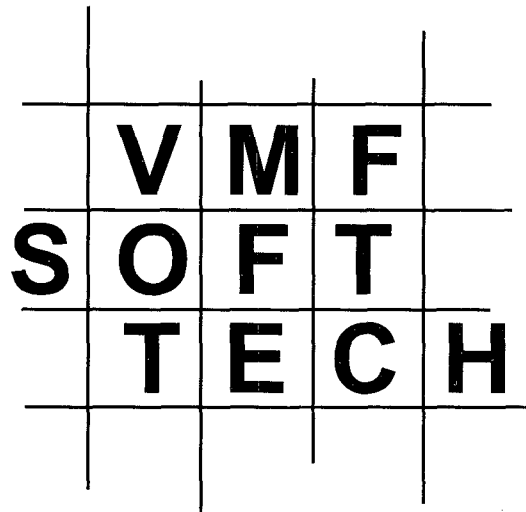


# **VMF SOFT TECH LIMITED**



**ANNUAL REPORT 2008 - 2009**



## **VMF SOFT TECH LIMITED**

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### **BOARD OF DIRECTORS**

Krishna Reddy Chintam	:	Managing Director
Niranjan Reddy Chintam	:	Director
Rajendra Vithal Naniwadekar	:	Director
Penumatcha Krishnam Raju	:	Director
Manthana Venkata Sivarama	:	Director
Udayan K. Mandavia	:	Director (Up to 09.04.2009)
Kedar R. Mehta	:	Director (Up to 09.04.2009)

**AUDITORS** : M/s. Mahesh, Virender & Sriram  
Chartered Accountants

**BANKERS** : Union Bank of India

**REGISTERED OFFICE** : 22-240/5, Nanditya Complex,  
Opp:Kphb Colony, Kukatpally,  
Hyderabad

**REGISTRARS** : XL Softech Systems Ltd  
3, Sagar Society, Raod No. 2,  
Banjara Hills, Hyderabad – 500034.

## NOTICE

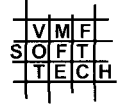
NOTICE is hereby given to the Members that 15th Annual General Meeting of the Company will be held on Wednesday, the 9th December, 2009 at 11.00 A.M. at the Registered office of the Company at 22-240/5, Nanditya Complex, Opp: Kphb Colony, Kukatpally, Hyderabad to transact the following business:

### **ORDINARY BUSINESS:**

1. To receive, consider and adopt the Balance Sheet as at 30th June, 2009, Profit & Loss Account for the year ended as on that date along with the Director's Report and Auditors Report thereon.
2. To appoint a Director in the place of Mr. Penumatcha Krishnam Raju who retires by rotation and being eligible offers himself for reappointment.
3. To appoint Statutory Auditors to hold office from the conclusion of this Annual General Meeting up to the conclusion of the next Annual General Meeting office of the Company and to authorize the Board of Directors to fix their remuneration.

### **SPECIAL BUSINESS:**

4. To consider and if thought fit, to pass, with or without modification(s) the following resolution as an Ordinary Resolution:  
 "RESOLVED THAT Mr. Krishna Reddy Chintam, who was appointed as an Additional Director of the Company by the Board of Directors and who holds the office under Section 260 of the Companies Act, 1956 until the date of the Annual General Meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of a director under Section 257 of the companies Act, 1956 along with the requisite deposit, be and is hereby appointed as a director of the company liable to retire by rotation."
5. To consider and if thought fit, to pass, with or without modification(s) the following resolution as an Ordinary Resolution:  
 "RESOLVED THAT Mr. Niranjan Reddy Chintam, who was appointed as an Additional Director of the Company by the Board of Directors and who holds the office under Section 260 of the Companies Act, 1956 until the date of the Annual General Meeting and in respect of whom the Company has received a notice in writing proposing his candidature for the office of a director under Section 257 of the companies Act, 1956 along with the requisite deposit, be and is hereby appointed as a director of the company liable to retire by rotation."
6. To consider and if thought fit, to pass, with or without modification(s) the following resolution as an Ordinary Resolution:  
 "RESOLVED THAT Mr. Rajendra Vithal Naniwadekar, who was appointed as an Additional Director of the Company by the Board of Directors and who holds the office under Section 260 of the Companies Act, 1956 until the date of the Annual General Meeting; and in respect of whom the Company has received a notice in writing proposing his candidature for the office of a director under Section 257 of the companies Act, 1956 along with the requisite deposit, be and is hereby appointed as a director of the company liable to retire by rotation."
- 7\*. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:  
 "RESOLVED THAT pursuant to the provisions of Regulation 12 of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 as amended from time to time, consent of the members be and is hereby accorded for change in control and management of the



## **VMF SOFT TECH LIMITED**

Company from the existing persons in control to Mr. Krishna Reddy Chintam and Mr. Niranjan Reddy Chintam who were inducted in the Board of Directors and the Board of Directors be and is hereby authorised to do all such acts and deeds as may be required in this connection".

"FURTHER RESOLVED THAT the consent of the members be and is hereby accorded to dispense with the requirement of making the Public Announcement and Open Offer for Shares by the new incumbents under the SEBI ( Substantial Acquisition of Shares and Takeovers) Regulations, 1997 as amended, as provided in Regulation 12 of the said Regulations".

- 8\*. To consider and if thought fit, to pass, with or without modification(s) the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to provisions of Section 198, 269, 309, 310 of Companies Act, 1956, and other applicable provisions if any, read with Schedule XIII there to and consent of the members of the company be and is hereby given for the appointment of Mr. Krishna Reddy Chintam as Managing Director of the Company for a period of 3 years with effect from 09.04.2009."

"FURTHER RESOLVED THAT Mr. Niranjan Reddy Chintam, Director of the Company be and is hereby authorised to digitally sign and file necessary e forms with Registrar of Companies, Andhra Pradesh to give effect to the above appointment."

9. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 372A and other applicable provisions if any, of the Companies Act, 1956 and subject to such approvals, consents, sanctions and permissions of appropriate authorities, departments or bodies as may be necessary, consent and approval of the Company be and are hereby accorded to the Board of Directors of the Company to invest/acquire from time to time by way of subscription, purchase, conversion or otherwise Equity Shares, Preference Shares, Debentures (whether convertible or non-convertible) or any other financial instruments of any bodies corporate, whether in India or outside, which may or may not be subsidiary of the Company as the Board may think fit, not exceeding Rs 50 Crores."

"FURTHER RESOLVED THAT the Board of Directors of the Company be and are hereby authorized to take such steps as may be necessary and to sign and execute deeds, applications, documents and writings that may be required, on behalf of the company and to do all acts, deeds and things that may be necessary, proper, expedient or incidental for the purpose of giving effect to the aforesaid resolution."

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

"RESOLVED THAT the consent of the company be and is hereby accorded pursuant section 293(1)(d) of the monies for and on behalf of the company from time to time (excluding temporary loans obtained from the company's bankers in the ordinary course of business), not withstanding that the monies to be borrowed, together with the money already borrowed by the company (excluding temporary loans obtained from the company's bankers in the ordinary course of business) exceeding the aggregate of the paid up capital of the company and its free reserves, that is to say, reserves not set apart for any specific purpose, not exceeding Rs. 25 crores."

"RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board be and is hereby authorized to do all such acts, deeds, matters and things as it may in its absolute discretion consider necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard thereto".

By Order of the Board

Sd/-

**KRISHNA REDDY CHINTAM**  
Managing Director

Place: Hyderabad  
Date: 31.10.2009

## NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF. A PROXY NEED NOT BE A MEMBER. THE PROXY FORM DULY FILLED IN SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE TIME FIXED FOR THE COMMENCEMENT OF THE MEETING.
2. The Register of Members and Share Transfer Books shall remain closed from 5th December, 2009 to 9th December, 2009 (inclusive of both the dates)
3. Members desirous of seeking any information of accounts to be explained at the meeting are required to write to the Company at an early date to facilitate compilation of the information.
4. Member/Proxy holder must bring the attendance slip to the meeting and hand it over at the entrance duly signed.
5. Members are requested to quote their Registered Folio No or Demat Account No and Depository Participant Identification Number (DPID No) on all correspondence with the Company.
6. Shareholders are requested to bring their copy of Annual Report to the meeting.
7. An Explanatory statement pursuant to Section 173 (2) of the Act, is annexed herewith.
- 8\*. Members are hereby informed that Item No. 7 & 8 required to be passed by Postal Ballot pursuant to Regulation 12 of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations – 1997 as any such Change in Management of the company requires the approval of members of the Company by way of a Special Resolution at a General Meeting and also by way of Special Resolution through Postal Ballot as provided under Companies (Passing of Resolution by Postal Ballot) Amendment Rules, 2001.

### EXPLANATORY STATEMENT

(Pursuant to Section 173(2) of the Companies Act)

#### Item No. 4, 5 and 6.

The Board Co-opted Mr. Krishna Reddy Chintam, Mr Niranjan Reddy Chintam and Mr. Rajendra Vithal Naniwadekar as Additional Directors of the Company in order to broad-base the Board at their meeting held on 23rd December, 2008. Pursuant to Section 260 of the Companies Act, 1956 and such directors shall hold office of director up to the date of this Annual General Meeting.

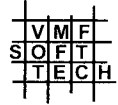
Considering their rich experience, the Board recommends that they should be appointed as directors liable to retire by rotation. Further the company has received a special notice in writing from a member as per the provisions of Section 257 of the Companies Act, 1956 requires the approval of the members in their meeting.

Further considering their vast experience the Board commends this resolution for your approval.

None of the Directors except Mr. Krishna Reddy Chintam, Mr Niranjan Reddy Chintam and Mr. Rajendra Vithal Naniwadekar are interested in this resolution.

#### Item No. 7:

Mr. Krishna Reddy Chintam and Mr. Niranjan Reddy Chintam were inducted into the Board of Directors by being appointed as Additional Directors of the Company on 23rd December, 2008. The aforesaid Directors are now willing to take charge of the Management and Control of Affairs of the Company. The Board of Directors of the Company accorded their consent by passing resolution at the Board Meeting held on 8th August, 2009 to give effect to the aforesaid change in Management and Control of the Company.



## **VMF SOFT TECH LIMITED**

Pursuant to Regulation 12 of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations – 1997, any such Change in Management of the company requires the approval of members of the Company by way of a Special Resolution at a General Meeting and also by way of Special Resolution through Postal Ballot as provided under Companies (Passing of Resolution by Postal Ballot) Amendment Rules, 2001, approving such change in Management. Hence, the same is commended for your approval.

None of the Directors of the Company except Mr. Krishna Reddy Chintam and Mr. Niranjan Reddy Chintam are interested in the above resolution.

### **Item No. 8:**

Following the resignation of Mr. Udayan K. Mandavia, the Board of Directors, in its meeting held on 9th April, 2009 appointed Mr. Krishna Reddy Chintam as the Managing Director of the Company considering his rich experience, subject to the approval of Members.

As per the provisions of Section 269 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII of the said Act, requires appointment of the Managing Director to be ratified by the members in the General Meeting. Hence the above resolution is commended for your approval.

None of the Directors of the Company except Mr. Krishna Reddy Chintam, Mr. Niranjan Reddy Chintam are interested in the above resolution.

### **Item No. 9:**

Section 372A of the Companies Act, 1956 provides that the Board of Directors of any Company shall be entitled to invest in the shares of any body corporate up to 60% of the paid-up capital and free reserves or 100% of its free reserves whichever is higher. The Board of Directors of your Company is considering the proposal to invest/acquire from time to time by way of subscription, purchase, conversion or otherwise Equity Shares, Preference Shares, Debentures (whether convertible or non-convertible) or any other financial instruments of any bodies corporate, whether in India or outside.

As such kind of investments would exceed the aforesaid limits, your approval is sought to authorise the Board to make such investment.

Hence, the same is now placed in the General meeting of the Members for your approval.

None of the Directors is interested in this resolution.

### **Item No. 10:**

Section 293(1)(d) of the Companies Act, 1956 provides that the Board of Directors of any Company shall be entitled to borrow monies in excess of the paid up capital and free reserves of the company, subject to the approval of members of the company by way of an ordinary resolution. The Board of Directors feel that it is necessary for the Company to borrow monies in the ordinary course of business to finance the operations of the Company.

As the Company feels that such borrowing would exceed the limits, i.e., the paid up capital and the free reserves of the Company, your approval is sought to authorise the Board to borrow such amounts.

Hence, the same is now placed in the General meeting of the Members for your approval.

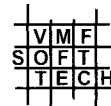
None of the Directors is interested in this resolution.

By Order of the Board

Sd/-

**KRISHNA REDDY CHINTAM**  
Managing Director

Place: Hyderabad  
Date: 31.10.2009



## **VMF SOFT TECH LIMITED**

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### **ADDITIONAL INFORMATION OF DIRECTORS SEEKING RE-APPOINTMENT AT THE ANNUAL GENERAL MEETING (pursuant to clause 49 of the listing agreement)**

#### **Krishna Chintam**

Krishna Chintam has more than 20 years of experience in strategy, marketing, finance, and operational management of companies. He founded several successful IT companies during the last decade like LGI, Inc. GCP, Inc. that made their mark globally. Under his leadership the companies have grown from locally-operated organizations to worldwide organizations with operations in United States, India, China and Latin America. Both the companies have been later acquired one by a well-reputed BSE Trading company and the other by a globally reputed organization. Krishna has solid experience in Product Development, Program Management, Consulting and Software Application Development. He also has domain expertise in Financial, Telecom, Federal, and Bioinformatics. He received his MBA from the Kellogg School of Business, Northwestern University, Chicago. He holds a Masters degree in Electrical Engineering from Virginia Tech, Virginia, USA; and a Bachelors degree in Electrical and Electronics Engineering from Andhra University, India.

#### **Niranjan Chintam**

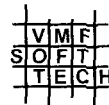
Niranjan is a recognized leader and innovator in the area of middle market Mergers and Acquisitions services to privately held businesses - a financial and strategic leader with domestic and international experience. Prior to joining VMF Soft Tech Limited, he was the Vice President of Corporate Development and Head of Mergers and Acquisitions Group for one of the fastest growing companies in the United States. Niranjan brings more than two decades of Telecommunications and Information Technology, Operations, Business Development, and M&A experience. He has held various positions including senior positions with Concert Communication, Cincinnati Bell and SecureInfo. Currently as a Mergers & Acquisitions consultant, he is advising clients in US and around the globe on many broad based corporate finance and M&A assignments. He has managed and closed M&A transactions in North America and Asia. Niranjan received his M.B.A from Wharton Business School.

#### **Rajendra Naniwadekar**

Rajendra is an investment strategist with over 20 years experience in the Indian securities market. He was the President of the Hyderabad Stock Exchange and was a member of its Governing Board for over a decade. He played a key role during the crucial period over which the Indian Capital Market experienced a structural change in Market Regulation and the Trading platform changed from physical to electronic form. He is an independent consultant to corporations on issues of valuation, capital structure and acquisitions. He deals extensively with clients in the technology, financial and power sectors, providing corporate finance advisory services on topics ranging from capital structure, valuation, M&A, capital market access and corporate governance. As an advisor and/or independent director on the Board of a few Indian companies, he plays an active role in improving the shareholder value. He holds an MBA in Finance.

#### **P. Krishnam Raju**

Shri. P. Krishnam Raju, is B.Tech. from J.N.T.U., Ananthapur. He served at BHEL for 13 years in various executive capacities. After voluntarily retiring from BHEL in 1992, he started his entrepreneurial career with a Mechanical Engineering venture. Mr. Raju is currently involved in corporate management and financial planning.



## **VMF SOFT TECH LIMITED**

### **DIRECTORS' REPORT**

Dear Members,

Your Directors have pleasure in presenting the 15th Annual Report together with the Audited Accounts of the Company for the Period ended 30th June, 2009.

### **FINANCIAL RESULTS**

	<b>2008-09 (15 months -Rs. in lakhs)</b>	<b>2007-08 (12 months - Rs. in lakhs)</b>
Profit/(Loss) before taxes	(122.09)	4.29
Deferred Tax Asset	2.08	(19.85)
Provision for FBT	0.18	0.20
Profit/(Loss) after taxes	(124.36)	(15.76)

### **REVIEW OF OPERATIONS**

Dear Members,

Your Directors have pleasure in presenting the 15th Annual Report together with the Audited Accounts of the Company for the Period ended 30th June, 2009.

### **DIVIDEND:**

Due to losses incurred by the company your directors do not recommend any dividend for the financial year 2008-2009.

### **FIXED DEPOSITS:**

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

### **DIRECTORS**

At the ensuing Annual General Meeting of the Company Mr. P Krishnam Raju is liable to retire by rotation and being eligible offers himself for re-appointment. During the year Mr. Udayan K. Mandavia resigned as Managing Director as well as Director and Mr. Kedar R. Mehta resigned as Director of the Company to pursue other business interests.

The Board wishes to place on record its appreciation for the services rendered by Mr. Udayan K. Mandavia and Mr. Kedar R. Mehta as Managing Director and Director respectively.



## **VMF SOFT TECH LIMITED**

### **DIRECTORS' RESPONSIBILITY STATEMENT**

In pursuance of the provisions of section 217(2AA) of the Companies Act, 1956 and based upon observations made, the Directors hereby confirm that:

- i. In the preparation of the Annual Accounts, the applicable Accounting Standards have been followed and there are no material departures;
- ii. They have selected such Accounting Policies in consultation with the statutory auditors and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 30th June, 2009 and of the profit or loss of the company for the year ended on that date;
- iii. They have 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. They have prepared the Annual Accounts on a going concern basis.

### **AUDITORS**

M/s. Mahesh, Virender & Sriram, Chartered Accountants, Hyderabad retire as Auditors of your Company at the conclusion of this Annual General Meeting and are eligible for reappointment. They have signified their willingness to accept re-appointment and have further confirmed their eligibility under Section 224 (1-B) of the Companies Act, 1956. The Board recommends their re-appointment.

### **REPLY TO AUDITORS' OBSERVATIONS**

Notes No:6 - Regarding non-confirmation of balances from various parties:

The Company is in the process of obtaining the confirmation of balances on a going concern basis.

Notes No:7 - Regarding non-provision for proportionate liability on account of employees' retirement benefits, which have not been quantified.

The Company is in the process of evaluating the same.

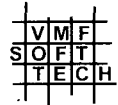
Notes No:8- Regarding assignment of certain receivables of the company to the ex-managing director. The Company had given performance related bank guarantees, which we would we violating if we did not continue servicing the customer. The ex-managing director has had the relationship with the customer for several years, and was willing to make the investments required to service the customer. In order to avoid any performance related penalties, claims, and legal issues from the customer the receivables were assigned to the ex-managing director as compensation for taking over the liabilities, claims, penalties; and for servicing the customer.

Notes No:9 - Regarding sale of certain fixed assets of the company to a company in which ex-employees have controlling interest.

Keeping the long term interests of the Company, the management decided to move the development office to Hyderabad, and maintaining two development centers would be expensive. Hence, we decided to dispose the office in Ahmedabad. We believe the though the assets were sold to a company in which the ex-employees have controlling interest, the consideration received was not prejudicial to the interests of the Company.

Notes No:10 - Regarding non provision of loss, if any, on account of unquoted investments market value not ascertainable.

The investments were made keeping the long term growth plans and the Company's best interest in mind. We believe that the value of the investments, though unquoted, still looks optimistic.



# **VMF SOFT TECH LIMITED**

## **MANAGEMENT DISCUSSION & ANALYSIS:**

### **Industry Structure and Development**

According to NASSCOM Strategic Review Report 2009, IDC estimates total spending of \$ 557 billion on IT services in 2008, an increase of 5.5% over last year. Within the IT services market, outsourcing was the fastest growing segment in 2008, estimated to have grown by 21%. The economic downturn contributed to reductions in spending in the last quarter of 2008 and the first quarter of 2009. This turn led to both pricing and volume pressures for IT service providers.

### **Opportunities and Threats**

India is a leading destination for Software and IT enabled services. The proven track record and client relationships of established Indian Information Technology and Software services companies, favorable wage differentials and a regulatory environment more friendly to investments are facilitating India's emergence as a Global Hub.

However, the crisis in the financial sector led to a lower confidence in financial markets leading to a global credit crunch. The past year has been some of the fastest and sharpest falls in both the financial marketplace as well as the industrial economy. The sources reveal that the advanced economies declined by 7.5 percent in real Gross Domestic Product during the third quarter of the last financial year. Although the U.S. economy was among the hardest hit, the crisis also had its cascading effect on economies in both Western Europe and Asia.

## **INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:**

The company has internal and external audit systems in place. The control system of the company consists of standard practices and processes, a appropriate audit program, and a risk monitoring system.

## **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO:**

A Statement giving details of Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo in accordance with the provisions of 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 given in Annexure - I to this report.

## **PARTICULARS OF EMPLOYEES**

There were no employees drawing remuneration in excess of the limits mentioned under Sec.217 (2A) of the Companies Act, 1956 read with the relevant rules made there under during the financial year 2008-2009.

## **CORPORATE GOVERNANCE**

In terms of Clause 49 of the Listing Agreement a separate Report on Corporate Governance is enclosed as Annexure-II to this report.

## **ACKNOWLEDGMENTS**

Your directors wish to place on record their gratitude for the support received from Bankers, Government Departments, suppliers, clients and look forward for their continued support and co-operation. Your directors record their special appreciation to the employees and officers for their sustained efforts and contribution to the Company. Your directors also thank the shareholders and investors for their support and confidence reposed in

For and on behalf of the Board.

Place: Hyderabad  
Date: 31.10.2009

Sd/-  
**KRISHNA REDDY CHINTAM**  
Managing Director

## VMF SOFT TECH LIMITED

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### ANNEXURE - I

#### PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE INFLOW AND OUTGO

Information as required under Section 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, forms to extent applicable are given below:

Details of Conservation of Energy:

1. The operations of your company do not consume high level of energy. However, adequate measures have been taken to conserve energy by using efficient computers and peripherals.
2. Foreign Exchange Earnings : 89.91 lakhs
3. Foreign Exchange Outgo : NIL
4. Technology Absorption : NIL
5. Research and Development : NIL
6. Technology absorption, adaptation and Innovation : NIL

Place: Hyderabad  
Date: 31.10.2009

Sd/-  
**KRISHNA REDDY CHINTAM**  
MANAGING DIRECTOR

### ANNEXURE - II

#### CORPORATE GOVERNANCE REPORT FOR THE YEAR 2008-2009 (Pursuant to Clause 49 of the Listing Agreement)

##### COMPANY'S PHILOSOPHY ON THE CODE OF GOVERNANCE

The Company's philosophy of Corporate Governance is aimed at assisting the top management of the company in the efficient conduct of the business and in meeting its obligation to stakeholders, and is guided by a strong emphasis on transparency, accountability and integrity. Company believes in sharing the entire information about its operations with the investors. Since several years, company is committed to values and ethical business conduct. This includes its corporate and other structure, its culture its policies and the manner in which it deals with its stakeholders.

##### BOARD OF DIRECTORS

###### Composition

As on 30th June, 2009, the Board of Directors consists of Five Directors comprising of One Promoter Non Executive Director, One Non Promoter Executive Director, One Non Promoter Non Executive Director, Two Non Executive Independent Directors.

###### Date of Board Meetings

Board of Directors met Thirteen times during the financial year 2008-2009 in the following dates and gap between two board meetings did not exceed four months.

## VMF SOFT TECH LIMITED

Sl.No	Date of the Board Meeting
1	29 <sup>th</sup> May, 2008
2	29 <sup>th</sup> June, 2008
3	25 <sup>th</sup> July, 2008
4	16 <sup>th</sup> October, 2008
5	23 <sup>rd</sup> December, 2008
6	1 <sup>st</sup> January, 2009
7	2 <sup>nd</sup> January, 2009
8	31 <sup>st</sup> January, 2009
9	2 <sup>nd</sup> February, 2009
10	19 <sup>th</sup> March, 2009
11	30 <sup>th</sup> March, 2009
12	9 <sup>h</sup> April, 2009
13	30 <sup>th</sup> April, 2009

### Attendance

S.No	Name	Category	Attendance at AGM held on 29.09.08	Attendance in Board Meeting	
				Held	Attended
1	Mr. Krishna Reddy Chintam	Non-Promoter Executive	N.A	13	6
2	Mr. Niranjan Reddy Chintam	Non-Promoter Non Executive	N.A	13	6
3	Mr. P. Krishnam Raju	Promoter Non Executive	Yes	13	10
4	Mr. Manthana Sivarama Raju	Independent Non-Executive	Yes	13	11
5	Mr. Rajendra Vithal Naniwadekar	Independent Non-Executive	N.A	13	7
6	Mr. Udayan K Mandavia	Promoter Executive	Yes	13	8
7	Kedar R Mehta	Independent Non-Executive	Yes	13	8

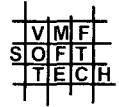
### AUDIT COMMITTEE

The terms of reference of the Audit committee are broadly as under:

### Composition

The composition of the committee is as under:

Mr. Manthana Sivarama Raju	Chairman
Mr. Rajendra V Naniwadekar	Member
Mr. P. Krishnam Raju	Member



## **VMF SOFT TECH LIMITED**

### **Meetings of the committee during the year**

During the Financial year 2008-09, the Audit Committee met Five times on 29th June, 2009, 25th July 2008, 16th October, 2008, 31st January, 2009 and 30th April, 2009.

### **REMUNERATION COMMITTEE**

The Remuneration Committee of the Board of Directors consist of three Non-Executive Directors.

#### **Composition:**

The composition of the committee is as under:

Mr. Manthena Sivarama Raju	Chairman
Mr. P. Krishnam Raju	Member
Mr. Rajendra V Naniwadekar	Member

#### **Details of remuneration paid to the Directors:**

- The remuneration paid to the directors during the financial year 2008-09 is Rs. 3,00,000.
- At present the Company is not paying any sitting fees to the Directors for attending the meetings of Board of Directors or Committee meetings

### **INVESTORS' GRIEVANCE COMMITTEE**

The committee is mainly constituted to review and redress investor grievances, and to give quick replies to investor queries. The committee looks after the services of the Registrars and share transfer agents and recommends measures for improving their services.

#### **Composition**

The Committee comprises of the following non-executive directors:

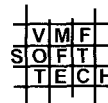
Mr. Rajendra V Naniwadekar	Chairman
Mr. Niranjan Reddy Chintam	Member
Mr. P. Krishnam Raju	Member

The complaints received by the Company during the financial year ending 30th June, 2009, were promptly addressed.

### **GENERAL BODY MEETINGS**

**Venue and time where the last three AGMs of the company were held:**

<b>Year</b>	<b>Location</b>	<b>Date</b>	<b>Time</b>
2007-2008	Regd. Office : 22-240/5, Nanditya Complex, Opp: Kphb Colony, Kukatpally Hyderabad	12.09.08	11.00AM
2006-2007	Regd. Office: 22-240/5, Nanditya Complex, Opp: Kphb Colony, Kukatpally Hyderabad	21.09.07	11.00AM
2005-2006	Regd. Office: 22-240/5, Nanditya Complex, Opp: Kphb Colony, Kukatpally, Hyderabad	08.09.06	11.00AM



## VMF SOFT TECH LIMITED

### Postal ballot:

During the year the company has passed an "ordinary resolution" under section 293 (1) (a) of the Companies Act, 1956 through postal Ballot and results were declared on 14.02.2009 by the Chairman.

The particulars of the Voting Pattern in the Postal Ballot are as:

No. of Members Voted for the Resolution	No. of Shares held by them	Votes cast in favour Resolution	Votes Cast against the Resolution	Invalid Votes	% Votes Cast in Favour of Resolution
102	2277561	2266651	4275	6635	99.52

Ms. P.Renuka, Company Secretary in practice was appointed as Scrutinizer for Postal Ballot process of the Company.

### DISCLOSURES

Materially significant related party transactions i.e. transactions of the company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc., that may have potential conflict with the interests of company at large : **Nil**

Details on non-compliance by the company, penalties and strictures imposed on the company by stock Exchange or SEBI or on any matter related to capital markets, during the last three years: **Nil**

**MEANS OF COMMUNICATION:** The quarterly/ annual unaudited/ audited financial results of the Company are sent to the Stock Exchanges after they are approved by the Board of Directors. The Management Discussion and Analysis forms part of the Annual Report.

### GENERAL SHAREHOLDER INFORMATION:

Annual General Meeting:

Day, Date and Time	Wednesday, 9 <sup>th</sup> December, 2009 at 11:00 AM
Venue	At the Registered office of the Company at 22-240/5, Nanditya Complex, Opp:Kphb Colony, Kukatpally, Hyderabad.

Financial Calendar	: 1st April, 2008 to 30th June, 2009
Dates of Book Closure	: 5th December, 2009 to 9th September, 2009 (Both days inclusive)
Listing on Stock Exchanges	: Bombay Stock Exchange Limited
Stock Code	: 519602
Scrip Name	: VMF SOFT

## VMF SOFT TECH LIMITED

### Market Price Data:

The monthly high and low quotations of equity shares of the company traded on The Stock Exchange, Mumbai during the financial year 2008-2009 are as follows:

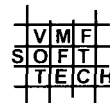
Date	High (Rs.)	Low (Rs.)
April, 2008	4.20	3.15
May, 2008	4.80	3.70
June, 2008	5.53	3.70
July, 2008	5.88	4.82
August, 2008	6.33	5.30
September, 2008	7.50	4.85
October, 2008	7.80	6.11
November, 2008	8.30	6.55
December, 2008	9.64	6.60
January, 2009	9.10	6.30
February, 2009	7.05	5.40
March, 2009	6.60	5.71
April, 2009	8.24	5.61
May, 2009	6.94	5.25
June, 2009	7.20	5.90

### Registrar and Share Transfer Agents

XL Softech Systems Limited  
3, Sagar Society, Road No. 2  
Banjara Hills, Hyderabad – 500 034

### Share Transfer System:

All the physical share transfers received are processed by the Share Transfer agents, M/s XL Softech Systems Limited, Hyderabad. The Company's shares are being traded in compulsory Demat form. The company has already entered into agreement with both the depositories i.e. NSDL and CDSL, for dematerialization of shares, which enables the shareholders to hold and transfer shares in electronic form



## VMF SOFT TECH LIMITED

### Share Holding Pattern:

Shareholding pattern as on 30th June, 2009 is as follows:

Sl. No.	Category	No. of Shares held	% of share holding
1.	Promoters	17,74,349	19.20
2.	Institutional Investors	Nil	Nil
3.	Private Corporate Bodies	11,40,829	12.35
4.	Public Shareholding	63,23,922	68.45
TOTAL		<b>92,39,100</b>	<b>100.00</b>

### Dematerialization of shares and liquidity

The company scrip is under compulsory demat form in The Stock Exchange, Mumbai. The Company has already entered into agreement with both the depositories, viz., NSDL and CDSL for dematerialization of its shares, the shareholders are free to dematerialize their shares and keep them in dematerialized form with any depository participant.

The International Securities Identification (ISIN) of the company is : INE 164B01014

Outstanding GDRs/ ADRs/ Warrants or any Convertible instruments, conversion date and likely impact on equity :

**Not Applicable**

Address for correspondence :

**VMF Soft Tech Limited**  
**22-240/5, Nanditya Complex,**  
**Opp: Kphb Colony, Kukatpally, Hyderabad.**

For and on behalf of the Board

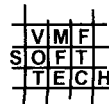
Place: Hyderabad

Date: 31.10.2009

Sd/-

**KRISHNA REDDY CHINTAM**  
Managing Director





## **VMF SOFT TECH LIMITED**

### **DECLARATION OF THE MANAGING DIRECTOR ON COMPLIANCE WITH CODE OF CONDUCT AND ETHICS:**

M/s VMF Soft Tech Limited has adopted a Code of Business Conduct and Ethics (the Code) which applies to all employees and Directors of the Company. Under code, it is the responsibility of all employees and directors to familiarize themselves with the code and comply with its standards.

I hereby certify that the Board Members and Senior Management Personnel of VMF Soft Tech Limited have affirmed compliance with the code for the Financial Year 2008-09

For and on behalf of the Board

Sd/-

**KRISHNA REDDY CHINTAM**  
Managing Director

Place: Hyderabad  
Date: 31.10.2009

**To**  
**The Board of Directors,**

VMF Soft Tech Limited  
We have certified that:

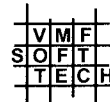
- a) We have reviewed financial statements and the cash flow statement for the financial year ended 30th June, 2009 and to the best of our knowledge and belief:
  - i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the internal control systems of the Company pertaining to the financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d) We further certify that:
  - i) There have been no significant changes in internal control during this year.
  - ii) There have been no significant changes in accounting policies during this year.
  - iii) There have been no instances of significant fraud of which we have become aware and the involvement therein, of the management or an employee having a significant role in the Company's internal control system.

For and on behalf of the Board

Sd/-

**KRISHNA REDDY CHINTAM**  
Managing Director

Place: Hyderabad  
Date: 31.10.2009



## VMF SOFT TECH LIMITED

### AUDITOR'S CERTIFICATE

#### CERTIFICATE OF COMPLIANCE WITH THE CODE OF CONDUCT DECLARATION UNDER CLAUSE 49

To  
The Members of  
VMF Soft Tech Limited  
We have examined the Compliance conditions of the Corporate Governance of M/s VMF Soft Tech Limited for the period ended 30th June 2009 as stipulated in clause 49 of the Listing Agreement with stock exchanges.

The Compliance with the conditions of Corporate Governance is the responsibility of the Management. Our examination has been limited to review the procedures and implementations thereof adopted by the Company for ensuring the compliance with the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statement of the Company.

In our opinion and to the best of our information and according to the explanations given to us and representations made by the Directors and the Management's, we certify that the company has complied with the conditions of the 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 no grievances of investors are pending for a period exceeding one month against the Company as per the records maintained by the Company.

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

**For Mahesh, Virender & Sriram**  
Chartered Accountants

Place: Hyderabad  
Date: 31st October 2009

sd/-

**(B R Mahesh)**  
Partner  
M.No. 18628

### AUDITOR'S REPORT

To  
The Shareholders of  
**M/s VMF Soft Tech Limited**  
Hyderabad

We have audited the attached Balance Sheet of **M/s VMF Soft Tech Limited Hyderabad** as at 30th June 2009 and also the profit and loss account for the year ended on that date.

1. 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, we enclose in the Annexure hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.

## **VMF SOFT TECH LIMITED**

4. Further to our comments in the Annexure referred to in paragraph 2 above, we report that:
- a. 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;
  - b. 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;
  - c. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;
  - d. In our opinion, the Balance Sheet and Profit and Loss Account and cash flow statement dealt with by this report comply with the mandatory Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
  - e. In our opinion, and based on information and explanations given to us, none of directors are disqualified as on 31st March, 2009 from being appointed as directors in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
  - f. Subject to
    - a. **Notes No: - 6 Regarding non - confirmation of balances from various parties.**
    - b. **Notes No: 7 regarding non-provision for proportionate liability on account of employees' retirement benefits, which have not been quantified.**
    - c. **Note no 8 – regarding assignment of certain receivables of the company to the ex-managing director.**
    - d. **Note No 9 – regarding sale of certain fixed assets of the company to a company in which ex-employees have controlling interest.**
    - e. **Note No 10 – regarding non provision of loss, if any, on account of unquoted investments market value not ascertainable.**
  - g. In our opinion and the best of our information and according to the explanations given to us, the said accounts read together with the Significant Accounting Policies and other notes thereon give the information required by the Companies Act, 1956, in the manner so required, and present 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 30th June, 2009;
    - b) In the case of the profit and loss account of the Loss for the year ended on that date. And
    - c) In the case of cash flow statement, of the cash flows for the year ended on that date

**For Mahesh, Virender & Sriram**  
Chartered Accountants

Place: Hyderabad  
Date: 31st October 2009

sd/-  
**(B R Mahesh)**  
Partner  
**M.No. 18628**

## VMF SOFT TECH LIMITED

### Annexure 'A' to Auditor's Report

#### Referred to in paragraph 2 of our report of even date

- i.
  - a. The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
  - b. The management during the year has verified all the fixed assets. There is a regular program of verification which in our opinion, is reasonable having regard to the size of the company and nature of its assets. No material discrepancies were noticed on such verification.
  - c. During the year, the company has disposed off a part of fixed assets. According to the information and explanation given to us, we are of the opinion that the sale of said part of fixed assets has not affected the going concern status of company.
- ii. The company does not have any inventory hence this clause is not applicable.
- iii. The Company neither granted nor taken any loans, secured or unsecured to / from companies, firms or other parties covered in the register in the register maintained under section 301 of the Companies Act, 1956.
- iv. In our opinion and according to the information and explanations given to us, there is an adequate internal control procedure commensurate with the size of the company and the nature of its business for the purchases of plant and machinery, equipment and other assets and for the sale of goods.
- v. In our opinion according to the information and explanation given to us, there are no transactions that need to be entered in pursuance of section 301
- vi. In our opinion and according to the information and explanations given to us, the company has not accepted any deposits from public to which the provisions of Section 58A and 58AA of the Act and rules framed there under.
- vii. In our opinion, the internal audit functions carried out during the year by a firm of Chartered Accountants appointed by the management have been commensurate with the size of the company and nature of its business.
- viii. Maintenance of cost records by the company has not been prescribed by the Central Government under Section 209 (1) (d) of the Companies Act, 1956.
- ix.
  - a. As per the records maintained by the company, the company is regular in depositing undisputed statutory dues including Provident Fund and income tax with the authorities. The company is not having investor education protection fund. According to the explanation and information given to us, we understand that the company is not liable for under sales tax and Employees State Insurance Acts.
  - b. As per the records and as per the information and explanation given to us, no undisputed amounts payable in respect of Wealth Tax, Sales Tax, Customs Duty and Excise duty and Cess as at 30th June 2009 for a period of more than six months from the date they became payable.
- x. The accumulated losses of the company as the end of the financial year have not exceeded fifty percent of its net worth as the end of the year. The company has not incurred cash losses during the year under review and in the financial year immediately preceding financial year also.
- xi. During the year under review the company has not taken any loans from the financial institutions.

## **VMF SOFT TECH LIMITED**

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- xii. 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. 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 the company.
- xiv. 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 the company.
- xv. The company has not given any guarantees for loans taken by others from banks or financial institutions.
- xvi. The company has not taken any term loan during the year under review.
- xvii. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that no funds raised on short-term basis have been used for long-term investment. No long-term funds have been used to finance short-term assets.
- xviii. According to the information and explanations given to us , the company has made preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Company's Act. In our opinion, the price at which shares have been issued is not prejudicial to the interests of the Company.
- xix. The company has not issued any debentures during the year under review.
- xx. The company has not raised any money by public issue during the year under review.
- xxi. 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.

Place: Hyderabad

Date: 31st October 2009

For **Mahesh, Virender & Sriram**  
Chartered Accountants

sd/-  
**(B R Mahesh)**  
Partner  
**M.No. 18628**

# VMF SOFT TECH LIMITED

## FINANCIAL DETAILS

Balance sheet as at 30/06/2009

Balance sheet as at	Sch	30-Jun-2009 (15 Months Period)	31-Mar-2008 (12 Months)
I. Source of funds			
(1) share holders funds			
(a) Capital	1	9 57 34 460	7 52 84 460
(b) Reserve & surplus	2	8 07 350	8 07 350
(2) Loan funds			
(a) Secured Loans		Nil	Nil
(b) Unsecured loans		Nil	Nil
(3) Deferred Tax Liability	3	17 38 077	15 29 981
<b>Total</b>		<b>9 82 79 887</b>	<b>7 76 21 791</b>
II. Application of funds			
(1) Fixed assets			
(a) Gross block	4	1 27 72 263	3 95 60 894
(b) Less depreciation		29 83 396	2 95 07 750
(c) Net block		97 88 867	1 00 53 144
(d) Capital work - progress		Nil	Nil
(2) Investments	5	5 49 87 526	2 27 28 381
(3) Current assets, loans and advances	6		
(a) Inventories		Nil	Nil
(b) Sundry debtors		37 03 817	4 14 05 948
(c) Cash and bank balances		14 98 635	96 343
(d) Other current assets		Nil	Nil
(e) Loans & advances		33 26 740	85 00 425
Less :			
(a) Liabilities &	7	1 71 500	1 73 28 330
(b) Provisions		18 850	20 667
Net current assets		83 38 842	3 26 53 719
(4) A. Miscellaneous expenditure to the extent not written off or adjusted	8	5 41 465	Nil
B. Profit and loss account	9	2 46 23 187	1 21 86 547
<b>Total</b>		<b>9 82 79 887</b>	<b>7 76 21 791</b>
		(0)	(0)

For and on behalf of Board of Directors

Vide our report of even date

Place: Hyderabad  
Date: 31st October 2009

For **Mahesh, Virender & Sriram**  
Chartered Accountants

sd/-

**KRISHNA REDDY CHINTAM**  
Managing Director

sd/-

**P KRISHNAM RAJU**  
Director

sd/-

**B R MAHESH**  
Managing Director  
Director Partner

## VMF SOFT TECH LIMITED

Profit and loss account for the period ended	Sch	30-Jun-2009	31-Mar-2008
	No	Rs.	Rs.
Income			
Sales	10	89 90 723	1 61 45 213
Interest Received		4 15 984	5 10 118
Dividend Received		1 89 201	Nil
Sundry Accounts Written Back		4 77 547	Nil
Total income		1 00 73 455	1 66 55 331
Expenditure			
Soft ware expenses	11	56 31 978	55 11 172
Personnel expenses	12	94 06 908	73 76 039
Administrative expenses	13	42 01 438	21 32 383
Finance charges	14	11 97 731	1 99 019
Depreciation	4	17 84 931	10 07 561
Miscellaneous Expenditure Written off		60 163	Nil
Total expenditure		2 22 83 149	1 62 26 174
Profit/Loss for the year		- 1 22 09 694	4 29 157
Less / Add : Deferred Tax Asset		- 2 08 096	- 19 85 151
Provision for Fringe Benefit Tax		- 18 850	- 20 667
<b>Profit for the year transferred Balance Sheet</b>		<b>- 1 24 36 640</b>	<b>- 15 76 661</b>

For and on behalf of Board of Directors

Vide our report of even date

For **Mahesh, Virender & Sriram**  
Chartered Accountants

Place: Hyderabad  
Date: 31st October 2009

sd/-  
**KRISHNA REDDY CHINTAM**  
Managing Director

sd/-  
**P KRISHNAM RAJU**  
Director

sd/-  
**B R MAHESH**  
Managing Director  
Director Partner

# VMF SOFT TECH LIMITED

## Schedules forming part accounts as at 30/06/2009

Schedules forming part accounts as at	30-Jun-2009	31-Mar-2008
<b>Schedule No : 1</b>		
Share Capital		
a. Authorised		
2,00,00,000 Equity shares		
Rs. 10.00 Each	20 00 00 000	10 00 00 000
(Previous year 1,00,00,000 shares of Rs. 10 Each		
b. Issued, subscribed & paid up		
92,39,100 Equity shares of Rs.10.00 Each	9 23 91 000	7 53 91 000
Previous year 75,39,100 Equity shares of Rs.10.00 Each		
c. Less : calls in arrears	- 1 06 540	- 1 06 540
d. Warrants Issued	34 50 000	Nil
<b>Total Share Capital</b>	<b>34 50 000</b>	
<b>Schedule No : 2</b>		
Reserve and Surplus		
[a] General reserve	2 40 000	2 40 000
[b] Capital Subsidy	5 67 350	5 67 350
<b>Total reserve and surplus</b>	<b>8 07 350</b>	<b>8 07 350</b>
<b>Schedule No : 3</b>		
Deferred Tax Liability		
[a] Deferred Tax Asset		
Opening Balance	15 29 981	4 55 170
[a] Deferred Tax Asset for the year	2 08 096	- 19 85 151
Closing balance	17 38 077	- 15 29 981
<b>Schedule No : 5</b>		
Investments		
[unquoted - at cost]		
Technovention Tradex pvt ltd	14 55 000	14 55 000
Medcomsys - USA	3 53 82 974	63 95 060
IGLILY INC - USA	1 81 49 552	Nil
Investments In Mutual Funds	Nil	1 48 78 321
<b>Total Investments</b>	<b>5 49 87 526</b>	<b>2 27 28 381</b>
<b>Schedule No : 6</b>		
Current Assets, Loans & Advances		
[b] Sundry Debtors		
[Unsecured and considered good]		
1. More than six months	37 03 817	4 64 77 346
2. Others	Nil	77 51 947



# VMF SOFT TECH LIMITED

## Schedules forming part accounts as at 30/06/2009

<b>Schedule No : 7</b>			
[a] Liabilities			
[1] Sundry Creditors	Nil		46 09 985
[including Rs Nil due to SSI units]			
[2] Outstanding Expenses	81 000		13 76 734
[3] Loans from Directors	90 500		58 43 291
[4] Advances Received	Nil		54 98 320
Total liabilities	1 71 500		1 73 28 330
[b] Provisions			
Provision for Fringe Benefit Tax	18 850		20 667
Total	18 850		20 667
<b>Schedule No : 8</b>			
Miscellaneous Expenditure to the ext not w/off			
Opening Balance	Nil		Nil
Additions during the year	6 01 628		Nil
Less: Written off during the year	- 60 163		Nil
Closing Balance	5 41 465		Nil
<b>Schedule No : 9</b>			
Profit and loss account			
Opening Balance of Loss	1 21 86 547		1 06 09 886
Add: Loss for the year	1 24 36 640		15 76 661
Closing Balance	2 46 23 187		1 21 86 547
<b>Schedule No : 10</b>			
Sales			
[a] Export sales			
[1] Soft ware division	89 90 723		1 57 16 663
[b] Local sales			
[1] Soft ware division	Nil		4 28 550
Total Sales	89 90 723		1 61 45 213
<b>Schedule No : 11</b>			
Soft ware expenses			
Sub Contract Expenses	56 08 508		53 95 071
Software Purchases	Nil		76 066
Domain Expenses	2 650		2 700
Computer maintenance	2 000		16 145
Repairs & Maintenance	18 820		21 190
Total soft ware expenses	56 31 978		55 11 172
<b>Schedule No : 12</b>			
Personnel Expenses			
Directors Remuneration	3 00 000		3 00 000
Salaries & Allowances	87 13 010		70 23 562
Staff welfare Exps	45 705		52 477
Total personnel expenses	90 58 715		73 76 039

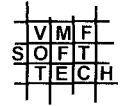
## VMF SOFT TECH LIMITED

### Schedules forming part accounts as at 30/06/2009

<b>Schedule No : 13</b>			
Administrative expenses			
Rent Rates & Taxes	2 33 725		1 49 085
Professional Fee	2 27 747		2 15 648
Communication Expenses	1 47 794		1 41 381
Travelling & Conveyance	4 65 288		4 77 712
Office Maintenance	7 65 357		6 83 017
Business Promotion	1 11 992		46 169
Audit Fee	50 000		28 090
Fringe Benefit Tax Paid	Nil		123
Bad debts w/off	Nil		3 91 158
Total Administrative Expenses	20 01 902		21 32 383
<b>Schedule No : 14</b>			
Finance Charges			
Bank Charges	56 467		37 830
Total Finance Charges	56 467		37 830

**Schedules forming part of Balance Sheet as on 30/06/2009**

S No	Description of Asset	Gross block				Depreciation				Net block		Rate of Dep
		As At	Additions	deletion	As At	Up to	Deletion	For the	Up to	As at	As at	
		31-Mar-2008	during year	during the year	30-Jun-2009	31-Mar-2008		year	30-Jun-2009	30-Jun-2009	31-Mar-2008	
1	Building	24 60 000		- 24 60 000		4 64 313	- 4 64 313				19 95 687	1.64%
2	Plant & Machinery											
	[a] Equipment	1 64 759			1 64 759	1 06 473		9 783	1 16 256	48 503	58 286	4.75%
	[b] Electrical instl.	2 03 070			2 03 070	97 512		12 057	1 09 569	93 501	1 05 558	4.75%
3	Furntirue & fixtures	21 44 430		- 21 44 430		10 33 052	- 10 33 052				11 11 378	6.23%
4	Computers	59 02 941	50 00 000	- 59 02 941	50 00 000	55 30 662	- 55 30 662	3 59 228	3 59 228	46 40 772	3 72 279	16.21%
5	Portal- Ahmd.com	2 12 81 260		- 2 12 81 260		2 12 81 259	- 2 12 81 259				1	16.21%
6	Office equipments											
	[a] Epabx systems	1 22 265			1 22 265	64 679		9 521	74 200	48 065	57 586	6.23%
	[b] Neon sign board	27 010			27 010	21 820		2 104	23 924	3 086	5 190	6.23%
	[c] Fax machine	47 755			47 755	12 132		2 835	14 967	32 788	35 623	4.75%
	[d] Water Cooler	24 127			24 127	9 170		1 433	10 603	13 524	14 957	4.75%
	[e] Air conditioners	4 69 272			4 69 272	1 68 735		27 864	1 96 599	2 72 673	3 00 537	4.75%
7	Vehicles											
	[a] Scooter	3 800			3 800	2 910		451	3 361	439	890	9.50%
8	Soft Ware	67 10 205			67 10 205	7 15 034		13 59 655	20 74 689	46 35 516	59 95 171	16.21%
	Total	3 95 60 894	50 00 000	- 3 17 88 631	1 27 72 263	2 95 07 750	- 2 83 09 285	17 84 931	29 83 396	97 88 867	1 00 53 144	
	Previous years figures	3 27 50 135		68 10 759	3 95 60 894	2 85 00 189		10 07 561	2 95 07 750	1 00 53 144	42 49 946	



## **VMF SOFT TECH LIMITED**

### **AUDITORS OBSERVATIONS / REMARKS:**

Schedules forming part of accounts as at 30-06-2009

#### **Schedule No: 15**

Accounting policies and notes to accounts forming part of accounts:

#### **I. Accounting policies**

##### 1) Basis of accounting:

i) The financial statements are prepared under the historical cost convention and in accordance with the applicable accounting standards issued by the institute of chartered accountants of India and requirements of the Companies Act 1956 and on a going concern concept.

ii) The company follows the mercantile system of accounting and recognizes income and expenditure on accrual basis.

##### 2) Revenue Recognition:

I. Revenue from software is recognized on billing to clients.

##### 3) Fixed Assets:

I. The fixed assets are stated at cost of acquisition and subsequent improvements thereto including taxes. Duties, freight and other incidental expenses related to acquisition and installation.

##### 4) Depreciation:

Depreciation on fixed assets is provided on Straight line method on pro-rata basis at the rates prescribed in schedule XIV of the Companies Act, 1956 as amended from time to time.

##### 5) Borrowing cost:

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessary takes substantial period of time to get ready for intended use. All other borrowing costs are charged to revenue.

##### 6) Inventories:

Inventories are valued at lower of the cost or net realizable value which ever is lower.

##### 7) Transaction in foreign currency:

i) Revenue transactions are incorporated in company's account at the exchange rates prevailing on the date of receipt/payment.

ii) Current Assets and liabilities are incorporated at the rates of exchange prevailing on the last working day of the year.

iii) Exchange fluctuations are accounted to profit and loss account.

##### 8) Preliminary expenditure:

I. To write off preliminary expenses in ten equal yearly installments.

##### Investments:

I. Long term and unquoted current investments are stated at cost and quoted current investments at lower of cost or market value. Provision for diminution in value of long-term investments is made only if such a decline is other than temporary in the opinion of the management.

##### 1) Segment reporting:

I. To disclose the revenue and expenses by way of business segments, geographical segments and customer segments.

##### 2) Related parties Transactions:

I. Related party transactions including purchases, services, fund and non fund based agreements are disclosed separately.

## VMF SOFT TECH LIMITED

### 3) Employees' Retirement Benefits:

Retirement benefits are provided in accounts on a rational method where in accrued liability for retirement benefits payable to all employees at the end of the year are reflected.

### II. Notes to accounts

1. Contingent liabilities	30-06-2009	31-03-2008
[a] Claims against the company not acknowledged as debts	Nil	Nil
[b] Uncalled liability on shares partly paid	Nil	Nil
[c] Arrears of fixed cumulative dividend	Nil	Nil
[d] Estimated amount of contracts remaining to be paid on capital account not provided for	Nil	Nil
[e] Other money for which the company is contingently liable	25.94 lacs	25,94 lacs
2. Directors remuneration	30-06-2009	31-03-2008
	Rs.	Rs.
[a] Paid during the year	3,00,000	3,00,000
<b>Total</b>	3,00,000	3,00,000
[b] Computation of net profit under section 309 [5] of the companies act, 1956	N A	NA
3. Particulars of employees	30-06-2009	31-03-2008
Particulars of employees in accordance with section 217 2A of the companies act, 1956	Nil	Nil
4. Auditors Remuneration	30-06-2009	31-03-2008
	Rs.	Rs.
[a] As auditor	35,000	15,000
[b] Income Tax Representation Fee	15,000	10,000
<b>Total</b>	50,000	25,000

## VMF SOFT TECH LIMITED

### 5. Additional information:

Quantitative details are not applicable since it is a software development company.

Soft ware sales	30-06-2009	31-03-2008
Export	Rs. 89.91	Rs. 157.17
Local		Rs. 4.28
	<b>Rs. 89.91</b>	<b>Rs. 161.45</b>

	30-06-2009	31-03-2008
[e] Value of imports during the year	Nil	Nil
[f] Expenditure in foreign currencies	Nil	Nil
[g] Remittances in foreign currencies		
[h] Earnings in foreign currencies	US \$ 2,22,743	US \$ 3,92,685

### Related Party Transactions as per AS 18

Transactions with related parties in the ordinary course of business

	30-06-2009	31-03-2008
Associated Companies	Nil	Nil
Key Managerial Personnel	Not Applicable	Not Applicable

### Earnings Per Share:

Particulars	Earnings Per Share 2008-09	Earnings Per Share 2007-08
Equity share of face Value Rs 10/ each		
Net Loss	Rs.1,24,36,640	Rs.15,76,661
Number of shares used in Computing Earnings	92,39,100	75,39,100
Earnings Per Share	Not Applicable	Not Applicable

## VMF SOFT TECH LIMITED

Name of the party	Warrants issued
Sri Vidya Chintam	10,00,000
Deven Naniwadekar	5,00,000
Penumetcha Industries Limited	4,50,000
Bhavani Sannareddy	15,00,000
Total Warrants	34,50,000

6. Confirmation of balances from parties as at the end of the year has not been received. The adjustments, if any, shall be made as an ongoing process. Current liabilities are subject to confirmation and adjustments, if any.
7. Employees' retirement benefits have not been provided pending actuarial valuation.
8. In terms of Memorandum of Understanding with Ex – Managing Director, the fixed deposits of Rs.20.73 [Margin Money – Bank Guarantee] Lakhs is assigned to him as compensation subject to the completion of the specified contract with a Government client. Further as per the said Memorandum of understanding, all receivables and expenses against the said contract with the said client are also assigned to him in settlement of the possible penalties and obligations of the company arising out of non performance of the said contract under execution. Similarly the amounts receivable from the said client are also kept pending in the books till the contract is completed and to be squared off on that day.
9. The company has disposed off its Ahmedabad office building , furniture and fixtures and computers to an entity in which the ex - employees of the company have controlling interest. The consideration received by the company is not prejudicial to the interests of the Company.
10. In the opinion of the management the followings investments are good and recoverable in view of the future road map of the company.

Medical Communication Systems -	Rs. 3,53,82,974
Technovention Tradex Private Limited –	Rs. 14,55,000
IGLILY INC	Rs. 1,81,49,552
11. Deferred Tax liability:- In conformity with the accounting standards no 22 issued by the Institute of Chartered Accountants of India on "Accounting for Taxes on income", provision for deferred tax Asset for current year has been taken to profit and loss account. The composition of deferred tax is on account of timing differences relating to depreciation.
12. There are no small scale industries undertakings to whom the company owes a sum exceeding Rupees one lakh which is outstanding for more than 30 days
13. Accounts have been prepared for a period of fifteen months from 1st April 2008 to 30th June 2009
14. Previous years figures have been regrouped wherever necessary.

Signatories to schedules 1 to 15  
For and on behalf of Board of Directors

Vide our report of even date

For **Mahesh, Virender & Sriram**  
Chartered Accountants

Place: Hyderabad  
Date: 31st October 2009

sd/-

**KRISHNA REDDY CHINTAM**  
Managing Director

sd/-

**P KRISHNAM RAJU**  
Director

sd/-

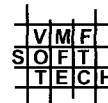
**B R MAHESH**  
Managing Director  
Director Partner

# VMF SOFT TECH LIMITED

## Cashflow statement for the year ended 30/06/2009

	Particulars	2008-2009	2007-2008
a.	Cash flow from operating activities		
	Net Profit before tax and adjustments	- 1 29 44 233	- 80 961
	Depreciation	17 84 931	10 07 561
	Investment Income		
	Interest & financial charges	56 467	37 830
	Provision for doubtful debts		
	Loss on Sale of assets		
	Expenses written off		
	<b>Operating profit before working capital changes</b>	<b>- 1 11 02 835</b>	<b>9 64 430</b>
	Trade & other Receivables	3 77 02 131	59 30 077
	Inventories		
	Trade Payable	- 1 71 56 830	1 01 61 432
	Others	51 73 685	- 37 15 736
	<b>Cash generated from operations</b>	<b>1 46 16 151</b>	<b>1 33 40 203</b>
	Interest & finance charges paid	- 56 467	- 37 830
	Direct Taxes paid		
	Cash flow before extra ordinary items	1 45 59 684	1 33 02 373
	Extra ordinary items	- 1 56 09 662	- 95 50 373
	<b>Net cash from operating activity</b>	<b>- 10 49 978</b>	<b>37 52 000</b>
b.	Cash flow from investing activity		
	Purchase of fixed assets	50 00 000	- 68 10 759
	Interest received	4 15 984	5 10 118
	Dividend Received	1 89 201	
	Extra-ordinary items	1 29 354	
	<b>Net cash used in investing activities</b>	<b>57 34 539</b>	<b>- 63 00 641</b>
c.	Cash flow from financing activities		
	proceeds of share application and or allotment	1 70 00 000	
	Proceeds of long term borrowings		
	Repayments to long terms borrowings		
	proceeds from working capital borrowings		
	Public issue expenses		
	Extraordinary items		
	<b>Net cash accrued in Financing activities</b>	<b>1 70 00 000</b>	
	<b>Net increase in cash and cash equivalent</b>	<b>2 16 84 561</b>	<b>- 25 48 641</b>
	Cash & Cash equivalent as at 1 day	96 343	26 44 984
	<b>Cash &amp; cash equivalent as at last day</b>	<b>2 17 80 904</b>	<b>96 343</b>





**VMF SOFT TECH LIMITED**

**VMF SOFT TECH LIMITED**  
Regd. Office: 22-240/5, Nandita Complex, Opp. KPHB Colony,  
Kukatpally, Hyderabad – 500072, India

**ATTENDANCE SLIP**

Name:	.....
Folio No:	.....
Number of Shares:	.....

**VMF SOFT TECH LIMITED**

I hereby record my presence at the 15th Annual General Meeting of the Company at Regd. Office: 22-240/5, Nandita Complex, Opp. KPHB Colony, Kukatpally, Hyderabad – 500072, India on Wednesday the 9th of December 2009 at 11:00 AM.

Signature of the Attending Member/Proxy

Note: Shareholder/Proxy holder wishing to attend the meeting must bring this Attendance Slip to the meeting and hand it over at the entrance duly signed.

**VMF SOFT TECH LIMITED**  
Regd. Office: 22-240/5, Nandita Complex, Opp. KPHB Colony,  
Kukatpally, Hyderabad – 500072, India

**PROXY FORM**

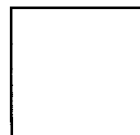
I/We ..... of .....(address)  
being a Member/Members of VMF Soft Tech Limited, hereby appoint Mr./Miss/Mrs./M/s.....  
..... of .....(address)  
as my/our proxy to attend and vote on my/our behalf at the 15th Annual General Meeting of the Company to be held on Wednesday the 9th of December 2009 at 11:00 AM.

Signed this ..... day of ..... 2009.

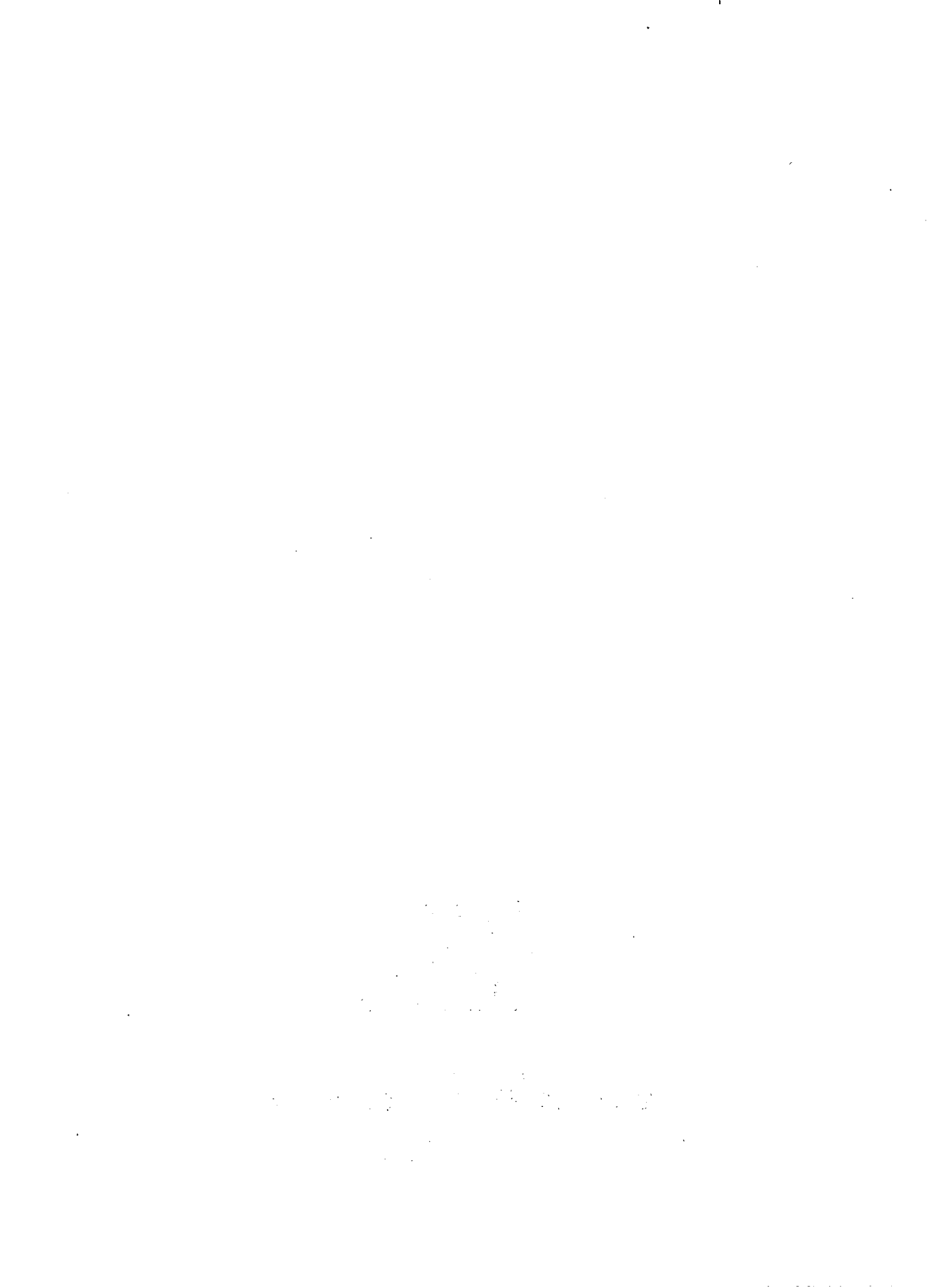
Regd. Folio No .....

Number of Shares: .....

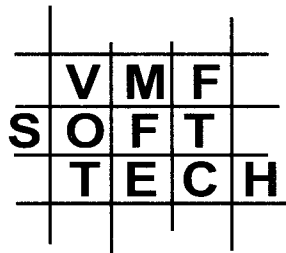
Signature



Note: The Proxy must be deposited at the Registered Office of the Company not less than 48 hours before the time of the holding the meeting. A proxy need not be a member.



BOOK POST



*If undelivered please return to:*

**VMF SOFT TECH LIMITED**

Regd. Office: 22-240/5, Nandita Complex, Opp. KPHB Colony,  
Kukatpally, Hyderabad – 500072, India