

VITAL

COMMUNICATIONS LTD.

15th ANNUAL REPORT
2009-2010



VITAL COMMUNICATIONS LIMITED

BOARD OF DIRECTORS

Mrs. Shubha Jhindal
Sh. Shyam Sundar
Sh. Manoj Kumar

AUDITORS

G.P.Keshri & Associates
Chartered Accountants
A-215,GF,5,Chawla Complex ,
Vikas Marg , Shakarpur ,
New Delhi -110092.

REGISTERED OFFICE

606, Kailash Building,
Kasturba Gandhi Marg,
New Delhi 110 001

BANKERS

AXIS Bank
Statesman House
Barakhamba, Connaught Place
New Delhi 110001

SHARE TRANSFER AGENTS

Link Intime India Pvt. Ltd.
A-40, 2nd Floor,
Nariana Industrial Area, Phase II
New Delhi 110 028



VITAL COMMUNICATIONS LTD.
Regd. Office: 606, Kailash Building,
Kasturba Gandhi Marg, New Delhi – 110 001

CONTENTS

	Page No.
Notice	3
Report of the Directors & Management Discussion and Analysis	5
Corporate Governance	10
Auditor's Report	19
Balance Sheet	22
Profit and Loss Account	23
Schedules to Accounts	24
Notes on the Balance Sheet and Profit and Loss Account	27
Cash Flow Statement	31



VITAL COMMUNICATIONS LTD.

Regd. Office: 606, Kailash Building, Kasturba Gandhi Marg,
New Delhi – 110 001

NOTICE

NOTICE is hereby given that the 15th ANNUAL GENERAL MEETING of the Members of Vital Communications Ltd. will be held on Thursday, the 30th day of September 2010 at 10.00. A.M. at Retreat Motel/Resort, Alipur, Main G.T.Karnal Road, Near Palla Mod, Delhi – 110 036 to transact the following business:

ORDINARY BUSINESS:

Adoption of Director's Report and Annual Accounts

1. To consider and adopt the audited Balance Sheet as at 31.3.2010 and the Profit & Loss Account the for the year ended on that date together with the reports of the Board of Directors and Auditors thereon.

Appointment of Directors retiring by rotation

2. To Appoint a Director in place of Mr. Manoj Kumar who retires by rotation and being eligible offer himself for re-appointment.

Appointment of Auditors

3. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the company and to fix their remuneration.

By order of the Board of Directors

**Place: New Delhi
Dated: 04 September, 2010**

**Shyam Sundar
Director**



NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXY INSTRUMENT SHOULD BE LODGED WITH THE COMPANY AT ITS REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. The Register of Members and Share Transfer Books of the company will remain closed from 29th September to 30th September, 2010 (both days inclusive) for AGM purpose.
3. Members are requested to notify any change in their addresses, at its Registered Office or to its Share Transfer Agents.
4. As a measure of economy, copies of Annual Report will not be distributed at the Annual General Meeting. Members are therefore requested to bring their copies of the Annual Report to the Meeting.
5. Members/Proxies should bring the Attendance Slip, duly filled in, for attending the Meeting.
6. In case of Joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
7. Members who hold shares in dematerialized form, are requested to write their Client ID and DP ID Numbers and those who hold shares in physical form are requested to write their Folio Number in the Attendance Slip for attending the Meeting.

By order of the Board of Directors

**Place: New Delhi
Dated: 04, September, 2010**

**Shyam Sundar
Director**



REPORT OF THE DIRECTORS & MANAGEMENT DISCUSSION AND ANALYSIS

Dear Members,

Your Directors are pleased to present their Fifteen Annual Report and Audited Accounts for the Year ended 31st March, 2010.

FINANCIAL RESULTS

	Year ended 31st March, 2010 (Rs. In Lac)	Year ended 31st March, 2009 (Rs. In Lac)
Sales and allied Income	0.00	0.00
Profit after Interest but before Depreciation & Taxation	-6.20	-9.34
Net Profit before Tax	-65.90	-92.09
Provision for FBT	0.00	0.00
Deferred Income Tax	-3.44	-26.07
Profit after Tax	-62.46	-66.01

INTERNAL CONTROL SYSTEMS

Your company's internal control systems and procedures are commensurate with the size of operations and adequate enough to meet the following objectives:

- Efficient use and safeguarding of resources
- Compliances with statutes, policies and procedure
- Transactions being accurately recorded and promptly reported.



FINANCIAL PERFORMANCE

The company has a turnover of Rs. 0. lac during the year 2009-10 as against Rs.0.lac in the previous year. The net loss of Rs.62.46 lac during the year as against a loss of Rs.66.01 lac in previous year.

HUMAN RESOURCES

Human resource development continues to be a core organizational objectives of the company. The company recognizes that its human resources is its greatest strength in realizing its goals and objectives.

RISK MANAGEMENT

The company constantly endeavors to broaden the charter of risk management to include opportunities as well as threats. Risk Management is an important part of decision making at all levels of the company.

DIVIDEND

Yours Directors regrets their inability to propose any dividend in view of the loss during year.

RESERVES

The Reserves at the end of the year 31st March 2010 is at Rs.271.56 Lacs as against the total Reserves of Rs. 334.02 lacs in previous year.

MATERIAL CHANGES AFTER THE DATE OF BALANCE SHEET

There has been no material change in the performance of the Company during the current year commencing from 1st April, 2010.

PARTICULARS OF EMPLOYEES:

None of the employee's particulars are covered under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rule 1975.

CORPORATE GOVERNANCE

A report on the Corporate Governance Code along with a Certificate from the Auditors of the Company regarding compliance of the conditions of Corporate Governance as stipulated under clause 49 of the Listing Agreement is given in **Annexure 'A'** which forms part of this report.

DIRECTOR'S RESPONSIBILITY STATEMENT

Pursuant to provisions of Section 217 (2AA) of the Companies Act, 1956, the Directors' Responsibility Statement is given in **Annexure-'B'**, which forms part of this report.

FOREIGN EXCHANGE EARNINGS AND OUTGO - **Nil**



PARTICULARS REGARDING ENERGY CONSERVATION

The particulars as described under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules 1988, are not applicable to the company.

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

The company's business demands constant absorption and adaptation of changing technologies to stay competitive in the rapidly changing world. The software development centers are constantly absorbing, adapting and deploying new technologies. Significant efforts have gone towards migration of professionals to the new technology.

FIXED DEPOSITS

The company has not accepted any fixed deposits during the year therefore the provisions of Section 58A of the Companies Act, 1956 are not applicable to the Company.

DIRECTORS

In accordance with the provisions of the Articles of Association of the Company Mr. Manoj Kumar is due to retire by rotation and being eligible, offer himself for re-appointment.

AUDITORS

The Auditors M/s G.P.Keshri & Associates., Chartered Accountants, New Delhi, retires at the conclusion of the forthcoming Annual General Meeting and offers its willingness to hold the office of the Auditors of the Company for next term.

CLARIFICATION OF QUALIFICATION IN AUDITOR'S REPORT

As there is no qualification in Auditor's Report, need for clarification for the same does not arise.

STOCK EXCHANGES

The shares of your company are listed on BSE and NSE. The Annual Listing fees of the Bombay Stock Exchange Ltd. for the year 2010-11 has been paid. Revocation of suspension of trading of shares of the company from NSE is still under process.

ACKNOWLEDGEMENT

The Directors thank the members, clients, The Securities and Exchange Board of India, The Bombay Stock Exchange Ltd, National Stock Exchange of India Ltd. Company's bankers for their continued support to the company. Your directors wish to place on record their appreciation for the dedicated and sincere services rendered by the staff and officers of the company without whom the steady growth of the company would have not been possible.

The Directors thank you for your support and cooperation to the company.

By order of the Board of Director

Place: New Delhi

**Shyam Sundar
Director**

Date: 4th, September 2010



ANNEXURE -A

Auditors' Certificate on compliance of conditions of Corporate Governance under Clause 49 of the Listing Agreement

TO THE MEMBERS OF VITAL COMMUNICATIONS LIMITED

We have examined the compliance of conditions of Corporate Governance by Vital Communications Ltd., for the year ended 31st March 2010, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchange.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of corporate Governance; it is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us, 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 the above-mentioned Listing Agreement.

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

**For G.P.Keshri & Associates
Chartered Accountants**

Place:- New Delhi

(Gopal Prasad Keshri)

Dated: 4th September ,2010

Prop.



Annexure to the Directors' Report

Annexure-B

Directors Responsibility Statement

Pursuant to provisions of Section 217 (2AA) of the companies Act, 1956, the Board of Directors of Vital Communications Ltd. having its registered office at 606, Kailash Building, Kasturba Gandhi Marg, New Delhi-110001, do hereby confirm -

- i that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- ii that the directors had selected such accounting policies and applied them consistently and made judgment and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of financial year and of the profit and loss of the company for that period.
- iii that the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other Irregularities.
- iv. that the directors had prepared the annual accounts on a going concern basis.

For and behalf of the Board

Place: New Delhi
Dated: 4th, September, 2010

Shyam Sundar
Director



INFORMATION ON CORPORATE GOVERNANCE AS ON 31ST MARCH 2010

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

Vital Communications Ltd. (VCL) has been practicing of good corporate governance over the years. The Board of Directors supports the broad principle of corporate governance. In addition to the basic governance issues, the Board lays strong emphasis on transparency, accountability and integrity.

2. BOARD COMPOSITION AND PARTICULARS OF DIRECTORS

The Company's policy is to maintain optimum combination of Executive and Promotor Directors. The Board consists of 2 Executive Independent Directors and one Promotor Director.

THE CONSTITUTION OF THE BOARD AS ON 31ST MARCH 2010:

<u>Name of Director</u>	<u>Category</u>	<u>Directorship in other Companies</u>
1. Manoj Kumar	Executive	Channel Nine Entertainment Ltd.
2. Shyam Sundar	Executive	Sturdia Developers Pvt.Ltd.
3. Smt. Shubha Jhindal	Promotor	Avisha Credit Capital Ltd. Master Finlease Ltd. Channel Nine Entertainment Ltd. Mayur Development and Leasings Ltd. Hpc Biosciences Ltd.

3. BOARD PROCEDURE

A detailed agenda folder is sent to each Director in advance of Board and Committee meetings. To enable the Board to discharge its responsibilities effectively, the Director briefs the Board at every meeting on the overall Company performance. A detailed functional report is also placed at every Board Meeting.



4. ATTENDANCE RECORD OF THE DIRECTORS

During the year 2009-10 the Board met Seven times on the following dates, namely, 30.04.2009, 30.06.2009, 17.07.2009, 31.07.2009, 5.9.2009, 31.10.2009, and 31.1.2010.

The attendance record of the Directors is as under:

Name of Director	Category	Board Meetings	Last AGM on 30.9.2009
Manoj Kumar	Executive	7	Yes
Shyam Sundar	Executive	7	Yes
Shubha Jhindal	Promotor	7	Yes

5. AUDIT COMMITTEE

TERMS OF REFERENCE

The terms of reference of Audit Committee are as per the guidelines set out in the listing agreements with the Stock Exchanges that inter alia, include overseeing financial reporting processes, reviewing with the management the financial statements and adequacy internal control systems, reviewing the adequacy of internal audit function and discussion with internal auditors on any significant findings.

Audit Committee comprises of:

1. Mrs Shubha Jhindal
2. Mr. Manoj Kumar
3. Mr. Shyam Sundar

with Mrs. Shubha Jhindal as its Chairman.

The Committee held five meetings during the year under consideration on the following dates 30.4.2009, 31.7.2009, 5.9.2009, 31.10.2009, and 31.1.2010.

The attendance at the meetings was as under: -

Name of Director	Attendance Particulars
Mrs. Shubha Jhindal	7
Mr. Shyam Sundar	7
Mr. Manoj Kumar	7



6. REMUNERATION COMMITTEE

TERMS OF REFERENCE

The Remuneration Committee has been constituted to recommend and review the remuneration packages of the Executive Directors and to formulate a broad policy for managerial remuneration.

COMPOSITION AND ATTENDANCE

Chairperson : Mrs. Shubha Jhindal
Members : Mr. Manoj Kumar , Mrs. Shubha Jhindal and Mr. Shyam Sundar.

7. REMUNERATION OF DIRECTORS: SITTING FEES AND SALARY

Name of Directors	Relationship with other Directors	Sitting Fees	Salary and Allowances and Reimbursement of Expenses
Mrs. Shubha Jhindal	None	Nil	Nil
Mr. Manoj Kumar	None	Nil	Nil
Mr. Shyam Sundar	None	Nil	Nil

As the no Director paid any remuneration so the formally the Committee held one meeting during 2009-10 on 31st March 2010.

The attendance at the meeting was as under:

Name of Director	Attendance Particulars
Mr. Shyam Sundar	1
Mr. Manoj Kumar	1
Mrs Shubha Jhindal	1

8. INVESTOR / SHAREHOLDERS' GRIEVANCES COMMITTEE

CONSTITUTION

Member : Mr. Shyam Sunder & Mr. Manoj Kumar
Chairperson :- Mrs. Shubha Jhindal
Compliance Officer: Mr. Shyam Sunder

TERMS OF REFERENCE

The Investor Grievances Committee looks into redressing of shareholders complaints like delay in transfer of



shares, delay in dematerialization of shares, non-receipt of Annual Report etc. The committee also oversees the performance of Share transfer department and recommends measures for overall improvement in the quality of investor services.

During the year the committee had 2 meetings to consider transfer, transmission, issue of duplicate share certificates and other investor's related matters.

Statistics of Investor Grievances addressed

Nature of Complaints / Applications Received		Transfer of Share, Demat Request , Remat request etc.
Number of shareholder complaints received	4	
Number of shareholder complaints not resolved to the Satisfaction of shareholders	NA	
No. of pending complaints as on March 31, 2010	4	

6. GENERAL BODY MEETING (LAST THREE AGM)

Date held On	Time	Venue	No. Of Spl. Resolutions Passed
30.09.2009	10.00 a.m.	Retreat Motel/Resort, Alipur, Main G.T. Karnal Road, Near Palla Mod, Delhi –110 036	0
30.09.2008	10.00 a.m.	Retreat Motel/Resort, Alipur, Main G.T. Karnal Road, Near Palla Mod, Delhi –110 036	0
29.09.2007	11:00 a.m.	Retreat Motel/Resort, Alipur, Main G.T. Karnal Road, Near Palla Mod, Delhi –110 036	0

No postal ballot was used / invited for voting at these meeting in respect of special resolutions.

7. DISCLOSURES

A. RELATED PARTY TRANSACTIONS

There are no material transactions during the period that are prejudicial to the interests of Company.



All transactions covered under related party transactions are regularly ratified and/or approved by the Board

B. STATUTORY COMPLIANCES, PENALTIES AND STRICTURES

The Company has a Compliance Officer to advise the Company on compliance issues with respect to the laws of various jurisdictions in which the Company has its business activities and to ensure that the Company is not in violation of laws of any jurisdiction. The Compliance Officer ensures also compliance or otherwise of rules, regulations and guidelines applicable.

C. The company has complied with the requirement of Stock Exchanges, SEBI and other statutory authorities on matters related to capital markets during the last three years.

D. The Employee of the company is accessible to the senior management for any counseling or consultation and the company has not denied any employee access to the audit committee.

8. MEANS OF COMMUNICATION

a) The quarterly results have been published in the leading English and Hindi Newspapers and displayed on the web site of the Company. The results are also displayed on the BSE websites.

(b) At present no separate quarterly/ half-yearly reports are being sent to investors.

9. SHAREHOLDERS' INFORMATION

A. Annual General Meeting

Date 30th September, 2010

Time: 10.00 A.M.

Venue: Retreat Motel/Resort, Alipur, Main G.T.Karnal Road, Near Palla Mod, Delhi –110 036

B. Book Closure Date

September 29 to September 30, 2010

C. Financial Calendar 2010 - 11: April 1, 2010 to March 31, 2011

D. Dividend: Not Applicable

E. LISTING ON STOCK EXCHANGES (WITH STOCK CODE)

The Stock Exchange, Mumbai
(Code: 532325)
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai – 400 001

National Stock Exchange Of India Ltd.
(Code: VITALCOMM)
Exchange Plaza
Bandra-Kurla Complex
Bandra (E), Mumbai- 400 051



The Listing Fees for the financial year 2010-2011 have been Paid to Bombay Stock Exchange Ltd.

The ISIN Number (Demat) on the NSDL and the CSDL is INE 377B01012.

F. Market Price Data:

The monthwise stock data as traded on Bombay Stock Exchange (BSE) is given below:

Year 2009-10	High	Low	Volume
Month	(Rs.)	(Rs.)	(Nos.)
April 2009	0.85	0.68	26302
May 2009	1.35	0.71	98257
June 2009	1.74	1.30	232739
July 2009	1.40	1.15	52524
August 2009	1.35	1.01	34050
Sept 2009	1.30	1.01	96776
October 2009	1.37	1.00	85836
November 2009	1.15	0.96	17416
December 2009	1.07	0.77	326647
January 2010			
February 2010	1.20	0.94	193635
March 2010	1.17	0.79	147636

G. Performance in comparison to broad based indices such as BSE

Year 2009-10	BSE Sensex Avg.	Stock Price
Month		Rs.
April 2009	11403.25	0.74
May 2009	14625.25	1.29
June 2009	14493.84	1.38
July 2009	15670.31	1.16
August 2009	15666.64	1.16
September 2009	17126.84	1.12
October 2009	15896.28	1.12
November 2009	16926.22	1.02
December 2009	17464.81	1.00
January 2010	16357.96	0.00
February 2010	16429.55	1.04
March 2010	17527.77	0.90



H. REGISTRAR AND TRANSFER AGENTS

For shares held in Dematerialised as well as Physical Mode

Link Intime India Pvt. Ltd.,
A-40, 2nd Floor,
Naraina Industrial Area, Phase-II,
New Delhi-110028

I Transfer System

Physical Shares are received at the office of the Registrar. All are registered within 15 days from the date of receipt if the documents submitted are clear in all respects. A committee of Directors authorised for approval of share transfers meets as often as required and the certificates with demat request duly endorsed for transfer are returned to shareholders within stipulated time.

J. DISTRIBUTION OF SHAREHOLDING BY OWNERSHIP AS ON 31ST MARCH 2010

<u>Category</u>	<u>No. of shares held</u>	<u>Percentage of holding (%)</u>
Promoters Holding		
1. Indian Promoters	197	.01
2. Persons acting in concert	5720046	15.06
Sub- Total	5720243	15.07
3. Others		
a. Private Corporate Bodies	21988127	57.91
b. Indian Public	10261630	27.03
c. NRIs/ OCBs	NIL	NIL
d. Any Other	NIL	NIL
Sub- Total	32249757	84.93
Grand Total	37970000	100.00



Distribution of shareholding by size as on 31st March 2010

Nos. of equity shares held	No. Of Shareholders	No. Of Shares
10001 and above	153	26586144
5001 – 10000	153	1204308
2001 – 5000	547	4312124
1001 – 2000	562	969101
501 – 1000	926	866579
Less than 500 shares	2394	4031744
Total	4735	37970000

K. Shares held in Dematerialised form:

As on 31st March, 2010, 26.67 % shares were held in dematerialised form and rest in physical form.

ADDRESS FOR CORRESPONDENCE:

The shareholders may address their communication/ suggestion/ grievances/queries to:

Vital Communications Limited
606, Kailash Building,
Kasturba Gandhi Marg,
New Delhi 110001.

Website : www.vitalcommunications.com
E-mail : vital@vitalcommunications.com



Auditors' Certificate on compliance of conditions of Corporate Governance under Clause 49 of the Listing Agreement

TO THE MEMBERS OF VITAL COMMUNICATIONS LIMITED

We have examined the compliance of conditions of Corporate Governance by Vital Communications Ltd., for the year ended 31st March 2010, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchange.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance; it is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, 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 the above-mentioned Listing Agreement.

We state that in respect of investor grievances received during the year ended 31st March, 2010, the Registrars of the Company have certified that as at 31st March, 2010, there were no investor grievances remaining unattended/ pending for more than 30 days.

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

**For G.P.Keshri & Associates
Chartered Accountants**

**Place: New Delhi
Dated: 4th September, 2010**

**(Gopal Prasad Keshri)
Prop.**

CERTIFICATE UNDER CORPORATE GOVERNANCE REPORT

Certificate related to Code of Conduct for Director's/ Senior Management.

This is to certify that as per revised clause 49 of the Listing Agreement the code of conduct has been laid down for all the Board Members and Senior management of the company. The Board Members and Senior management personnel have affirmed compliance with Company's code of conduct for the year 2009-10.

**Place: New Delhi
Dated: 04 September, 2010**

**Shyam Sundar
Director**



AUDITOR'S REPORT

TO

THE MEMBERS OF **VITAL COMMUNICATIONS LTD.**

1. We have audited the attached Balance Sheet of M/s Vital communications Ltd. as at 31st March, 2010 profit & Loss Account and Cash Flow Statement of that date for the period 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 (hereinafter referred to as the 'Act'), we enclosed in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable:

Further to our comments 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 accounts as required by law have been kept by the Company, so far as it appears from our examination of such books.
- (iii) The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account.
- (iv) In our opinion the Profit & Loss Account and the Balance Sheet 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, 2010 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 and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act,1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
 - (a) In the case of Balance Sheet of the state of affairs of the Company as at 31st March,2010
 - (b) In the case of Profit & Loss Account of the Loss for the year ended on that date, and
 - (c) In the case of Cash Flow Statement for the year ended on that date

Place: New Delhi

Dated: 04 September 2010

**For G.P.Keshri & Associates
Chartered Accountants**

**(Gopal Prasad keshri
Prop.**



ANNEXURE TO THE AUDITORS REPORT

and on the basis of such checks of the books & records of the company as we considered appropriate and according to the information and explanations given to us, we further report that:

(i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

(b) The Company has physically verified during the year all its Fixed Assets. in accordance with a programme of verification, which in our opinion provides for physical verification of the fixed assets at reasonable intervals. According to the information and explanations given to us no material discrepancies were noticed on such verification.

(c) In our opinion and according to the information and explanations given to us, the Company has not made any disposals of any fixed assets during the year.

(i) (a) The Inventory has been physically verified by the management during the current year. In our opinion the frequency of such verification is reasonable.

(b) The procedure for the physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.

(c) The company has maintained proper records of inventory. No discrepancies were noticed on the physical verification between the physical stock and books records were not material.

(ii) (a) The Company has neither taken nor granted any loans, secured or unsecured from Companies, Firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956.

(b) Since the company has neither taken nor granted Loans to Companies, covered in the Register maintained under Section 301 of the Companies Act, 1956. Therefore issue of rate of interest and other terms and conditions of loan are not applicable.

(c) The company has neither taken nor granted loan to , companies , covered in the Register maintained under Section 301 of the Companies Act, 1956, Therefore issue of payment of principal are not applicable.

(d) Since the company has neither taken nor granted any loans from Companies, Firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956, therefore issue of overdue balance is not applicable.

(iii) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of the business for the purchase of inventory and fixed assets and for the sale of goods.

(iv) (a) Based on the audit procedure applied by us and according to the information and explanations provided by the management, we are of the opinion that there is no transactions that need to be entered into the register maintained under Section 301.

(b) In our opinion and according to the information and explanations give to us, there are no transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 and exceeding the value of Five lakh rupees in respect of any party during the year.



(v) The company has not accepted any deposit during the year from the public with in the meaning of provisions of Section u/s 58 A and 58 AA of the Companies Act 1956 and the rules made there under. Hence, this clause is not applicable to the company.

(vi) In our opinion, the company has an internal audit system commensurate with its size and the nature of its business.

(vii) As informed to us, the Central Government has not prescribed the maintenance of cost records under section 209(1)(d) of the companies Act, 1956.

(viii) According to the information and explanations given to us, the company is regular in depositing undisputed statutory dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income- tax, Sales tax, Wealth Tax, Custom Duty, Excise Duty, cess and any other statutory dues as applicable with appropriate authorities during the year. As at 31.3.2010 there are no undisputed dues payable for a period of more than six months from the date they became payable.

(ix) The Company neither have accumulated losses at the end of the year, nor incurred cash losses during the current year and the immediately preceding financial year.

(x) According to the information and explanation given to us there has been dispute of the company with the financial institution and bank with regard to the loan amount since a long time therefore repayment of loan stands pending.

(xi) The company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) The provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund / societies are not applicable to the company.

(xiv) In our opinion the company is not dealing in shares, securities, debentures and other investments.

(xv) According to the information and explanation given to us, the company has not given any guarantee for the loans taken by others from banks and financial institutions.

(xvi) The company has not taken any term loan during the year.

(xvii) In our opinion and according to the information and explanations given to us and as shown by the records examined by us no funds raised on short term basis have been used for long term investment and vice versa.

(xviii) The company has not made any preferential allotment of shares to parties and companies covered in the register maintained u/s 301 of the Companies Act, 1956 during the year.

(xix) The company has not issued any debenture, therefore the clause is not applicable

(xx) The company has not raised any money by public issues during the year.

(xxi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.



BALANCE SHEET AS ON 31st MARCH 2010

	<u>Schedule</u>	<u>As at 31st March 2010</u>	<u>As at 31st March 2009</u>
		Rs.	Rs.
SOURCES OF FUNDS			
Shareholders funds			
Share Capital	A	379700000	379700000
Reserve & Surplus	B	27156602	33402640
Loan Funds			
Secured Loans	C	12566851	12566851
TOTAL		<u>419423453</u>	<u>425669491</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	D	126613922	126613922
Less : Depreciation		<u>125433935</u>	<u>119464117</u>
Net Block		1179987	7149805
Capital WIP		<u>150000000</u>	<u>150000000</u>
		151179987	157149805
Investments	E	105500000	105500000
Deferred Tax Liability (Net)		(267554)	(612004)
Current Assets, Loans and advances			
Current Assets	F	96053674	96245147
Loans and Advances	G	<u>70566613</u>	<u>70667503</u>
		<u>166620287</u>	<u>166912650</u>
Less :Current Liabilities and Provisions			
Current Liabilities	H	3755983	3794315
Provisions		<u>0</u>	<u>0</u>
		<u>3755983</u>	<u>3794315</u>
Net Current Assets		162864304	163118335
Miscellaneous Expenditure	I	146717	513356
TOTAL		<u>419423453</u>	<u>425669491</u>
Statement of Significant Accounting Policies and Notes forming part of Accounts.	N		

"As per our report of even date"
For G.P.Keshri & Associates
Chartered Accountants

Shyam Sundar
Director

Manoj Kumar
Director

(Gopal Prasad Keshri)
Prop.
Date : 04, September,2010



PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2010

	Schedule	Year Ended 31st March 2010	Year Ended 31st March 2009
		Rs.	Rs.
INCOME			
Sales and Services		0	0
Other Income	J	0	0
		<u>0</u>	<u>0</u>
EXPENDITURE			
Staff Cost	K	26250	99750
Financial Cost	L	3195	14441
Administrative and Selling Expenses	M	224586	453990
Depreciation	D	5969818	8274248
Miscellaneous Expenditure Written off	I	366639	366639
		<u>6590488</u>	<u>9209068</u>
Profit before Tax		-6590488	-9209068
Less : Provisions for Taxation			
Fringe Benefit Tax		0	0
Deferred Income Tax		-344450	-2607722
Profit after Tax		-6246038	-6601346
Add : Balance brought forward from last year		-15398860	-8797514
Surplus carried to Balance Sheet		-21644898	-15398860
EPS : Basic		-0.1645	-0.1738
Diluted		-0.1645	-0.1738

Statement of Significant Accounting Policies and Notes forming part of Accounts.

N

"As per our report of even date"

For G.P.Keshri & Associates
Chartered Accountants

Shyam Sundar
Director

Manoj Kumar
Director

(Gopal Prasad Keshri)

Prop.

Date : 04, September, 2010

Place : New Delhi



Schedule to the Balance Sheet as on 31st March, 2010

	As at 31st March 2010	As at 31st March 2009
SCHEDULE A		
SHARE CAPITAL		
Authorised Share Capital		
4,10,00,000 Equity Shares of Rs. 10/- each.	<u>410000000</u>	<u>410000000</u>
Issued Subscribed and Paid up		
3,79,70,000 Equity Shares of Rs. 10/- each fully paid-up.	<u>379700000</u>	<u>379700000</u>
(1,00,00,000 Equity Shares of Rs. 10/- each allotted on Preferential basis under SWAP Arrangement)		
(20,00,000 Equity Shares of Rs. 10/- each allotted on Preferential basis to Promoters/ PAC's for Cash)		
(1,50,00,000 Equity Shares of Rs. 10/- each allotted by way of conversion of Loan into Equity)		
TOTAL	<u>379700000</u>	<u>379700000</u>
SCHEDULE - B RESERVE AND SURPLUS		
Share Premium	35800000	35800000
Share Forfeiture Account	8001500	8001500
General Reserve	5000000	5000000
Surplus as per Profit and Loss A/c Op. bal.	-15398860	-8797514
	<u>-15398860</u>	<u>-8797514</u>
Current Year Profit	<u>-6246038</u>	<u>-6601346</u>
TOTAL	<u>27156602</u>	<u>33402640</u>
SCHEDULE - C SECURED LOANS		
A) From Uttar Pradesh Financial Corporation (Secured against personal guarantee of Ex-Managing Director)	11342803	11342803
B) Working Capital Loan from Punjab & Sind Bank (Secured by hypothecation of stock and Book-debts)	1224048	1224048
TOTAL	<u>12566851</u>	<u>12566851</u>
SCHEDULE - E INVESTMENTS		
Unquoted Equity Shares at Cost	105500000	105500000
TOTAL	<u>105500000</u>	<u>105500000</u>
SCHEDULE - F CURRENT ASSETS		
Sundry Debtors (Unsecured Considered Good)		
Outstanding over six months	95621179	95847179
Other Debts	<u>0</u>	<u>0</u>
Cash in hands	105649	69068
Balance with Scheduled Bank		
- In Current accounts	4311	6365
- In Deposit accounts	<u>322535</u>	<u>322535</u>
TOTAL	<u>326846</u>	<u>328900</u>
	<u>96053674</u>	<u>96245147</u>



SCHEDULE - G LOANS AND ADVANCES (Unsecured, Considered Good)

Advances recoverable in cash or in kind or for value to be received	70566613	70667503
TOTAL	<u>70566613</u>	<u>70667503</u>

SCHEDULE - H CURRENT LIABILITIES AND PROVISIONS

A) Current Liabilities

Sundry Creditors	3755983	3794315
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B) Provisions

For Fringe Benefit Tax	0	0
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TOTAL	<u>3755893</u>	<u>3794315</u>
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SCHEDULE - I MISCELLANEOUS EXPENDITURE

(To the extent not written off or adjusted)

Preliminary Expenses	0	0		
Less : W/o During the Year	0	0	0	0
Public Issue Expenses	513356		879995	
Less : W/o During the Year	366639	146717	366639	513356
TOTAL		<u>146717</u>		<u>513356</u>

SCHEDULE - J OTHER INCOME

Other Income	0	0
TOTAL	<u>0</u>	<u>0</u>

SCHEDULE -K STAFF COST

Salaries & Allied Cost	26250	99750
TOTAL	<u>26250</u>	<u>99750</u>

SCHEDULE - L FINANCIAL COST

Interest & Bank Charges	3195	14441
TOTAL	<u>3195</u>	<u>14441</u>

SCHEDULE - M ADMINISTRATIVE AND SELLING EXPENSES

Advertisement Expenses	21571	18120
Auditors Remuneration	5515	5515
Communication Expenses	3422	9023
Vehicle Running & Maintenance	9725	0
Legal and Professional Expenses	18500	340916
Meeting Expenses	12500	9301
Custodian Charges	144184	45583
Domain Charges	1200	1400
Printing and Stationary Charges	3250	8239
Repair and Maintenance Charges	0	12733
General & Miscellaneous Expenses	4719	3160
TOTAL	<u>224586</u>	<u>453990</u>



VITAL COMMUNICATIONS LIMITED

SCHEDULE "D" - FIXED ASSETS

DESCRIPTION	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	OP. BAL.	ADDITION	CL. BAL.	OP. BAL.	FOR THE	CL. BAL.	AS ON	AS ON
	01.04.09		31.03.10	01.04.09	YEAR	31.03.10	31.03.10	31.03.09
PLANT MACHINERY	3946351	0	3946351	3946351	0	3946351	0	0
DIGITAL CONTENT	118635925	0	118635925	112994927	5640995	118635922	3	5640998
FURNITURE & FIXTURE	7251	0	7251	3670	459	4129	3122	3581
VEHICLES	3788911	0	3788911	2398245	317179	2715424	1073487	1390666
OFFICE EQUIPMENTS	235484	0	235484	120924	11185	132109	103375	114560
TOTAL	126613922	0	126613922	119464117	5969818	125433935	1179987	7149805
PREVIOUS YEAR	126613922	0	126613922	111189869	8274248	119464117	7149805	15424053



SCHEDULE-N: SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

(1) Basis of Accounting

The accounts have been prepared on the basis of historical costs and in accordance with applicable accounting standards except where otherwise stated. The company has adopted accrual method of accounting.

(2) Fixed Assets

- I. Fixed Assets are stated at cost less depreciation. Cost comprises the purchase price and any attributable cost of bringing the assets to working condition for its intended use.
- II. Expenditure for additions, improvements and renewals are capitalised and expenditure for maintenance and repairs is charged to the Profit & Loss Account. When assets are sold or discarded, their cost and accumulated depreciation is removed from the accounts and any gain or loss, resulting from their disposal is included in the Profit & Loss Account.

III. Capital work-in-progress

Advances paid towards the acquisition of fixed assets, and the cost of assets not put to use before the year-end, are disclosed with the capital work-in-progress.

(3) Depreciation

Depreciation is provided using the Straight Line Method at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956 other than on Plant & Machinery and Digital Content. Depreciation on additions during the year is provided on a pro-rata basis from the date of addition. Plant & Machinery mainly consist of computers and peripherals and the rate of depreciation @ 20% has been applied and depreciation on Digital Content have been provided @ 17.5% keeping in view the useful life of the assets.

(4) Inventories

Inventories are valued at the lower of cost or estimated net realisable value.

(5) Revenue Recognition

- (i) Sales are net of Tax, where applicable.
- (ii) Expenses are net of recoveries where applicable.

(6) Foreign Currency Transaction

- (i) Transactions in Foreign Currencies for Import of Material are converted at the rates prevailing on the date of transaction.



(ii) Current Assets realizable in Foreign Currency and Liabilities payable in Foreign Currency (other than for the Purchase of Fixed Assets) are not restated at the year end, however the exchange gain/loss arising out of the rates prevailing on the date of remittance is taken effected.

(iii) No liabilities incurred for the acquisition of Fixed Assets, the loss or gain arising on account of difference in exchange rate, as at the year end, is regarded as an adjustment of the cost of the relevant assets, and the same is included in the carrying amount of the related Fixed Assets.

(7) **Research and Development**

Research and Development expenses, of revenue nature, are charged to the Profit and Loss Account of the year in which they are incurred and those of capital nature are shown as addition to the respective fixed assets.

(8) **Retirement Benefits**

Provision for gratuity has been made as per the provisions of the Payment of Gratuity Act, 1972.

(9) **Amortization of Miscellaneous Expenditure**

Preliminary Expenses & Public Issue Expenses are written off over a period of ten years.

NOTES ON ACCOUNTS:

1. Previous year's figures have been re-grouped, re-cast or re-arranged to make them comparable with Current year's figures wherever deemed necessary.
2. Balance in personal accounts are subject to confirmation in certain cases.
3. The company is engaged in the production and development of Computer Software. The Production and Sale of such software cannot be expressed in generic unit. Hence it is not possible to give quantitative details as required under paragraph 3 and 4C of PART-II of Schedule VI to the Companies Act, 1956.



	Current Year Amount (Rs.)	Previous Year Amount (Rs)
Opening Stock	0	0
Sales/ Services		
Purchase of Products		
Closing Stock of Products	Nil	NIL
II. Remuneration to Auditors	Current Year	Previous Year
Audit fee	5515	5515
Other Matters		NIL
III Foreign Exchange Earnings	NIL	NIL
Export		
III Expenditure in Foreign Currency	NIL	NIL
IV Remuneration to Directors		
Salary, allowances and Reimbursement of Expenses	0	0
Contingent Liabilities (Against UPFC and P&SB disputed interest)	1, 12, 00,000	1, 12, 00,000

Figures in paise have been rounded off to the nearest rupee.

The company does not own any amount due to any Small Scale Industrial Unit outstanding for more than 30 days as on 31st March, 2010.

According to Accounting Standard-22, a net provision for deferred tax has been made Rs.- 344450/- (P/Y provision reversed by Rs. 2607722/-).

Segment Recording – The company has following business segments
(Rs. In Lacs)

Segment Revenue - Products/Services 0

Assets and Expenditure cannot be allocated segment wise.

Earnings Per Equity Share

Diluted EPS is calculated on weighted average basis as prescribed in accounting standard. Annualised per equity share have been calculated based on net profit after taxation.



Sundry Creditors do not include any amount due to small scale industrial undertaking.

There are certain disputes with UPFC/ PUNJAB & SINDH BANK. No interest provision is required to be made as per the opinion of the experts. Final settlement will be arrived at the figure not more than as stated in the balance sheet as on date. Therefore provision for the has not been made in the Balance sheet.

No Income Tax provisions have been made in absence of Taxable Profits during the year however provisions for Fringe Benefit Tax have been made.

The Company has not made any provision for the Interest on Secured Loan.

Appeal in respect of certain assessments of Income Tax are pending and additional tax liabilities/ refunds, if any is not determinable at this stage. Adjustment for the same will be made after the same is finally determined.

Old parties balances are subject to reconciliation.

Schedules **A** to **N** form an integral part of the Balance Sheet and Profit and Loss Account.

As per our report of even date attached.

For and on behalf of the Board

**For G.P.Keshri & Associates
Chartered Accountants**

**Mr. Shyam Sunder
Director**

(Gopal Prasad Keshri)

**Manoj Kumar
Director**

New Delhi

Dated : 04, September, 2010



CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2010

	2009-10	2008-09
	Rupees	Rupees
A CASH FROM OPERATING ACTIVITIES:		
Net Profit before tax and extraordinary items	(6590488)	(9209068)
Adjustments :		
Depreciation	5969818	8274248
Interest/Dividend	3195	14441
Misc.Expenditure written off	366639	366639
Other Income	0	0
Operating Profit before working Capital Changes	-250836	-553740
Adjustment for:		
Trade and other Receivable	(326890)	(692429)
Inventories	0	0
Trade Payable	(38332)	(107719)
Cash Generated from operations	(365222)	(800148)
Interest Paid	(3195)	(14441)
Cash Flow from Operating Activites	(619253)	(1368329)
B. CASH FROM INVESTING ACTIVITIES.		
Purchase of Fixed Assets /Capital WIP	0	0
Increase in Misc. Expenditure	0	0
Other Income	0	0
Purchase of Investment	0	0
Net Cash used in Investing Activities	0	0
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds against share Capital	0	0
Proceeds from Long Term Borrowings	0	0
Net increase in other Borrowings	0	0
Income Tax paid	0	0
Net Cash flow in Financing Activities	0	0
Net increase in Cash & Cash Equivalents(A+B+C)	(619253)	(1368329)
Opening Balance of Cash & Cash Equivalents	397968	402550
Closing Balance of Cash & Cash Equivalents	432495	397968

"As per our report of even date"

For G.P.Keshri & Associates

Chartered Accountants

**Shyam Sundar
Director**

**Manoj Kumar
Director**

(Gopal Prasad Keshri)

Prop.

Date : 04 September,2010

Place : New Delhi



VITAL COMMUNICATIONS LIMITED

**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
AS PER SCHEDULE VI, PART IV OF THE COMPANIES ACT, 1956**

I. Registration Details			
Registration No. 65076		State Code	55
Balance Sheet Date		31.03.2010	
II. Capital Raised during the year (Amount in Rs. Thousand)			
a) Public Issue			NIL
b) Right Issue			NIL
c) Bonus Issue			NIL
d) Private Placement			NIL
III. Position of Mobilisation and Deployment of Funds:			
			(Rs. In Thousand)
Total Liabilities	419423	Total Assets	419423
<u>Sources of Funds</u>			
Paid up Capital	379700	Reserve & Surplus	27157
Secured Loan	12567	Unsecured Loans	0
<u>Application of Funds</u>			
Net Fixed Assets	151180	Misc. Expenditure	147
Investments	105500	Deferred Tax Liability (Net)	(268)
Net Current Assets	162864		
IV. Performance of the Company (Amount Rs. In Thousand)			
Turnover	0	Total Expenditure	6590
Profit before tax	-6590	Profit after tax	-6246
Earning per share in Rs.	-0.16	Dividend rate %	NIL
V. Generic Names of three Principal Products/Services of Company			
			N. A.

Shyam Sundar
Director

Manoj Kumar
Director

Date : 04 September,2010.

Place : New Delhi



ATTENDANCE SLIP

VITAL COMMUNICATIONS LIMITED

Regd. Office: 606, Kailash building, Kasturba Gandhi Marg, New Delhi - 110001

Name & Address of the Shareholder

Ref.Folio No. / DPID Client ID No.

No.of Shares held :

I hereby record my presence at the 15th **Annual General Meeting** of the Company held on Thursday the 30th September, 2010 at 10.00 A.M .at Retreat Motel/Resort, Alipur, Main G.T.Karnal Road, Near Palla Mod, Delhi –110 036

Name of the Shareholder / Proxy Present -----

Signature of the Shareholder / Proxy Present -----

Note: Shareholders /Proxy holder wishing to attend the meeting should bring the attendance slip to the meeting and hand over the same at the entrance duly signed.

..... (TEAR HERE)



PROXY FORM

VITAL COMMUNICATIONS LIMITED

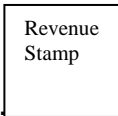
Regs. Office: 606, Kailash building, Kasturba Gandhi Marg, New Delhi - 110001

I/We.....
Of..... being a
member/members of Vital Communications Limited hereby appoint
.....of
.....of failing him
.....of.....
..... as my/our proxy to vote for
me/us and on my /our behalf at the 15th **Annual General Meeting** of the company to be
held on Thursday, the 30th September, 2010 at any adjournment thereof.

Signed this Day of 2010

Ref.Folio No. / DPID Client ID No.

Signature



No.of Shares

- 1 The proxy need not be a member of the Company
- 2 The proxy must be returned so as to reach the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting.