

VSF PROJECTS LIMITED

16th **ANNUAL REPORT**

2007-2008



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 G. Venkateswara Rao	-	Director

(Resigned with effect from 31.10.07)

Registered Office:

Ankulpatur Village,
Chillakur Mandal,
Nellore District,
Andhra Pradesh

Corporate Office:

Plot No.1107, Ayyappa society,
Cyberabad (P.O.),
Madhapur,
Hyderabad – 500 081, (A.P.)
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 - 29. (A.P.)



NOTICE

Notice is hereby given that the 16th 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 25th September, 2008 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, 2008, and Profit & Loss A/c for the year ended 31st March, 2008 along with Auditor's Report and Directors Report thereon.
2. To appoint a Director in place of Sri GS Ramachandra Rao, who retires by rotation and being eligible offers himself for reappointment.
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 to authorize the Board to fix their remuneration.

SPECIAL BUSINESS

4. To consider and if though fit, to pass with our without modification(s), the following resolution as Ordinary Resolution.

"RESOLVED THAT subject to the provisions of Sections 198, 269, 309 and

310 read with Schedule XIII contained under the Companies Act, 1956 of the Articles of Association of the Company, approval of the members be and is hereby accorded for the re-appointment of Sri B.N. Murthy, as Managing Director, not liable to retire by rotation, for a period of 5 years with effect from 01.11.2007 at a remuneration of Rs. 40,000/- per month including all prerequisites.

By order of the Board

Sd/-

Place: Hyderabad (B.N. MURTHY)
Date : 25.08.2008 Managing Director

NOTES:

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.

Book Closure: The Register of Members and Share Transfer Register will remain closed from 20th September, 2008 to 25th September, 2008.

Member Identification:

Members are requested to bring the attendance slips duly filled in a lot with their copies of Annual Reports to the meeting.

Explanatory Statement pursuant to the provisions of Section 173(2) of the Companies Act, 1956 is annexed herewith.



EXPLANATORY STATEMENT
PURSUANT TO SEC.173(2) OF THE
COMPANIES ACT, 1956:

ITEM NO. 1:

Sri B.N. Murthy is the founder promoter of the Company. He has been spearheading the growth of the Company and played a key role at every stage and phase of development and decision making. His vision, guidance, dynamism, and efforts will definitely take the Company to new heights in the near future. His term as Managing Director was due to expire on 01.11.2007. Accordingly the Board of Directors, in their meeting held on 31.10.2007, re appointed him for another term of 5 years w.e.f. 02.11.2007.

The appointment and remuneration payable to Sri B.N. Murthy, as Managing Director require the approval of the shareholders in general meeting in terms of provisions of Part III of Schedule XIII of the Companies Act, 1956.

Hence the resolution is commended for your approval.

None of the Directors except Sri B.N. Murthy & Smt. B. Vijaya Lakshmi are interested or concerned in the passing of aforesaid resolution.

By order of the Board

Sd/-

Place: Hyderabad
Date : 25.08.2008

(B.N. MURTHY)
Managing Director

DIRECTOR'S REPORT

Dear Members,

The Directors have pleasure in presenting before you the 16th Annual Report of the company for the year ended 31st March, 2008.

1. FINANCIAL RESULTS

Particulars	Rs. In Lakhs	
	31.03.08	31.03.07
Gross Income	854.78	604.17
Total Expenditure before	773.43	509.93
Profit before Interest & Depreciation	81.35	94.24
Interest & Finance Charges	0.62	1.89
Depreciation	4.02	3.58
Profit before tax	76.70	88.78
Deferred tax	31.27	-39.14
Fringe Benefit tax	0.12	0.14
Profit/(Loss) after tax	45.32	127.77
Balance carried forward to Balance sheet	(364.77)	(410.09)

OPERATIONS:

The overall implementation progress of all road projects during the period under review was satisfactory. In this year the company have taken new work contracts from NCC Limited and GVR Infra Projects Ltd.

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 :

Your Directors are unable to recommend any dividends for the financial year 2007-08 due to inadequate profits during the year.

DIRECTORS:

In Accordance with the provisions of the Companies Act, 1956, Mr. GS Ramachandra Rao, who retires by rotation and being eligible, offer himself for reappointment.

AUDITORS:

M/s A.M. Reddy & Co., Chartered Accountants, Auditors of the Company who retires at the Annual General Meeting and company has received certificate from them to the effect that their reappointment, if made, would be within the limits prescribed under section 224(B) of the Companies Act, 1956. Members are requested to reappoint them and to authorise the board to fix their remuneration.

PUBLIC DEPOSITS:

Your company has neither accepted nor renewed any deposits falling within the provisions of Sec. 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 U/S 217 (2AA) of the Companies Act, 1956 with respect to Director's Responsibility Statement, it is hereby confirmed.

That in the preparation of the accounts for the financial year 31st March, 2008, the applicable accounting standards have been followed along with proper explanation relating to material departures:

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.

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.

That the Directors have prepared the accounts for the financial year ended 31st March, 2008 on a going concern basis.

CORPORATE GOVERNANCE:

The company has been in full compliance of the norms of Corporate Governance as outlined in Clause No.49 of the Listing Agreement with the BSE,



Mumbai. A separate report on Corporate Governance is produced as part of the annual report along with the Auditors certificate compliance.

LIFTING OF SUSPENSION IN BSE :

The Board of Directors of your company have initiated steps for lifting of suspension of trading of the shares of the company on The Bombay Stock Exchange Ltd and positive results in expected soon in this regard.

FORFEITURE OF SHARES :

The Board of Directors in their meeting held on 24th May, 2008 approved the forfeiture of 5,15,400 partly paid equity share on account of the non payment of the allotment money along with interest due thereon in accordance with the Articles of Association of the Company. Accordingly the Paid Up Capital of the Company stands reduce to Rs. 4,30,71,000/- divided into 43,07,100 equity shares of Rs. 10/- each.

REDUCTION OF SHARE CAPITAL :

As, the members are aware, your company is engaged in the business of execution of civil and infrastructure works, which require huge capital both in the form of equity and debt for execution of projects. However in view of the huge accumulated losses Rs. 3.64 crores as against Paid up

capital of Rs. 4.30 crores as on the date of this report, the Company is unable to infuse fresh funds in the form of equity nor convince the bankers for debt.

Accordingly the Board of Directors of the Company are proposing a scheme of arrangement for reduction of paid up share capital from Rs. 10/- per share to Rs. 5/- share by canceling the paid up share capital which is lost or unrepresented by the available assets, subject to the approval of members and other statutory authorities.

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.

ACKNOWLEDGEMENTS:

The Board of Directors also 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 place on record their
sincere appreciation of 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/-	Sd/-
(B. VIJAYALAKSHMI)	(B.N. MURTHY)
Director	Managing Director.

Place: Hyderabad
Date : 25.08.2008

Annexure

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

A) CONSERVATION OF ENERGY

a) 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.

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

c) 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 : | |
| c. Whether Technology
fully absorbed : | |



- d. If not fully absorbed, areas and reasons for future plans actions :

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 :**

	2007-08	2006-07
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 : 25.08.2008

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 4 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 four are Non-Executive Directors.

Name of the Director	Category of the Directorship	No. of Board meetings attended	% of total meetings	Attendance at the last AGM
C.R. Sen Gupta	Chairman	2	40%	Yes
B.N. Murthy	Managing Director	5	100%	Yes
G.S. Ramachandra Rao	Director	4	80%	Yes
G Venkateswara Rao*	Director	2	40%	Yes
M. Ravindra	Director	5	100%	Yes

* Resigned with effect from 31.10.2007

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

Five Board Meetings were held during the year 2007-08 on the dates mentioned below:

- ❖ 30.04.2007
- ❖ 31.07.2007
- ❖ 31.08.2007
- ❖ 31.10.2007
- ❖ 31.01.2008

2. Committees of the Board:

The Board of Directors has constituted 2 committees of the Board



- ❖ Audit Committee
- ❖ Investors Grievance Committee

3. Audit Committee:

Terms of reference and composition, Chairman and the Name of the Members.

The Audit Committee comprise of Mr. B.N. Murthy, Managing Director of the Committee. Mr. G.S. Ramachandra Rao, Director. The Managing Director along with the statutory auditors the invites to the meeting. The terms of reference of this Committee are wide enough covering matters specified for Audit Committee under the Listing Agreements.

4. Investor's Grievance Committee:

The company has formed an Investors/ Shareholders Grievances Committee under the Managing Director of Mr. B.N. Murthy. The other two members of the Committee are B. Vijaya Lakshmi. All the three members of the Committee are Non-Executive and Independent Directors. The Committee shall look into the shareholder's and investor's complaints. Most of the complaints received from the shareholders have been resolved. The number of shares pending for 31st March, 2008 is Nil.

5. 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
14.08.2005	Ankulpatur Village	11.00 A.M.
30.09.2006	Ankulpatur Village	11.00 A.M.
29.09.2007	Ankulpatur Village	11.00 A.M.

6. 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.

None in last three years.

7. 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 Exchange immediately after they are taken on record by the Board.



8. General Shareholders Information:

a. Annual General Meeting (AGM):

Date	25.09.2008
Venue	Ankulpatur Village, Chillakur Mandal, Nellore District.
Time	11.00 A.M.

b. Financial Calendar: The financial year of the company for a period of 12 months from 1st April to 31st March

First quarterly results	: By end of July, 2008
Second Quarterly results:	By end of Oct., 2008
Third quarterly results	: By end of Jan., 2009
Fourth quarter results/	: By end of April, 2009

c. Book Closure: 20th September, 2008 to 25th September, 2008 (both days inclusive)

d. Dividend Payment: Nil

e. Listing on Stock Exchanges:

The equity shares of the company are listed on the following stock exchanges:

- (i) **Bombay Stock Exchange,**
Mumbai, PJ Towers, Dalal
Street, Mumbai

f. Stock Code: 519331, ISIN Number for NSDL & CDSL – Nil

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

h. REGISTRARS AND TRANSFER AGENTS:

The company has reappointed Registrar and Share transfer agent renewed in April, 2008. The Board of Directors deals with the shareholders complaints, the power to approve transfer of securities in physical form has been delegated by the Board of Share Transfer Committee. Share Transfer Committee requests are processed within an average of 15 days from the date of receipt.

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

i. Distribution of Shareholdings as on 31.03.2008:

The Distribution of shareholding as on 31st March, 2008 as follows:

No. of Equity shares held	No. of Share holders	%	No. of shares	%
Upto 5,000	12058	94.00	2386963	49.50
5,001 to 10,000	560	4.37	446800	9.26
10,001 to 20,000	91	0.71	100100	2.08
20,001 to 30,000	26	0.20	62500	1.30
30,001 to 40,000	2	0.20	6200	0.13
40,001 to 50,000	33	0.26	163400	3.39
50,001 to 1,00,000	37	0.29	1306237	27.08
1,00,001 and above	20	0.16	4822500	27.09
Total	12827	100	4822500	100



- k. **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.

- l. **Farm Location:** Ankulpatur Village, Chillakur Mandal, Nellore District.
- m. **Hatchery Location:** Srinivasachatram Village, Nellore District, Andhra Pradesh.
- n. **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.
- o. **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,
(formerly known as Vijaya Shrimp
Farms & Exports Ltd.,)
Corp. Off : Plot No.1107,
Ayyappa Society, Madhapur
Hyderabad - 500 081,
Andhra Pradesh.

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

The above report has been placed before the Board at its meeting held on 25th Aug, 2008.

DECLARATION OF 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 2007-08.

Sd/-
(BN Murthy)
Managing Director

Date : 25.08.2008
Place : Hyderabad.



AUDITORS' CERTIFICATE

To
The Members of
VSF PROJECTS LIMITED,
HYDERABAD.

We have examined the compliance of conditions of Corporate Governance of M/s VSF Projects Limited (formerly known as Vijaya Shrimp Farms & Exports Limited) Hyderabad for the year ended on 31st March, 2008, 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 examination 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 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 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, 2008 there were no investor grievances remaining unattended / pending for a period exceeding one month.

We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

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

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

Place : Hyderabad
Date : 25.08.2008



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 2008, 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
 - (v) On the basis of written representations received from the



directors, as on 31st March, 2008 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 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 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 2008.
- (b) In the case of the Profit and Loss account of the Profit for the year ended on that date.
- (c) In the 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 : 25.08.2008

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, firm or other parties listed in the register maintained u/s. 301 of the Act.
- (b) According to the information and explanation given to us, the company has not taken any interest free loans from the parties covered U/s. 301 of the Companies Act, 1956.
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 agreements 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, 2008 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 31.03.2008 of Rs. 364.77 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 investments.
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 : 25.08.2008

**Balancesheet as at 31.03.2008**

Particulars	Schedule No	As at		As at	
		31.03.08		31.03.07	
		Rs	Rs	Rs	Rs
SOURCES OF FUNDS:					
SHAREHOLDERS FUNDS:					
- Sharecapital	A		46004000		46004000
LOAN FUNDS:					
- Secured loans	B		678247		---
- Unsecured loans	C		40783924		30783924
Total			<u>87466171</u>		<u>76787924</u>
APPLICATION OF FUNDS:					
Fixed Assets					
- Gross Block	D	17312631		16293785	
- Less: Depreciation		<u>4274821</u>		<u>3872566</u>	
			13037810		12421219
Current Assets, Loans & Advances					
- Sundry Debtors	E	74652614		14447891	
- Cash & Bank Balances		3227354		449543	
- Loans & Advances		12899943		7194251	
		<u>90779911</u>		<u>22091685</u>	
Less: Current Liabilities & Provisions					
- Current Liabilities	F	58183685		7241015	
- Provisions		96349		<u>70716</u>	
		<u>58280034</u>		<u>7311731</u>	
Net Current Assets			32499877		14779954
Deferred Tax asset			5451116		8577722
Profit & Loss A/c			<u>36477368</u>		<u>41009029</u>
TOTAL			<u>87466171</u>		<u>76787924</u>
Notes on accounts	I				
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 : 25.08.2008					



Profit and Loss Account for the year ended 31st March, 2008					
Particulars	Schedule No	As at 31.03.08		As at 31.03.07	
		Rs	Rs	Rs	Rs
INCOME:					
Gross receipts			85477643		60417649
(Sub contract & Farm Receipts)					
	TOTAL		<u>85477643</u>		<u>60417649</u>
EXPENDITURE:					
Construction expenses	G		74018934		47999214
Administrative expenses	H		3323975		2994197
Financial charges	I		62133		189033
Depreciation			402255		357596
			<u>77807297</u>		<u>51540040</u>
Net Profit / Loss for the year			7670346		8877609
Less: Provision for Taxation					
- Deferred Tax		3126606		-3914193	
- Fringe Benefit Tax		<u>12079</u>		<u>14536</u>	
			<u>3138685</u>		<u>-3899657</u>
			4531661		12777266
Add: Balances brought forward from previous years			<u>-41009029</u>		<u>-53786295</u>
	TOTAL		<u>-36477368</u>		<u>-41009029</u>
Notes on accounts	J				
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 : 25.08.2008					



SCHEDULES TO ACCOUNTS		As at 31.03.08 Rs.	As at 31.03.07 Rs.					
SCHEDULE-A:								
SHARE CAPITAL:								
Authorised								
- 50,00,000 Equity shares Rs.10/- each		50000000	50000000					
Issued, Subscribed and Paidup:								
- 48,22,500 equity shares Rs.10/- each fully paidup		48225000	48225000					
Less: Allotment Money arrears		2221000	2221000					
TOTAL		<u>46004000</u>	<u>46004000</u>					
SCHEDULE-B:								
SECURED LOANS:								
- Reliance Fianance Ltd		678247	0					
		<u>678247</u>	<u>0</u>					
SCHEDULE-C:								
UNSECURED LOANS:								
- From Directors		9000000	9000000					
- From Others		31783924	21783924					
TOTAL		<u>40783924</u>	<u>30783924</u>					
SCHEDULE - D:								
FIXED ASSETS:								
Description of the Asset	Gross Block			Depcn. Block			Net block	
	As at 31.03.07	Add/Del during the year	As at 31.03.08	Upto 31.03.07	for the year	Total as at 31.03.08	As at 31.03.08	As at 31.03.07
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
Land & Site Development	7248125	-	7248125	-	-	-	7248125	7248125
Buildings	7697050	-	7697050	3161927	257081	3419008	4278042	4535123
Plant & Machinery	165550	-	165550	10700	7864	18564	146986	154850
Office Equipments	392159	-	392159	192334	18628	210962	181197	199825
Furniture & Fixtures	179216	19250	198466	122237	12346	134583	63883	56979
Computers	68090	-	68090	16260	11037	27297	40793	51830
Vehicles	543595	999596	1543191	369108	95299	464407	1078784	174487
Total	16293785	1018846	17312631	3872566	402255	4274821	13037810	12421219



SCHEDULE-E:	Rs.	As at	As at
		31.03.08	31.03.07
		Rs.	Rs.
CURRENT ASSETS, LOANS & ADVANCES :			
Sundry Debtors			
(Unsecured, Considered Good)			
- Debts exceeding more than six months	13099550	--	
- Other Debts	<u>61553064</u>	<u>14447891</u>	
	74652614		14447891
Cash & Bank Balances:			
- Cash in hand	131540	33275	
- Balances with Banks in current accounts	<u>3095814</u>	<u>416268</u>	
	3227354		449543
Loans & Advances:			
- Deposits	5501065	5293137	
- Advances for suppliers	4000000	-	
- IT Refund Receivable	1901114	669791	
- Prepaid expenses	21009	-	
- TDS receivable on subcontracts	<u>1476755</u>	<u>1231323</u>	
	<u>12899943</u>		<u>7194251</u>
TOTAL		<u>90779911</u>	<u>22091685</u>
SCHEDULE - F :			
CURRENT LIABILITIES & PROVISIONS			
CURRENT LIABILITIES			
- Creditors for suppliers	36190671	3204620	
- Creditors for expenses	21126347	3169727	
- Advance Lease	<u>866667</u>	<u>866667</u>	
	58183685		7241015
PROVISIONS			
- For Audit Fees	84270	56180	
- For FBT	<u>12079</u>	<u>14536</u>	
	<u>96349</u>		<u>70716</u>
TOTAL		<u>58280034</u>	<u>7311731</u>

**SCHEDULE - G:**

	Current Year Rs	Previous Year Rs
OPERATING & CONTRACT EXPENDITUE:		
Materials, Consumables & other Site Expenses	40121427	30471962
Machinery & Vehicles Hire charges	894369	6916599
Earthwork & Construction expenses	32655588	9018467
Departmental Recoveries	347550	1592186
TOTAL	<u>74018934</u>	<u>47999214</u>

SCHEDULE - H:

	Current Year Rs	Previous Year Rs
ADMINISTRATIVE EXPENSES		
- AGM Expenses	19000	17700
- Audit Fee	84270	56180
- Board Meeting Expenses	3250	2320
- Books & Periodicals	1754	3915
- Brokerage	3000	-
- Computer Maintenance	4273	7397
- Electricity Charges	32422	84439
- Internet Charges	4350	-
- Insurance Charges	17489	6101
- Legal Charges	-	12050
- Listing fee	18600	18600
- MD Remuneration	480000	480000
- Misc. Expenses	-	1000
- Office Maintenance	26886	38012
- Postage & Telegrams	833	988
- Printing & Stationary	8175	19800
- Professional Charges	17370	5000
- Rates & Taxes	10500	5566
- Rent	660951	232487
- Salaries & Wages	1670000	1500000
- Share Transfer expenses	20000	-
- Staff Welfare	9600	3652
- Telephone Charges	16055	70009
- Travelling Expenses		
Directors	207232	421871
Others	7965	7110
TOTAL	<u>3323975</u>	<u>2994197</u>

SCHEDULE - I:**FINANCIAL CHARGES**

- Bank Charges	27646	110959
- Interest on Vehicle Loan	34487	78074
TOTAL	<u>62133</u>	<u>189033</u>



SCHEDULE - J

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. Auditors Remuneration:

	2007-08	2006-07
	Rs.	Rs.
As Auditors	40000	25000
Tax Audit Fees	20000	15000
Other Services	15000	10000
Service Tax	9270	6180
Total	<u>84270</u>	<u>56180</u>

4. Managerial Remuneration:

	2007-08	2006-07
	Rs.	Rs.
Managing Director		
- Remuneration	480000	480000
- Perquisites	--	--
Total	<u>480000</u>	<u>480000</u>

5. Number of Employees who were in receipt of Rs. 24,00,000 or more per annum or Rs. 2,00,000 or more per month if employed for a part of of the year. Nil Nil

6. 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 the farm is on lease.

7. Segment Reporting as per AS-17 is not applicable to this company.



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

SNo.	Name	Relationship	Amount involved Rs.	Balance as on 31.03.08 Rs.
A	Payment of Remuneration			
1.	B.Narayana Murthy	He is a Managing Director of the Company	480000	-

9. Amount due to SSI Units

There are no SSI units whose dues are exceeding Rs.1 lakh or more for more than 30 days.

10. (a) No provision has been made for tax as there is no tax liability either under normal computation or under 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 additionally provided Rs. 31,26,606/ towards deferred tax asset in the year 2007-08. The major components of deferred tax asset liability is on account of timing differences in depreciation.
- (c) Paise have been rounded off to the nearest rupee.
- (d) 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.

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 : 25.08.2008

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="87466"/>	Total Assets	<input type="text" value="87466"/>
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Sources of Funds:

Paidup Capital	Reserves & Surplus	Secured Loans	Unsecured loans
<input type="text" value="46004"/>	<input type="text" value="Nil"/>	<input type="text" value="678"/>	<input type="text" value="40784"/>

Application of Funds:

Net Fixed Assets	Investment	Net Current Assets	Misc.Exp.
<input type="text" value="13038"/>	<input type="text" value="Nil"/>	<input type="text" value="32500"/>	<input type="text" value="Nil"/>
Accumulated losses	<input type="text" value="36477"/>		

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

Turnover	Total expenditure	Profit/Loss	Profit/loss
<input type="text" value="85478"/>	<input type="text" value="77807"/>	<input type="text" value="7671"/>	<input type="text" value="4532"/>
Earning per share	Dividend Rate		
<input type="text" value="0.94"/>	<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 : 25.08.2008



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 16th 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 16th Annual General Meeting of the company to be held at 11.00 A.M. on 25th day of September, 2008 and any adjournemnt thereof.

Date this _____ day of _____ 2008

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

