007-08
A. Earnings	Nil	Nil
B. Outgo	Nil	Nil

For and on behalf of the Board

Sd/-
(B. VIJAYA LAKSHMI)
Director

Sd/-
(B.N. MURTHY)
Managing Director.

Place: Hyderabad
Date : 09.12.2009

COMPLIANCE CERTIFICATE

CIN of the Company -
L05005AP1992PLC014326

Authorised Capital - Rs. 5,00,00,000
Paid-up Capital - Rs. 2,15,35,500

To
The Members
VSF PROJECTS LIMITED
Ankulpatur Village,
Chillakur Mandal,
Nellore District,
PIN - 524101
Andhra Pradesh

I have examined the registers, records, books and papers of **VSF PROJECTS LIMITED** (the Company) as required to be maintained under the Companies Act, 1956, (the Act) and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended **31st March, 2009**. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company, its officers and agents, I certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained registers as stated in **Annexure 'A'** to this certificate, as per the provisions and the rules made there under and all entries therein have been duly recorded.
2. The Company has duly filed the forms and returns as stated in **Annexure 'B'** to this certificate with the Registrar of Companies within the time prescribed under the Act and the rules made there under.
3. The Company being a Public Limited Company, no comments are required in respect of number of members.



4. The Board of Directors duly met 6 (Six) times on 30th April, 2008, 24th May, 2008, 31st July, 2008, 25th August, 2008, 31st October, 2008 and 31st January, 2009, in respect of which meetings, notices were given and the proceedings were properly recorded and signed in the Minutes Book maintained for the purpose.
5. The Company has closed its Register of Members from 20th September, 2008 to 25th September 2008, during the financial year.
6. The Annual General Meeting for the financial year ended on 31st March, 2008 was held on 25th September, 2008 after giving due notice to the members of the Company and the resolutions passed thereat were recorded in Minutes Book maintained for the purpose.
7. No Extraordinary General Meeting was held during the financial year under review. However, there was a General meeting of the Shareholders convened by the Hon'ble High Court of Andhra Pradesh on 22.08.2009 for approving the Composite Scheme of Arrangement vide CA No. 808 of 2009 and order dated 20.07.2009
8. The Company has not advanced any loans to its directors or persons or firms or companies referred to under section 295.
9. The Company has duly complied with the provisions of Section 297 of the Act in respect of the contracts specified in that section.
10. The Company has made necessary entries in the register maintained under section 301 of the Act.
11. As there were no instances falling within the purview of section 314 of the Act, the Company has not obtained necessary approvals from the Board of Directors, members or of Central Government.
12. The Company has not issued any duplicate share certificates during the financial year.
13. The Company :
 - i. has transferred 60,700 equity shares during the financial year. However, the Company has not allotted / transmitted securities during the financial year.
 - ii. has not deposited any amount in a separate Bank Account as no dividend was declared during the financial year.
 - iii. was not required to post warrants to any member of the Company as no dividend was declared during the financial year.
 - iv. transferred the amounts in unpaid dividend account, application money due for refund, matured deposits, matured debentures and the interest accrued thereon which have remained unclaimed or unpaid for a period of seven years to investor education and protection fund. – Not Applicable.
 - v. has duly complied with the requirements of Section 217 of the Act
14. The Board of Directors of the Company is duly constituted. There was an appointment of additional director; however there were no appointments of alternate director and director to fill casual vacancy during the financial year.
15. There was an appointment of Managing Director during the financial year.
16. The Company has not appointed any sole-selling agents during the financial year.



17. The Company has obtained approval from the Hon'ble High Court of Andhra Pradesh for reduction of paid up capital from Rs.4,30,71,000 to Rs.2,15,35,500 divided into 21,53,550 equity shares of Rs.10 each and conversion of the unsecured loan of Rs.4,00,00,000, out of the total unsecured loan of Rs.4,01,83,924, into fully paid equity shares by allotment of 32,00,000 equity shares of Rs.12.50 ps. Per share including a premium of Rs.2.50 ps. Per share vide Company Petition No. 159 of 2009 connected with Company Application No. 808 of 2009 and its order dated 11.11.2009 received on 05.12.2009

However, the Company has not obtained any other approvals of the Central Government, Company Law Board, Regional Director, Registrar and/ or such other authorities under the various provisions of the Act during the financial year.
18. The directors have disclosed their interest in other firms / companies to the Board of Directors pursuant to the provisions of the Act and the rules made there under.
19. The Company has not issued any shares, debentures or other securities during the financial year.
20. The Company has not bought back any shares during the financial year.
21. The Company has not redeemed any preference shares or debentures during the financial year under review.
22. There were no transactions necessitating the Company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
23. The Company has not invited or accepted any deposits including any unsecured loans falling within the purview of Section 58A during the financial year.
24. The Company has not made any borrowings under Section 293(1) (d) of the Companies Act, 1956 during the financial year.
25. The Company has not made any loans or advances or given guarantees or provided securities or investment in other body corporate during the financial year as per Section 372A of the Companies Act, 1956.
26. The Company has not altered the provisions of the Memorandum with respect to situation of the Company's registered office from one state to another during the financial year under scrutiny.
27. The Company has not altered the provisions of the Memorandum with respect to the main objects of the Company during the financial year under scrutiny.
28. The Company has not altered the provisions of the Memorandum with respect to the name of the Company during the financial year under scrutiny.
29. The Company has not altered the provisions of the Memorandum with respect to share capital of the Company during the year under scrutiny.
30. The Company has not altered its Articles of Association during the financial year.
31. There was no prosecution initiated against or show cause notices received by the Company and no fines and penalties or any other punishment was imposed on the Company during the financial year, for



offences under the Act.

32. The Company has not received any money as security from its employees during the financial year.

33. The Company has not constituted any Provident Fund pursuant to section 418 of the Act during the financial year.

Place: Hyderabad

Signature:

Date: 09-12-2009

**Name of Company
Secretary:
P.A.P. Murthy
FCS: 926 ; C. P. No: 6633
P.A.P. Murthy & Associates
Company Secretaries**

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'ANNEXURE - A'
REGISTERS AS MAINTAINED BY THE
COMPANY

Sl No.	NAME OF THE REGISTER	UNDER SECTION
1	Register of Members	150
2	Minutes of Meetings of Board of Directors and Members	193
3	Register of Director, Managing Director and Secretary.	303
4	Register of particulars of contracts in which Directors are interested	301
5	Books of Accounts and Cost Records	209
6	Register of investments or loans made, guarantee given or security provided	372A
7	Register of directors' shareholding	307
8	Register of Share Transfers	
9	Register of Fixed Assets	
10	Register of Documents Sealed	
11	Register of Renewed and Duplicate Certificates	
12	Register of Charges	143
13	Register of Deposits	58A
14	Register of Investments	

Place: Hyderabad

Signature:

Date: 09-12-2009

**Name of Company
Secretary:
P.A.P. Murthy
FCS: 926 ; C. P. No: 6633
P.A.P. Murthy & Associates
Company Secretaries**



'ANNEXURE - B'

Forms and returns filed by the Company with Registrar of Companies during the financial year ended 31st March, 2009.

SI No	Form No / Return	Filed under Section	Description	Date of Filing & SRN	Whether filed within prescribed time YES/NO	If delay in filing whether Requisite Additional fee paid YES/NO
1	Form 23	192	Registration of Resolutions	A46245031 05-10-2008	NO	YES
2	Form 25C	269(2) & Schedule XIII	Appointment of Managing Director	A46245098 05-10-2008	NO	YES
3	Form 23AC & 23ACA	220	Balance sheet and Profit & Loss Account	P27725431 01-12-2008	NO	YES
4	DIN 3	266E	Intimation of Directors to Registrar of Companies	A51773000 08-12-2008	YES	N.A.
5	Form 20 B	159	Annual Return	P28187854 12-12-2008	NO	YES
6	Form 32	303(2)	Appointment of Directors	A54069240 13-01-2009	NO	YES
7	Form 32	303(2)	Resignation of Director	A58970625 30-03-2009	YES	N.A.
8	Form 32	303(2)	Appointment of Additional Director	A63554596 15-06-2009	YES	N.A.



SI No	Form No / Return	Filed under Section	Description	Date of Filing & SRN	Whether filed within prescribed time YES/NO	If delay in filing whether Requisite Additional fee paid YES/NO
9	Form 61	166(1)	Application for extension of period of AGM by 3 months	A68718626 07-09-2009	N.A.	N.A.
10	Form 21	394(1)	Notice of the Court Order	A74272279 09-12-2009	YES	N.A.

Note:-

The Company, VSF Projects Limited is taking the Compliance Certificate due to Reduction of Share Capital from Rs. 4,30,71,000/- to Rs. 2,15,35,500/- and the present Compliance Certificate is given for the financial year ending on 31.03.2009. The relevant Reduction of Share Capital is effective from 01.04.2008 and the relevant Order has been passed by the Hon'ble High Court of Andhra Pradesh, Hyderabad on 11.11.2009 received on 05.12.2009 and as such all the details relating to the Financial Year ending on 31.03.2009 have been considered along with other filings till the date of signing of this Certificate.

Place: Hyderabad

Signature:

Date: 09-12-2009

Name of Company Secretary:

P.A.P. Murthy

FCS: 926 ; C. P. No: 6633

P.A.P. Murthy & Associates

Company Secretaries



Management Discussion and Analysis Report:

The company hereby presents its performance for the year 2008-09 and the outlook for the future based on current business environment, which may vary due to future economic, political and other development in India as well as overseas.

Over the past five years, construction sector has grown faster than overall GDP. While the GDP growth rate was in the range of about 7 - 8 %, the construction industry has been growing at a rate between 12 to 15% annually.

However, there are certain constraints that affect the smooth functioning of this industry. Contracting issues, financing issues, stiff competition leading to price-cuts and low operating margins, high volatility in prices of major inputs such as steel, cement, building materials and petroleum products, stringent adherence to safety, quality consciousness, adapting to technological changes, developing and using new construction materials and disparities and ambiguities in indirect tax structures in respect of VAT / Service tax / WCT etc. are the key issues / concerns to pose major threats in the growth of Construction Industry.

The major bottleneck facing the industry today is widespread manpower shortages in both skilled and unskilled categories. High attrition rate of employees is another major concern. The gap between demand and supply of required manpower is likely to have severe impact at least in the near future considering exponential

growth opportunities in this sector. Roads / highways and bridges are prone to major time cost over-runs. Land acquisition and removal of encroachments and utilities continue to be major constraints in project completion.

In these circumstances also, your Company is able to sustain the growth rate and further improve its performance. During this year, the Company has generated a profit of Rs 76.30 Lakhs. However, due to accumulated losses of previous year, the bottom line of the Profit and Loss Account shows a negative figure.

The Directors are putting their best efforts to look at new avenues so that the accumulated losses of the Company are wiped of and the Company can progress.

REPORT CORPORATE GOVERNANCE:

Company's Philosophy on Code of Governance:

The company's philosophy of Corporate Governance aims at assisting the management of the company in the efficient conduct of its business and in meeting its responsibilities to all the stakeholders and to provide customer satisfaction through best quality.

1. Board of Directors:

Composition: The present strength of the Board is 6 Directors. The Board comprises of Executive and Non-executive Directors. The Non-executive Directors bring independent judgement in the Board deliberations and decisions. The Managing Director is whole time Director. The remaining five are Non-Executive Directors.



Name of the Director	Category of the Directorship	No. of Board meetings attended	Attendance at the last AGM	No. of Memberships in other companies (excluding private limited Companies)	
				Boards	Committees
C.R.Sengupta	Chairman Independent & Non Executive	6	NO	Nil	Nil
B.N. Murthy	Managing Director - Executive	6	Yes	Nil	Nil
GSRamachandra Rao	Director - Non Executive	6	Yes	Nil	Nil
B.Vijaya Lakshmi	Director - Non Executive	6	Yes	Nil	Nil
J Srikanth Babu (Appointed w.e.f. 15.11.2008)	Director - Independent & Non Executive	1	N.A.	Nil	Nil
A. Satya Prasad*	Director - Independent & Non Executive	1	N.A.	Nil	Nil

*Appointed w.e.f. 15.11.2008 and resigned w.e.f 28.03.2009 and again appointed on 31.05.2009)

Number of Board Meetings held and dates of the Board Meetings:

Six Board Meetings were held during the year 2008-09 on the dates mentioned below:

- ❖ 30.04.2008
- ❖ 24.05.2008
- ❖ 31.07.2008
- ❖ 25.08.2008
- ❖ 31.10.2008
- ❖ 31.01.2009

2. Committees of the Board:

Audit Committee:

Terms of Reference:

- a. To review the results and announcement, and the report and accounts at the end of a quarter,

half year and the full year before submission to the Board, focusing particularly on:

- (i) Any changes in accounting policies and practices.
- (ii) Compliance with accepted accounting standards.
- (iii) Compliance with the Listing and other Legal requirements
- (iv) Major Judgmental Decisions; etc.

b. To consider appointment of Statutory Auditors, the Audit Fee, and any matter of resignation and dismissal.

c. To discuss with the Statutory Auditor, before the audit commences, the nature and scope of the Audit.

d. To discuss problems and reservations arising from the statutory audit, and any matters the statutory auditor may wish to discuss.

e. To consider other matters as may be delegated by the Board from time to time.

Composition of Audit Committee:

The Audit Committee was reconstituted with 3 Directors w.e.f. 15.11.2008 It provides assistance to the Board of Directors in fulfilling its oversight responsibilities. The Audit committee has been entrusted with the responsibilities as laid down under Clause 49 of the Listing Agreement, to the extent applicable and required. The Committee is constituted by:

- * Shri A Satya Prasad – Chairman
- * Shri G S Ramachandra Rao – Member
- * Shri J Srikanth Babu - Member



Meetings during the year:

During the Financial year ended 31st March, 2009, the Audit Committee met 5 times as follows, and all the members were present in each of such meetings.

- ❖ 30.04.2008
- ❖ 31.07.2008
- ❖ 25.08.2008
- ❖ 31.10.2008
- ❖ 31.01.2009

The Company continued to derive immense benefit from the deliberations of the Audit Committee. Shri A Satya Prasad, who is heading the Audit Committee as Chairman has rich experience and professional knowledge in Finance and Accounts. The members always added value for the Company.

3. REMUNERATION COMMITTEE

Terms of Reference:

The terms of reference as per Clause 49 of the Listing Agreement is to determine and review the remuneration, performance, and related bonuses of Executive Director(s), if any.

Composition

The remuneration committee consist of the following directors :

- * Shri J Srikanth Babu – Chairman
- * Shri G S Ramachandra Rao – Member
- * Shri A Satya Prasad - Member

Remuneration paid to Directors during the Financial year 2008 -2009 :

Executive Directors: Rs.4,80,000 p.a

Non - Executive Directors : NIL

Shareholding of Non-Executive Director:

None of the Non-Executive Directors of the Company holds any share in the Company.

4. INVESTOR'S GRIEVANCE COMMITTEE:

During the year, the Investors' Grievance Committee was re-constituted w.e.f 15.11.2008 as follows:

- * Shri J Srikanth Babu – Chairman
- * Smt. B Vijaya Lakshmi – Member
- * Shri A Satya Prasad – Member

The Committee looks into the shareholder's and investor's complaints. Most of the complaints received from the shareholders have been resolved. The number of complaints pending as on 31st March, 2009 is Nil.

5. SHARE TRANSFER COMMITTEE

The process of share transfers is entrusted with Registrars and Share Transfer Agents of the Company, M/s Aarthi Consultants Pvt. Ltd., who attends to the said task as and when the requisitions are received.

The Share transfer committee meets fortnightly every month to approve transfer of shares, if any and also overviews the work of M/s Aarthi Consultants Pvt. Ltd., on regular intervals.

Composition

Shri B.N Murthy	Chairman
Smt. B Vijaya Lakshmi	Member
Shri. J Srikanth Babu	Member

6. MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

A Report of the Management Discussion and Analysis is attached as part of the Annual Report.



7. GENERAL BODY MEETINGS:

The last three Annual General Meetings of the company were held at the Regd. Office of the Company at Ankulpatur Village, Chillakur Mandal, Nellore District, Andhra Pradesh.

Date	Venue	Time
25.09.2008	Ankulpatur Village	11.00 A.M.
29.09.2007	Ankulpatur Village	11.00 A.M.
30.09.2006	Ankulpatur Village	11.00 A.M.

Special Resolutions:

No Special Resolutions have been passed in the previous 3 AGM's.

Postal ballot:

There were no items of business transacted by way of Postal Ballot during the financial year 2008-09.

8. DISCLOSURES:

Disclosures on materially significant related transactions i.e., transactions of the company of a material nature, with its promoters, the Directors of the Management, their subsidiaries or relatives etc., that may have potential conflict with the interests of the company at large:

None during the last year

There were no strictures or penalties imposed on the company by Stock Exchanges or SEBI or any statutory authority for non – compliance of any matter related to capital markets, during the last three years.

9. MEANS OF COMMUNICATIONS:

In compliance with the requirements of Listing Agreement, the company regularly intimates unaudited as well all Audited financial results to the Stock Exchanges immediately after they are taken on record by the Board.

10. GENERAL SHAREHOLDERS INFORMATION:

a. Annual General Meeting (AGM):

Date	31.12.2009
Time	11.00 A.M
Venue	Ankulpatur Village

b. Book Closure: 28th December, 2009 to 31st December, 2009 (both days inclusive)

c. Dividend Payment: N.A

d. Listing on Stock Exchanges:

The equity shares of the company are listed on the following stock exchanges:
-Bombay Stock Exchange, Mumbai, PJ Towers, Dalal Street, Mumbai

e. Stock Code: 519331

ISIN Number for NSDL & CDSL – Nil

f. Market price data: High & Low during each month in the last financial year – Nil

g. Registrars and Transfer Agents: The Company has appointed Registrar and Share transfer agent renewed in April, 2008. The R & T Agent process the Physical Share Transfers and the Share Certificates are returned to the shareholder within a maximum period of 30 days from the date of receipt, subject to the documents being valid and complete in all respects. All share transfers are approved by the Share Transfer Committee, which meets every fortnight.

M/s Aarthi Consultants Pvt. Ltd,
1-2-285, Near Gaganmahal Hospital,
Domalaguda, Hyderabad – 500 029,
Andhra Pradesh



Distribution of Shareholdings as on 31.03.2009 :

No. of Equity shares held	No. of Share holders	%	No. of shares	%
Upto 5000	10750	93.55	1871563	43.45
5001 to 10000	560	4.73	446800	10.37
10001 to 20000	91	0.76	100100	2.32
20001 to 30000	26	0.21	62500	1.45
30001 to 40,000	2	0.02	6200	0.14
40001 to 50000	33	0.27	163400	3.79
50001 to 100000	37	0.31	350300	8.13
100001 & above	20	0.16	1306237	30.32
Total	11519	100	4307100	100

i. OUTSTANDING GDR/ADRS/WARRANTS OR ANY CONVERTIBLE INSTRUMENTS AND CONVERSION DATE AND LIKELY IMPACT ON EQUITY:

As on date & likely impact on equity are not applicable to the company.

j. FARM LOCATION: Ankulpatur Village, Chillakur Mandal, Nellore District.

k. HATCHERY LOCATION: Srinivasasatram Village, Nellore District, Andhra Pradesh.

l. SHARE TRANSFER SYSTEM: All the transfers received are processed and approved by the Share Transfer Committee which normally meets twice in a month or more depending on the volume of transfers.

m. ADDRESS FOR CORRESPONDENCE:

(a) For /transfer/dematerialization of shares and any other query relating to the shares of the Company.

M/S VSF PROJECTS LIMITED,

Corp.Off: Plot No.1107,
Ayyappa Society Colony, Madhapur,
Hyderabad – 500 081, Andhra
Pradesh.

(b) For shares held in demat form: Depository participant – Not applicable.

DECLARATION UNDER CODE OF CONDUCT

As required under Clause 49(1D) of the Listing Agreement, it is hereby declared that the company has obtained confirmation from all the Board Members and Senior Management Personnel of the company for the compliance of the Code of Conduct of the company for the year 2008-09

Date : 09.12.2009
Place : Hyderabad.

Sd/-
(BN Murthy)
Managing Director



AUDITORS' CERTIFICATE
ON CORPORATE GOVERNANCE

To
The Members of
VSF PROJECTS LIMITED,
HYDERABAD.

We have examined the compliance of conditions of Corporate Governance of M/s VSF Projects Limited, Hyderabad for the year ended on 31st March, 2009 as stipulated in Clause No.49 of the Listing Agreement of the said company with Stock Exchange(s).

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examinations was limited to a review of the procedures and implementations thereof, adopted by the company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an auditor nor or an expression of opinion of the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the Management, we certify that the company has complied with the conditions of

Corporate Governance as stipulated in Clause No.49 of the above mentioned Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that the Registrar and Share Transfer Agents of the Company have maintained records to show Investor's Grievances against the company and have certified that as on 31st March, 2009 there were no investor grievances are remaining unattended/pending for a period exceeding one month.

We further certify 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 A.M. REDDY & CO.,
Chartered Accountants,

Sd/-
(C.A. RAMANA REDDY A.V.)
Partner
M.No. 024329

Place : Hyderabad
Date : 09.12.2009



AUDITORS' REPORT

The Members of
VSF PROJECTS LIMITED,
HYDERABAD.

1. We have audited the attached Balance Sheet of M/s.VSF PROJECTS LIMITED as at 31st March, 2009, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 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:
 - (i) 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;
 - (ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
 - (iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) In our opinion, the Balance sheet, Profit and Loss Account and Cash Flow Statement 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, 2009, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2009 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 our opinion to the best of our information and according to the explanations given to us, the said



accounts together with the notes thereon and attached thereto give in the prescribed manner the information required by the Companies Act, 1956 and give a true and fair view in conformity with the 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 2009;
- (b) In the case of the Profit and Loss account, of the Profit for the year ended on that date; and
- (c) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

for A.M.REDDY & CO.,
Chartered Accountants
Sd/-

(CA. Ramana Reddy .A.V.)
Partner
Membership No. 024329

PLACE : HYDERABAD.
DATE : 09.12.2009

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph (3) of our report of even date)

1. (a) The company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - (b) The fixed assets of the company have been physically verified by the management during the year as per a programme of verification, which in our opinion is reasonable having regard to the size of the company and the nature of its fixed assets. No material discrepancies were noticed on such verification.
 - (c) In our opinion and according to the information and explanations given to us, during the year, the company has not disposed off any substantial part of its fixed assets so as to affect its going concern.
2. (a) The stocks of construction materials, stores and consumables have been physically verified by the management during the year, in our opinion, the frequency of verification is reasonable.
 - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.
 - (c) On the basis of our examination of records of stocks, in our opinion, the company has maintained proper records of stocks. The discrepancies noticed on



physical verification between the physical stocks and the book records were not material.

3. (a) The company has not granted any loans secured or unsecured to companies, firms or other parties listed in the register maintained u/s.301 of the Act.
- (b) The company has not taken any loans secured or unsecured from companies, firms or other parties listed in the register maintained u/s.301 of the Act.
4. In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the company and the nature of its business. Further, on the basis of our examination and information and according to the explanations given to us, we have neither come across nor have we been informed of any instance of major weaknesses in the aforesaid internal control system.
5. (a) In our opinion and according to the information and explanations given to us, the particulars of contracts or arrangements that need to be entered into the Register maintained under section 301 of Act, have been so entered.
- (b) In our opinion, and according to the information and explanations given to us, the company has not made any contracts or arrangements that need to be entered in the register maintained under section 301 of the Act, and exceeding the value of five lakh rupees in respect of any party during the year.
6. In our opinion and according to the information and explanations given to us, the company has not accepted any deposits from the public to which the provisions of sections 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed thereunder are applicable.
7. The company has no internal audit system.
8. The maintenance of cost records has not been prescribed by the Central Government under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956.
9. (a) We were informed that the provisions of Provident Fund Act and Employees State Insurance Act are not applicable to this company during the year under report. However, the company is regular in depositing with appropriate authorities undisputed statutory dues including income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess and other material statutory dues as applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, service tax, sales tax, customs duty, excise duty and cess were in arrears, as at 31st March, 2009 for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us, there are no dues of sales tax, income tax, customs duty, wealth tax, service tax, excise duty and cess which have not been deposited on account of any dispute.
10. The company has accumulated losses as on 31.03.2009 of Rs.73.11 lakhs and it has not incurred any cash losses during the



financial year ended on that date or in the immediately preceding financial year.

11. The company has not defaulted in repayment of dues to banks, financial institutions etc., during the year.
12. The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our 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 (Auditor's Report) Order, 2003 are not applicable to this company.
14. In our opinion, the company is not dealing in or trading in shares, securities, debentures, and other investments. Accordingly, the provisions of clause 4(xiv) of the companies (Auditor's Report) Order, 2003 are not applicable to this company.
15. The company has not given any guarantees for loans taken by others, from banks or financial institutions, the terms and conditions, whereof, in our opinion, are prima facie prejudicial to the interest of the company. .
16. During the year under report, the company has not availed any term loan from banks or financial institutions.
17. Accordingly to the information and explanations given to us and on an overall

examination of the balance sheet of the company, we report that the no funds raised on short-term basis have been used for long-term investment.

18. According to the information and explanations given to us, the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act, 1956.
19. According to the information and explanations given to us, during the period covered by our audit report, the company has not issued any debentures.
20. The company has not raised any money by public issue, during the year.
21. According to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the course of our audit.

for A.M.REDDY & CO.,
Chartered Accountants

Sd/-
(CA. Ramana Reddy .A.V.)
Partner
Membership No. 024329

PLACE : HYDERABAD.
DATE : 09.12.2009



Balancesheet as at 31.03.2009

Particulars	Schedule No	As at 31.03.09	As at 31.03.08
		Rs	Rs
SOURCES OF FUNDS:			
SHAREHOLDERS FUNDS:			
- Sharecapital	A	24468500	46004000
RESERVES & SURPLUS			
- Reserves & Surplus	B	20843875	0
LOAN FUNDS:			
- Secured loans	C	429475	678247
- Unsecured loans	D	40183924	40783924
Total		<u>85925774</u>	<u>87466171</u>
APPLICATION OF FUNDS:			
Fixed Assets			
- Gross Block	E	38156506	17312631
- Less: Depreciation		<u>4677076</u>	<u>4274821</u>
		33479430	13037810
Curent Assets, Loans & Advances			
- Sundry Debtors	F	53625137	74652614
- Cash & Bank Balances		438942	3227354
- Loans & Advances		15322878	12899943
		<u>69386957</u>	<u>90779911</u>
Less: Curent Liabilities & Provisions			
- Current Liabilities	G	30621781	58183685
- Provisions		658930	96349
		<u>31280711</u>	<u>58280034</u>
Net Current Assets		38106246	32499877
Deferred Tax asset		7028715	5451116
Profit & Loss A/c		7311383	36477368
TOTAL		<u>85925774</u>	<u>87466171</u>
Notes on accounts	K		
Vide our report of even date for A.M. REDDY & CO. Chartered Accountants Sd/- (CA. RAMANA REDDY.A.V.) Partner		For and on behalf of the Board Sd/- (B. VIJAYA LAKSHMI) Director Sd/- (BN MURTHY) Managing Director	
Place: Hyderabad Date : 09.12.2009			



Profit and Loss Account for the year ended 31st March, 2009

Particulars	Schedule No	As at 31.03.09		As at 31.03.08
		Rs	Rs	Rs
INCOME:				
Gross receipts			95445732	85477643
(Sub contract & Farm Receipts)				
TOTAL			<u>95445732</u>	<u>85477643</u>
EXPENDITURE:				
Construction expenses	H		83820331	74018934
Administrative expenses	I		4341521	3323975
Financial charges	J		169809	62133
Depreciation			402255	402255
			<u>88733916</u>	<u>77807297</u>
Net Profit / Loss for the year			6711816	7670346
Less: Provision for Taxation		634348		0
- Deferred Tax		(1577599)		3126606
- Fringe Benefit Tax		<u>24582</u>		<u>12079</u>
			<u>(918669)</u>	<u>3138685</u>
			7630485	4531661
Loss Brought Forward			(36477368)	(41009029)
Less : Adjustment against Share Capital			21535500	0
TOTAL			<u>(7311383)</u>	<u>(36477368)</u>
Notes on accounts	K			
Vide our report of even date for A.M. REDDY & CO. Chartered Accountants Sd/- (CA. RAMANA REDDY.A.V.) Partner		For and on behalf of the Board Sd/- (B. VIJAYA LAKSHMI) Director Sd/- (BN MURTHY) Managing Director		
Place: Hyderabad Date : 09.12.2009				



Balancesheet as at 31.03.2009

Particulars	Schedule No	As at 31.03.09	As at 31.03.08
		Rs	Rs
SOURCES OF FUNDS:			
SHAREHOLDERS FUNDS:			
- Sharecapital	A	24468500	46004000
RESERVES & SURPLUS			
- Reserves & Surplus	B	20843875	0
LOAN FUNDS:			
- Secured loans	C	429475	678247
- Unsecured loans	D	<u>40183924</u>	<u>40783924</u>
Total		<u>85925774</u>	<u>87466171</u>
APPLICATION OF FUNDS:			
Fixed Assets			
- Gross Block	E	38156506	17312631
- Less: Depreciation		<u>4677076</u>	<u>4274821</u>
		33479430	13037810
Curent Assets, Loans & Advances			
- Sundry Debtors	F	53625137	74652614
- Cash & Bank Balances		438942	3227354
- Loans & Advances		<u>15322878</u>	<u>12899943</u>
		<u>69386957</u>	<u>90779911</u>
Less: Curent Liabilities & Provisions			
- Current Liabilities	G	30621781	58183685
- Provisions		658930	96349
		<u>31280711</u>	<u>58280034</u>
Net Current Assets		38106246	32499877
Deferred Tax asset		7028715	5451116
Profit & Loss A/c		7311383	36477368
TOTAL		<u>85925774</u>	<u>87466171</u>
Notes on accounts	K		
Vide our report of even date for A.M. REDDY & CO. Chartered Accountants Sd/- (CA. RAMANA REDDY.A.V.) Partner		For and on behalf of the Board Sd/- (B. VIJAYA LAKSHMI) Director Sd/- (BN MURTHY) Managing Director	
Place: Hyderabad Date : 09.12.2009			



Profit and Loss Account for the year ended 31st March, 2009

Particulars	Schedule No	As at 31.03.09	As at 31.03.08
		Rs	Rs
INCOME:			
Gross receipts		95445732	85477643
(Sub contract & Farm Receipts)			
TOTAL		<u>95445732</u>	<u>85477643</u>
EXPENDITURE:			
Construction expenses	H	83820331	74018934
Administrative expenses	I	4341521	3323975
Financial charges	J	169809	62133
Depreciation		402255	402255
		<u>88733916</u>	<u>77807297</u>
Net Profit / Loss for the year		6711816	7670346
Less: Provision for Taxation		634348	0
- Deferred Tax		(1577599)	3126606
- Fringe Benefit Tax		<u>24582</u>	<u>12079</u>
		<u>(918669)</u>	<u>3138685</u>
		7630485	4531661
Loss Brought Forward		(36477368)	(41009029)
Less : Adjustment against Share Capital		21535500	0
TOTAL		<u>(7311383)</u>	<u>(36477368)</u>
Notes on accounts	K		
Vide our report of even date for A.M. REDDY & CO. Chartered Accountants Sd/- (CA. RAMANA REDDY.A.V.) Partner		For and on behalf of the Board Sd/- (B. VIJAYA LAKSHMI) Director Sd/- (BN MURTHY) Managing Director	
Place: Hyderabad Date : 09.12.2009			



SCHEDULES TO ACCOUNTS	As at 31.03.09 Rs.	As at 31.03.08 Rs.
SCHEDULE-A:		
SHARE CAPITAL:		
Authorised		
- 50,00,000 Equity shares Rs.10/- each	<u>50000000</u>	<u>50000000</u>
Issued, Subscribed and Paidup:		
- 48,22,500 equity shares Rs.10/- each (previous year)		48225000
- 21,53,550 equity shares Rs.10/- each (current year) (paid up capital of the company reduced from 4307100 equity shares to 2153550 equity shares as per order of Hon'ble High Court of AP)	21535500	
Add: Shares Forfeited	<u>2933000</u>	<u>0</u>
	24468500	48225000
Less: Allotment Money arrears	<u>0</u>	<u>2221000</u>
TOTAL	<u>24468500</u>	<u>46004000</u>
SCHEDULE - B		
RESERVES & SURPLUS		
- Fixed Assets Revaluation reserves	<u>20843875</u>	<u>0</u>
	<u>20843875</u>	<u>0</u>
SCHEDULE - C		
SECURED LOANS		
- Reliance Capital Ltd	<u>429475</u>	<u>678247</u>
	<u>429475</u>	<u>678247</u>
SCHEDULE - D		
UNSECURED LOANS		
- From Directors	9000000	9000000
- From Shareholders & Others	<u>31183924</u>	<u>31783924</u>
TOTAL	<u>40183924</u>	<u>40783924</u>



**SCHEDULE - E:
FIXED ASSETS:**

Description of the Asset	Gross Block			Depcn. Block			Net block	
	As at	Add/Del	As at	Upto	for the	Total	As at	As at
	31.03.08	during the year	31.03.09	01.04.08	year	as at 31.03.09	31.03.09	31.03.08
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Land & Site Development	7248125	20843875	28092000	-	-	-	28092000	7248125
Buildings	7697050	-	7697050	3419008	257081	3676090	4020960	4278042
Plant & Machinery	165550	0	165550	18564	7864	26427	139123	146986
Office Equipments	392159	0	392159	210962	18628	229589	162570	181197
Furniture & Fixtures	198466	0	198466	134583	12346	146929	51537	63883
Computers	68090	0	68090	27297	11037	38335	29755	40793
Vehicles	1543191	0	1543191	464407	95299	559706	983485	1078784
Total	17312631	20843875	38156506	4274821	402255	4677076	33479430	13037810



	Rs.	As at 31.03.09 Rs.	Rs.	As at 31.03.08 Rs.
SCHEDULE-F:				
CURRENT ASSETS, LOANS & ADVANCES :				
Sundry Debtors (Unsecured, Considered Good)				
- Debts exceeding more than six months	41021925		13099550	
- Other Debts	<u>12603212</u>		<u>61553064</u>	
		53625137		74652614
Cash & Bank Balances				
- Cash in hand	369723		131540	
- Balances with Banks in Current Accounts	<u>69219</u>		<u>3095814</u>	
		438942		3227354
Loans & Advances				
- Deposits	6292847		5501065	
- Advance for Raw Materials	4000000		4000000	
- IT Refund Receivable	3377869		1901114	
- Prepaid expenses	11229		21009	
- TDS receivable on subcontracts	1599169		1476755	
- Interest receivable from SPDCL	<u>41764</u>		<u>0</u>	
		15322878		12899943
TOTAL		<u>69386957</u>		<u>90779911</u>
SCHEDULE - G				
CURRENT LIABILITIES & PROVISIONS				
CURRENT LIABILITIES				
- Creditors for suppliers	15739888		36190671	
- Creditors for expenses	14015226		21210617	
- Advance lease	<u>866667</u>		<u>866667</u>	
		30621781		58267955
PROVISIONS				
- For Taxation	634348		0	
- For FBT	<u>24582</u>		<u>12079</u>	
		658930		12079
TOTAL		<u>31280711</u>		<u>58280034</u>

**SCHEDULE - H:**

	Current Year Rs	Previous Year Rs
OPERATING & CONTRACT EXPENDITUE:		
Materials, Consumables & other Site Expenses	22215431	40121427
- Machinery & Vehicles Hire charges	1000000	894369
- Earthwork & construction expenses	60604900	32655588
- Departmental Recoveries	0	347550
TOTAL	<u>83820331</u>	<u>74018934</u>

**SCHEDULE - I:**

	Current Year Rs	Previous Year Rs
ADMINISTRATIVE EXPENSES		
- Salaries & Wages	2070000	1670000
- Staff Welfare	6000	9600
- Rent	528000	660951
- Electricity charges	2687	32422
- Office Maintenance	50350	26886
- Books & Periodicals	1490	1754
- Postage & Telegrams	1060	833
- Printing & Stationary	4370	8175
- Computer Maintenance	1750	4273
- Internet charges	4800	4350
- Insurance charges	36225	17489
- MD Remuneration	480000	480000
- Audit fee	75000	75000
- Professional charges	106682	37370
- Registration & Licence fee	587267	19770
- Brokerage	0	3000
- Listing fee	12114	18600
- AGM Expenses	20100	19000
- Board Meeting Expenses	4200	3250
- Telephone charges	58533	16055
- Travelling expenses		
Directors	282779	207232
Others	8114	7965
TOTAL	<u>4341521</u>	<u>3323975</u>

SCHEDULE - J**FINANCIAL CHARGES**

- Bank charges	106101	27646
- Interest on Vehicle Loan	63708	34487
TOTAL	<u>169809</u>	<u>62133</u>



SCHEDULE - K

NOTES ON ACCOUNTS

1. Disclosure of Accounting Policies:

- a) **GENERAL:** The financial statements are prepared under the historical cost convention and comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956 and the same is prepared on a going concern basis.
- b) **FIXED ASSETS:** All fixed assets are stated at cost of acquisition inclusive of freight, duties, taxes and other incidental charges related to acquisition.
- c) **REVENUE RECOGNITION:** All revenue income and expenditure are recognized on accrual concept of accounting.
- d) **DEPRECIATION:** Depreciation on fixed assets has been provided on straight line method at the rates specified in Schedule XIV of the Companies Act, 1956 on pro-rata basis.
2. The legal title in respect of farm land to the extent of 89.72 acres valued at Rs.28,43,520/- is yet to be registered in favour of the company.
3. **Contingent Liability:** Disputed Income Tax Liability to the extent of Rs.1,79,73,617/-.

4. Auditors Remuneration:

	2008-09	2007-08
	Rs.	Rs.
As Auditors	40000	40000
Tax Audit Fees	20000	20000
Other Services	15000	15000
Total	75000	75000

5. Managerial Remuneration:

	2008-09	2007-08
	Rs.	Rs.
Managing Director		
- Remuneration	480000	480000
- Perquisites
Total	480000	480000

6. Particulars of Employees recruited in pursuant to the Provisions of Sec. 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 - Nil.
7. Segment reporting as per AS 17 is not applicable to this company.
8. Disclosure under Micro, Small and Medium Enterprises Development Act, 2006

There are no Micro and Small Scale Business Enterprises, to whom the Company owes dues, which are outstanding for more than 45 days as at March 31, 2009. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.

9. Earning Per Share

	Year ended 31.03.09	Year ended 31.03.08
	Rs.	Rs.
a) Profit available to the Equity Shareholders	7630485	4531661
b) No. of Equity shares	2153550	4822500
c) Nominal Value of share	10	10
d) Basic Earning per share	3.54	0.94



10. Transactions with the Related Parties pursuant to Accounting Standard 18

SNo.	Name	Relationship	Amount involved Rs.	Balance as on 31.03.09 Rs.
A Payment of Remuneration				
1.	B.Narayana Murthy	He is a Managing Director of the Company	480000	-

11. Taxes on Income:

- (a) Provision has been made for tax as per sec. 115JB.
- (b) In compliance with the Accounting Standard AS 22 Accounting for Taxes on Income issued by the Institute of Chartered Accountants of India, the company has recognised Rs.14,54,850/- towards deferred tax asset in the year 2008-09. The major components of deferred tax asset / liability are on account of timing differences in depreciation and carried forward of losses.
12. As per the Hon'ble Andhra Pradesh High Court order dated 11.11.2009 vide CP

No.159 of 2009, the company's share capital of Rs.4,30,71,000/- divided into 43,07,100 equity shares of Rs.10/- each reduced to Rs.2,15,35,500/- divided into 21,53,550 equity shares of Rs.10/- each and such reduction is effected by cancelling the equity share capital of Rs.2,15,35,500/ - which have been lost or unrepresented by available assets. The effect of capital reduction is adjusted in the accumulated losses of the company to the tune of Rs.2,15,35,500/-.

13. Paise have been rounded off to the nearest rupee.
14. Previous year figures are not comparable with the current year figures as the company diversified its activities into contract works during the year. Previous year figures have been regrouped wherever necessary.
15. Additional information pursuant to Provisions of Part II of Schedule – VI of the Companies Act, 1956 is not applicable to this company since the company is involved in contract work activities and farm is on lease.

Notes, Schedules; Cash Flow Statement and statement on accounting policies form an integral part of the balance sheet and profit and loss account.

SIGNATURES TO SCHEDULE A TO J

**VIDE OUR REPORT OF EVEN DATE
for A.M. REDDY & CO.**

Chartered Accountants

Sd/-

(CA. RAMANA REDDY.A.V.)

Partner

Place: Hyderabad

Date : 09.12.2009

FOR AND ON BEHALF OF THE BOARD

Sd/-

(B. VIJAYA LAKSHMI)

Director

Sd/-

(BN MURTHY)

Managing Director



BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

(In terms of Amendment of Schedule VI- Part IV)

I. Registration Details:

Registration No: State Code Balance sheet Date

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

Public Issue	Right Issue	Bonus Issue	Pvt. Placement
<input type="text" value="Nil"/>	<input type="text" value="Nil"/>	<input type="text" value="Nil"/>	<input type="text" value="Nil"/>

III. Position of Mobilisation and Deployment of funds (Amount in Rs.thousands)

Total Liabilities	<input type="text" value="85926"/>	Total Assets	<input type="text" value="85926"/>
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Sources of Funds:

Paidup Capital	Reserves & Surplus	Secured Loans	Unsecured loans
<input type="text" value="24468"/>	<input type="text" value="20844"/>	<input type="text" value="429"/>	<input type="text" value="40184"/>

Application of Funds:

Net Fixed Assets	Investment	Net Current Assets	Misc.Exp.
<input type="text" value="33479"/>	<input type="text" value="Nil"/>	<input type="text" value="38106"/>	<input type="text" value="Nil"/>
Accumulated losses	<input type="text" value="7311"/>	Deffered Tax Asset	<input type="text" value="7028"/>

IV. Performance of the Company (Amt.Rs. in thousands)

Turnover	Total expenditure	Profit/Loss before tax	Profit/loss after tax
<input type="text" value="95446"/>	<input type="text" value="88734"/>	<input type="text" value="6712"/>	<input type="text" value="7630"/>
Earning per share	Dividend Rate		
<input type="text" value="3.54"/>	<input type="text" value="-"/>		

V. Generic Names of three principle products / services company (as per monetary norms)

Item code No. (ITC Code)	Product Description
<input type="text" value=""/>	<input type="text" value="Construction"/>
<input type="text" value="000030613"/>	<input type="text" value="Prawns"/>

Vide our report of even date

For and on behalf of the Board

Sd/-
(B. VIJAYA LAKSHMI)
Director

Sd/-
(BN MURTHY)
Managing Director

Place: Hyderabad
Date : 09.12.2009



ATTENDANCE SLIP

VSF PROJECTS LIMITED

Regd.Off: Ankupatur Village, Chillakur Mandal, Nellore District, Andhra Pradesh

Please complete this attendance slip and hand it over at the entrance of the hall

- ❖ Only members or their proxies are entitled to be present at the meeting.
- ❖ Please note that children will not be allowed inside the meeting hall.

Folio No:	No. of Shares
Name & Address	

I hereby record my presence at the 17th Annual General Meeting of the company at Ankupatur Village, Chillakur Mandal, Nellore District, Andhra Pradesh.

SIGNATURE OF THE SHAREHOLDER / PROXY:

Strike whichever is not applicable.

Note: If you are attending the meeting in proxy, your copy of Balance sheet may please be brought by you/your proxy for reference at this meeting.

PROXY

VSF PROJECTS LIMITED

Regd. Off: Ankupatur Village, Chillakur Mandal, Nellore District, Andhra Pradesh

FOLIO NO:

NO.OF SHARES:

I / We _____ being a Member/Members of VSF Projects Ltd., hereby appoint _____ of _____ or failing him _____ of _____ as my/our proxy to attend and vote for me / us and on my/our behalf at he 17th Annual General Meeting of the company to be held at 11.00 A.M. on 31st day of December, 2009 and any adjournemnt thereof.

Date this _____ day of _____ 2009

Signed by the said _____

Affix
Rs.1/-
Stamp

Note: The proxy form dully signed by the members across Rs.1/- stamp should reach the company share department at Registered Office of the company at least 48 hours before the time fixed for the meeting.



BOOK POST
(Printed Matter)

To

If undelivered please return to:
VSF PROJECTS LIMITED,
Corp.Off: Plot No.1107, Ayyappa Society
Madhapur, Hyderabad - 500 081
Andhra Pradesh