

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 20th Annual General Meeting of the Members of VLS FINANCE LTD. will be held at Sri Sathya Sai International Centre Auditorium, Lodhi Road Institutional Area, Lodhi Road, Pragati Vihar, New Delhi-110003 on Friday, the 28th day of September, 2007 at 10.30 a.m. to transact the following business: -

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31st March 2007, the Profit & Loss Account for the year ended on that date and the consolidated Financial Statements for the said period togetherwith the Report of Auditors and Directors thereon.
2. To appoint a Director in place of Shri Ajit Kumar who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri A. K. Puri who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri M. G. Diwan who retires by rotation, and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Dr. S. Ramesh who retires by rotation, and being eligible, offers himself for re-appointment.
6. To appoint the Auditors and to fix their remuneration and in this connection to consider and if thought fit, to pass following resolution, with or without modification(s), as an **Ordinary Resolution:**

"RESOLVED THAT pursuant to the provisions of Section 224 and other applicable provisions of the Companies Act, 1956 M/s. Agiwal & Associates, Chartered Accountants, the present Statutory Auditors of the Company be and are hereby appointed as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting to the conclusion of next Annual General Meeting of the Company and at such remuneration as may be determined by the Board of Directors of the Company/ Audit Committee of the Board in consultation with Auditors plus reimbursement of out of pocket expenses as may be incurred in performance of their duties (excluding taxes, if any) and that the remuneration may be paid on a progressive billing basis if so agreed between the Auditors and Audit Committee or such other officer of Company as may be approved by the Board/ Audit Committee."

SPECIAL BUSINESS:

7. Appointment of Shri M. P. Mehrotra as Director.

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

"RESOLVED THAT Shri M. P. Mehrotra, who was appointed as Director on 31st January 2007 to fill the casual vacancy caused due to resignation of Shri Ramji Mehrotra and who holds office till the date of this Annual General Meeting under Section 262 of the Companies Act, 1956 and for whose appointment as a Director, a notice under Section 257 of the Companies Act, 1956 has been received from a member of Company, be and is hereby appointed as Director of the Company, liable to retire by rotation."

8. Approval of Reappointment of Shri S. K. Agarwal as Managing Director.

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

"RESOLVED THAT pursuant to the provisions of Section 316 and Section 269 read with schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and pursuant to Article No.108 of the Articles of Association of the Company, consent of the Company be and is hereby accorded for reappointment of Shri S. K. Agarwal who is also Managing Director of VLS Securities Ltd., as Managing Director of Company for a period of three years and two months w.e.f. 21st June, 2007 (i.e. from 21/06/2007 to 20/08/2010) on such remuneration as set out in explanatory statement annexed to this notice and on such other terms and conditions as are expressed and contained in the agreement entered into for this purpose between the Company and the Managing Director.

RESOLVED FURTHER THAT the revision in remuneration of Shri S.K.Agarwal Managing Director effective from 1st April,2007 as set out in explanatory statement annexed to this notice, be and is also hereby approved.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to vary and/or revise the remuneration of the said Managing Director within the permissible limits under the provisions of the Companies Act, 1956 or any statutory modification thereof, from time to time, to settle any question or difficulty in connection therewith or incidental thereto and to do all such things, deeds and acts including delegation of powers herein to any person/committee as may be necessary or expedient for giving effect to said appointment."

9. Approval of Reappointment of Shri T. B. Gupta as Executive Vice-Chairman.

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

"RESOLVED THAT pursuant to the provisions of Section 316 and Section 269 read with schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and pursuant to Article No.108 of the Articles of Association of the Company, consent of the Company be and is hereby accorded for reappointment of Shri T. B. Gupta who is also Managing Director of South Asian Enterprises Ltd. as whole time Director of the Company designated as Executive Vice-Chairman for a period of three years and two months w.e.f. 21st June, 2007 (i.e. from 21/06/2007 to 20/08/2010) on such remuneration as set out in explanatory statement annexed to this notice and other terms and conditions as are expressed and contained in the agreement entered into for this purpose between the Company and the Executive Vice-Chairman.

RESOLVED FURTHER THAT the revision in remuneration of Shri T.B. Gupta – Executive Vice-Chairman effective from 1st April,2007 as set out in explanatory statement annexed to this notice, be and is also hereby approved.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to vary and/or revise the remuneration of the said Executive Vice-Chairman within the permissible limits under the provisions of the Companies Act, 1956 or any statutory modification thereof, from time to time, to settle any question or difficulty in connection therewith or incidental thereto and to do all such things, deeds and acts including delegation of powers herein to any person/committee as may be necessary or expedient for giving effect to said appointment."

By Order of the Board
For **VLS Finance Ltd.**

Place: New Delhi
Date : 18/07/2007

H. Consul
Company Secretary

NOTES: -

1. A Member entitled to attend and vote is also entitled to appoint a proxy to attend and vote instead of himself/herself. The proxy need not be a member of the Company. The appointment of proxy in order to be effective must be lodged at the Registered Office of the Company not less than 48 hours before the commencement of the meeting, in the form enclosed hereto, duly filled and authenticated. A proxy may not vote except on a poll.
2. The submission of form of proxy by a member does not preclude such member from attending and voting at the meeting. The proxy in such event shall not be eligible to attend the meeting. Only bonafide members of the Company whose names appear on the Register of Members/ Proxy holders, in possession of valid attendance slips duly filled and signed will be permitted to attend the meeting. The Company reserves its right to take all steps as may be deemed necessary to restrict non-members from attending the meeting.
3. In the case of joint holders, the vote of the senior shall be accepted to the exclusion of the vote of the other joint holders. Seniority shall be determined by the order in which the names stand in the Register of Members. Corporate Members intending to send their authorized representative are requested to send a duly certified copy of the Board Resolution authorizing their representatives to attend and vote at the Annual General Meeting.
4. The Register of Members of the Company shall remain closed from 21/09/2007 to 28/09/2007 (both days inclusive).
5. The Company has retained M/s RCMC Share Registry Pvt. Ltd., (the "Registrar") at 1515, 1st Floor, Bisham Pitamah Marg, Kotla Mubarkpur, Near South Extn. New Delhi-110003 Phone No. 24692343,24601017 with office also at B-106, Sector -2, Noida U.P. 201301 (Phone Nos. 0120-4015880, 4015886) as its Registrar & Transfer Agents for further period of one year w.e.f. 01/04/2007 for entire shareholder services. For any further assistance in said matters, please write to the Company Secretary at Registered Office at C-489, Defence Colony, New Delhi-110024, Phone No.: 41553081 (5 lines), Fax: 24335941, 41553091. Dedicated Investor Services e-mail: hconsul@vlsfinance.com
6. Members are requested to intimate the change in address, if any, to the Company's Registrar or the Company at its Registered Office for shares held in physical mode. Members can avail the facility of nomination in respect of shares held by them in physical form, in accordance with the provisions of Section 109A of the Companies Act, 1956. Members desiring to avail of this facility may send their nomination in prescribed form no. 2B duly filled in, to the Registrar of Company. **Members holding shares in demat (Electronic) form are requested to notify any change in address, mandate/bank details/nominations to their respective Depository Participants.** The changes effected by depository participants will automatically be reflected in Company's records upon updation of beneficiary owners list provided by Depositories.
7. The shares of the Company are traded in demat segment only w.e.f. 28th August 2000 for all categories of investors. Members who still hold the shares of Company in physical form are advised to contact their depository participant for dematerialization of their holdings in their own interest. **The ISIN No. allotted to Company is INE709A01018** for both the Depositories viz. The National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL).
8. All documents referred to in the accompanying Notice are open for inspection at the Registered Office of the Company on all days between 11.00 a.m. and 1.00 p.m. up to the date of the Annual General Meeting except on Saturdays, Sundays and other Holidays.
9. Member/Proxies are requested to bring their copies of the Annual Report to the meeting and the attendance slip duly filled in, for attending the meeting. As a measure of economy, copies of Annual Report will not be distributed at the Annual General Meeting.
10. The relevant explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 for Item Nos. 7, 8 and 9 of the notice is annexed hereto and forms part of this notice.
11. The Unpaid/unclaimed dividends up to 31/03/1995 had been transferred to General Revenue Account of Central Government and can be claimed from the Central Government in prescribed form. Pursuant to Section 205A of the Companies Act, 1956 ("the Act") all unclaimed/unpaid dividends after 31/03/1995 up to the financial year 1997-99 (18 months) has been credited to Investor Education & Protection Fund ("IEPF"). No dividend is pending for transfer to IEPF in terms of the provisions of Section 205C of the Companies Act, 1956. Please note that once unclaimed dividend is transferred to IEPF of the Central Government in accordance with the regulations, no claim shall lie against the Company or IEPF in respect thereof.

12. Information regarding Directors:
(A) Retiring by rotation and seeking re-appointment:

Sl. No.	Name of the Director	Date of Birth	Date of Appointment	Qualifications and Expertise in specific functional areas	List of Companies in which Directorship held as on 18/07/2007.	Chairman/Member of the Committees of other companies as on 18/07/2007.	Whether qualified u/s 274(1) (g) of the Companies Act, 1956
1.	Shri Ajit Kumar IAS (Retd.)	27/01/1942	29/10/2003	M.A. (English) He has held various important positions in Government of India including that of Defence Secretary, Finance Secretary and Secretary, Ministry of Industries. He has vast experience in administration, planning and government affairs.	NIL	NIL	Yes
2.	Shri A. K. Puri	03/08/1935	07/05/1998	M.Sc., LL.B., CAIIB. He is former Deputy Managing Director of State Bank of India and Ex-Member of the Board for Industrial Finance & Reconstruction, Ministry of Finance, Government of India. He has over 40 years experience in the field of Banking, Finance and Administration.	a) Navin Flourine International Ltd.	i) Audit Committee - Member ii) Remuneration Committee - Chairman.	Yes
3.	Shri M.G. Diwan	14/11/1931	17/03/1994	M.Sc., F.I.A., F.A.S.I., F.I.I.I. He is former Chairman of LIC of India having experience of over 4 decades in the field of Insurance, Actuarial Services Finance, Investments and administration.	a) G.M. Breweries Ltd. b) Dwarikesh Sugar Industries Ltd. c) Marketing Research Corporation of India Ltd. d) Sriram Chits (Maharashtra) Ltd. e) GDA Trustee & Consultancy Pvt. Ltd. f) Deepajyoti Insurance Consultancy and Services Pvt. Ltd. g) Indian Institute of Public Opinion Pvt. Ltd. h) D. S. Actuarial Education Services Pvt. Ltd. i) Shriram City Union Finance Ltd.	i) Audit Committee - Member ii) Audit Committee - Chairman iii) Remuneration Committee - Chairman. iv) Investment committee - Member v) Shareholder/ investor grievance committee - Member vi) FCCB/GDR committee - Member vii) Project Management committee - Member viii) NIL ix) NIL x) NIL xi) NIL xii) NIL xiii) NIL xiv) NIL	Yes
4.	Dr. S. Ramesh IAS (Retd.)	28/10/1936	30/06/2001	M.A., M.P.A. (Harvard), Ph.D. He is former Secretary to the Govt. of U.P. having over 4 decades experience in administration, planning and govt. affairs.	1. South Asian Enterprises Ltd. 2. Uttarakhand Jal Vidyut Nigam Ltd., 3. Uttarakhand Power Corporation Ltd.	Audit Committee - Member Audit Committee - Member Audit Committee - Member	Yes

(B) Directors seeking fresh appointment as director, liable to retire by rotation :

Sl. No.	Name of the Director	Date of Birth	Date of Appointment	Qualifications and Expertise in specific functional areas	List of Companies in which Directorship held as on 18/07/2007.	Chairman/Member of the Committees of other companies as on 18/07/2007.	Whether qualified u/s 274 (1) (g) of the Companies Act, 1956
1.	Shri M. P. Mehrotra	26/09/1940	31/01/2007	B. Com., LL.B., FCA He is a Chartered Accountant by profession and a Law graduate with over 40 years of rich experience in areas of taxation, administration and financial services.	a) Cogent Corporate Pathfinder Ltd. b) VLS Capital Ltd. c) Gaurav Overseas Export Pvt. Ltd. d) Pragati Moulders Pvt. Ltd. e) The Dhampur Sugar Mills Ltd. f) India Securities Ltd. g) Empee Sugars & Chemicals Ltd. h) South Asian Enterprises Ltd. i) Delton Cables Ltd.	— — — — i) Audit Committee - Chairman ii) Remuneration Committee - Chairman iii) Audit Committee - Chairman — — —	Yes

(C)
Shareholding of above Directors as on 18/07/2007

S. No.	Name of Directors	No. of Shares held in Company	Percentage
1.	Shri Ajit Kumar	NIL	NIL
2.	Shri A. K. Puri	NIL	NIL
3.	Shri M. G. Diwan	NIL	NIL
4.	Dr. S. Ramesh	NIL	NIL
5.	Shri M. P. Mehrotra	485	0.0012

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.
ITEM NO.7

Shri M. P. Mehrotra was appointed as director by the Board in casual vacancy on 31st January, 2007, caused due to resignation of Shri Ramji Mehrotra, in terms of Article No. 86 of Articles of Association of the Company and will hold office upto the date of this Annual General Meeting in terms of Section 262 of the Companies Act, 1956 i.e. period upto which Shri Ramji Mehrotra would have held office. Shri M.P. Mehrotra is a Chartered Accountant by profession and a Law graduate with over 40 years of rich experience in areas of taxation, administration and financial services besides being the main Promoter of the Company. He had been actively associated with the Company since its very beginning and was Vice- chairman of the Board before he resigned in June 2001. Shri M. P. Mehrotra is Senior Partner of Mehrotra & Mehrotra, Chartered Accountants, He is member of Board of Trustees- Employees Provident Fund Organization under Ministry of Labour – Government of India. The relevant information including directorship in other Companies etc. is given in accompanying notice under the head 'Notes'. A notice has been received alongwith requisite deposit from a member of the Company, pursuant to Section 257 of the Companies Act, 1956 signifying intention to propose the resolution for appointment of Shri M. P. Mehrotra as Director of the Company at the forthcoming Annual General Meeting. Shri Somesh Mehrotra, a member of Board of Directors of the Company is related to Shri M. P. Mehrotra. Your Directors recommend appointment of Shri M. P. Mehrotra as Director of Company. Shri M.P.Mehrotra is holding 485 equity shares of the Company in his name.

None of the Directors except Shri M. P. Mehrotra and Shri Somesh Mehrotra are concerned or interested in the resolution.

ITEM NO. 8

Shri S. K. Agarwal was reappointed as Managing Director of the Company w.e.f. 21st June, 2007 by the Board of Directors in its meeting held on 20/06/2007 on the terms and conditions as contained in agreement entered into between the Company and Shri S.K. Agarwal for this purpose on that date, subject to such approvals as may be required. Shri S.K. Agarwal is Commerce Graduate & Associate of Indian Institute of Bankers. He is former Banker having vast experience in the Banking and Financial Services.

Shri S. K. Agarwal, at the time of his reappointment as Managing Director of the Company, was also the Managing Director of VLS Securities Ltd., a wholly owned subsidiary of the Company. He continues to hold said position by virtue of his reappointment by the Board of Directors of VLS Securities Ltd. in its meeting held on 18/06/2007 for a further period of 3 years w.e.f. 01.07.2007. He is not drawing any remuneration from said subsidiary.

Shri S. K. Agarwal is also Director in VLS Investments Ltd., VLS Asset Management Ltd. and VLS Investment Inc., Delaware, USA.

Shri S. K. Agarwal's appointment as Managing Director is being made in accordance with the conditions specified in Part 1 of Schedule XIII and the remuneration payable is within the ceiling laid down in Part II thereof and the requirements of Part III thereof are being complied with.

The remuneration fixed for Shri S. K. Agarwal at the time of reappointment was as under:

a. Salary

- Basic salary of Rs.45,000 /-(Rupees Forty five thousand only) per month.

b. Perquisites

- HRA/Leased Accommodation: Rs.20,000/- (Rupees Twenty thousand only) per month.
- Medical Reimbursement: Expenses incurred for the Managing Director and his family subject to a ceiling of Rs.15,000/- (Rupees Fifteen thousand only) per annum.
- Leave Travel Concession: For the Managing Director and his family incurred not exceeding Rs.24,000/- (Rupees Twenty four thousand only) per annum.
- Reimbursement of expenses for Books and Periodicals upto Rs. 13,200/- (Rupees Thirteen thousand two hundred only) per annum.
- Provident Fund, Gratuity payable, entitlement & encashment of leave as per rules of the Company.
- Facility of Chauffeur driven car for use on Company's business as per rules of the Company.
- Facility of Telephones or provision of similar equipments/facilities for official purpose will be free & will not be considered as perquisites except that charges for personal long distance calls will be billed by Company to Managing Director.

Explanation : 'Family' for the purpose of this clause means spouse & dependent children of the Managing Director.

c. Sitting Fees : The Managing Director shall not be paid any sitting fees for attending the meeting of the Board of Directors or committee thereof.

The abstract of the above referred agreement pursuant to Section 302 of the Companies Act, 1956 has already been sent to the members on 1/07/2007. Subsequently the Board approved the proposal of enhancement in remuneration of Shri S. K. Agarwal w.e.f. 1/4/2007 as recommended by the Remuneration Committee of the Directors. Post enhancement, the remuneration of Shri S. K. Agarwal is as under, the other terms and conditions of his appointment remaining unchanged:

a. Salary

Basic salary of Rs. 77,500 /-(Rupees Seventy Seven Thousand Five Hundred Only) per month.

b. Perquisites

In addition to the aforesaid salary, the Managing Director will be entitled to the following Perquisites :

- i. HRA/ Leased Accommodation: Rs.22,250/- (Rupees Twenty Two Thousand Two Hundred Fifty only) per month.
- ii. Medical Reimbursement: Expenses incurred for the Managing Director and the his family subject to a ceiling of Rs.15,000/- (Rupees Fifteen Thousand only) per annum.
- iii. Leave Travel Concession: For the Managing Director and his family incurred not exceeding Rs.48,000/- (Rupees Forty Eight Thousand only) per annum.
- iv. Reimbursement of expenses for Books and Periodicals upto Rs. 29,400/- (Rupees Twenty Nine Thousand Four Hundred only) per annum.
- v. Reimbursement of secretarial services upto Rs. 96,000/- (Rupees Ninety Six Thousand only) per annum.
- vi. Provident Fund, Gratuity payable, entitlement & encashment of leave as per rules of the Company.
- vii. Facility of Chauffeur driven car for use on Company's business as per rules of the Company.
- viii. Facility of Telephones or provision of similar equipments/facilities for official purpose will be free & will not to be considered as perquisites except that charges for personal long distance calls will be billed by Company to Managing Director.

Explanation : 'Family' for the purpose of this clause means spouse & dependent children of the Managing Director.

c. Sitting Fees :-

The Managing Director shall not be paid any sitting fees for attending the meeting of the Board of Directors or committee thereof. However, he shall endeavor to attend every meeting of the Board and report on working of the Company as may be directed by the Board from time to time.

In terms of Article No. 109 of the Articles of Association of the Company, Shri S. K. Agarwal shall not be liable to retire by rotation during his tenure as Managing Director of the Company.

The aforesaid appointment of Shri S. K. Agarwal as Managing Director on the terms and conditions as set out in the agreement entered into between Shri S. K. Agarwal and the Company as also the enhancement in his remuneration is subject to the approval of the members. The members may also authorize the Board to review the remuneration of Managing Director with in the ceiling prescribed under the Companies Act, 1956 as and when thought fit, with out further approval from members. The Board recommends the appointment of Shri S. K. Agarwal as Managing Director of the Company and revision in his remuneration as set out in item No. 8 of the Notice.

Shri S. K. Agarwal does not hold any shares in the Company.

A copy each of the agreement entered into between the Company and Shri S. K. Agarwal and the resolution of the Board for revision of remuneration package of Managing Director, is available for inspection by the members of the Company at Registered office of the Company between 11:00 a.m. and 1:00 p.m. on all working days till the date of the Annual General Meeting except on Saturdays, Sundays and Holidays. In terms of Section 302 of the Companies Act, 1956, this may be construed as abstract of revised terms and conditions of appointment of Shri S. K. Agarwal as Managing Director.

None of the Directors except Shri S. K. Agarwal is concerned or interested in the resolution.

ITEM NO. 9

Shri T. B. Gupta was reappointed as Whole Time Director of the Company designated as Executive Vice- Chairman w.e.f. 21st June, 2007 by the Board in its meeting held on 20/06/2007 subject to such approvals as may be required. Shri T. B. Gupta is M.Tech. from IIT, Kharagpur. He has held senior positions with U. P. Financial Corporation, Jay Engineering Works and Khaitan Group. Shri T. B. Gupta is also Director in VLS Securities Ltd., VLS Investments Ltd., VLS Capital Ltd. and Arien (New Delhi) Pvt. Ltd.. At the time of reappointment as Whole Time Director of the Company, Shri T. B. Gupta was also Managing Director of South Asian Enterprises Limited. He continues to hold that position and draws remuneration from said Company.

Shri T. B. Gupta's appointment as Executive Vice-Chairman is being made in accordance with the conditions specified in Part 1 of Schedule XIII and the aggregate remuneration drawn by him from both the Companies is within the ceiling laid down in Part II thereof and the requirements of Part III thereof are being complied with. The terms & conditions of appointment of Shri T.B. Gupta as Executive Vice-Chairman are contained in the agreement entered into between the Company and Shri T.B. Gupta on that date.

The remuneration fixed for Shri T. B. Gupta at the time of reappointment as Executive Vice- Chairman was as under:

a. Salary

Basic salary of Rs. 26,786 /-(Rupees Twenty Six Thousand Seven Hundred and Eighty Six Only) per month.

b. Perquisites

In addition to the aforesaid salary, the Executive Vice-Chairman is not entitled any Perquisites. Other terms include:

- i) Contribution to Provident Fund, Gratuity payable, entitlement & encashment of leave as per rules of the Company.
- ii) Reimbursement of car maintenance expenses including chauffeur's salary for use in Company's business as per rules of the Company.
- iii) Provision of Telephone (up to two) or provision of any similar equipment, for official purpose will be free except that charges for personal long distance calls will be billed by Company to the Executive Vice- Chairman.

c. Sitting Fees :-

No sitting fee to be paid to Executive Vice-Chairman for attending the meeting of the Board of Directors or committee thereof.

The abstract of the above referred agreement pursuant to Section 302 of the Companies Act, 1956 has already been sent to the members on 1/07/2007. Subsequently the Board on 18/07/2007, approved the proposal of enhancement in remuneration of Shri T. B. Gupta w.e.f.1/4/2007 as recommended by the Remuneration Committee of the Directors. Post enhancement, the remuneration of Shri T. B. Gupta is as under, the other terms and conditions of his appointment remaining unchanged:

a. Salary

Basic salary of Rs. 30,134 /-(Rupees Thirty Thousand One Hundred Thirty Four Only) per month.

b. Perquisites

In addition to the aforesaid salary, the Executive Vice- Chairman shall also be entitled to the following Perquisites:

- i. Medical Reimbursement: Expenses incurred for the Executive Vice-Chairman and his family subject to a ceiling of Rs.15,000/- (Rupees Fifteen Thousand only) per annum.
- ii. Contribution to Provident Fund, Gratuity payable, entitlement & encashment of leave will be as per rules of the Company.
- iii. Reimbursement of car maintenance expenses including chauffeur's salary for use in Company's business as per rules of the Company.
- iv. Provision of Telephone (up to two) or provision of any similar equipment, for official purpose will be free except that charges for personal long distance calls will be billed by Company to the Executive Vice- Chairman.

Explanation : 'Family' for the purpose of this clause means spouse & dependent children of the Executive Vice-Chairman.

c. Sitting Fees :-

No sitting fee shall be paid to Executive Vice-Chairman for attending the meeting of the Board of Directors or committee thereof. However, he shall endeavor to attend every meeting of the Board and report on working of his functional areas as may be directed by the Board from time to time.

In terms of Article No. 109 of the Articles of Association of the Company, Shri T.B. Gupta shall not be liable to retire by rotation during his tenure as Executive Vice-Chairman of the Company.

The aforesaid appointment of Shri T. B. Gupta as Executive Vice- Chairman on the terms and conditions as set out in the agreement entered into between Shri T. B. Gupta and the Company including the revised remuneration is subject to the approval of the members. The members may also authorize the Board to review the remuneration of the Executive Vice- Chairman within the ceiling specified under the Companies Act, 1956 as and when deemed fit, without further approval from members. The Board recommends the appointment of Shri T. B. Gupta as Executive Vice- Chairman of the Company as set out in item no. 9 of the Notice.

Shri T. B. Gupta does not hold any shares in the Company.

A copy of the agreement entered into between the Company and Shri T. B. Gupta – Executive Vice-Chairman and the resolution of Board of Directors for revising the remuneration of Shri T.B.Gupta – Executive Vice- Chairman is available for inspection by the members of the Company at Registered office of the Company between 11:00 a.m. and 1:00 p.m. on all working days till the date of the Annual General Meeting except on Saturdays, Sundays and Holidays. In terms of Section 302 of the Companies Act, 1956 this may be construed as abstract of revised terms and conditions of appointment of Shri T. B. Gupta as Executive Vice- Chairman.

None of the Directors except Shri T. B. Gupta is concerned or interested in the resolution.

By Order of the Board
For VLS Finance Ltd.

Place: New Delhi
Date :18-07-2007

H. Consul
Company Secretary

DIRECTORS' REPORT TO THE MEMBERS

Your Directors are pleased to present the Twentieth Annual Report of the Company together with the audited statement of accounts for the year ended 31st March, 2007.

1. Financial Results	(Rs. in Lakhs)	
	For the year ended 31 st March 2007	For the year ended 31 st March 2006
Gross Receipts	229425.65	217180.47
Profit before Interest & Depreciation	1093.44	838.77
Less: Interest & Finance Charges	0.10	0.07
Profit before depreciation	1093.34	838.70
Less: Depreciation	51.11	53.00
Profit before Tax	1042.23	785.70
Less: Provision for Taxation	136.94	34.64
Profit after Tax	905.29	751.06
Surplus b/fd. From previous year	13.77	19.85
Previous year adjustments	(0.65)	0.00
Available for Appropriation	918.41	770.91
Appropriations:		
From General Reserve	0.00	800.00
To General Reserve	600.00	600.00
To Statutory Reserve (under RBI Act, 1934)	208.45	157.14
Total Appropriations	808.45	757.14
Surplus c/f	109.96	13.77

2. Management Discussion and Analysis

Financial Review

During the period under review, the Company, posted an increased turnover of Rs. 2,29,425.65 lacs as compared to last year's turnover of Rs. 217180.47. The net profit after tax was at Rs. 905.29 lacs after providing for depreciation of Rs. 51.11 lacs.

Industry Structure and Development

The Indian economy, one of the fastest growing economies of the world, grew by a healthy 9.2% during the year 2006 and is expected to grow at around the same rate in 2007-08. Agricultural and allied sectors, registered a growth of 2.7% during 2006-2007. The industrial sector posted a robust growth of 10.2%. The services sector, with a growth rate of 11%, continued to be the major contributor to the country's economic growth. The financial markets remained stable throughout the year except for some volatility in the fourth quarter which witnessed sizable swings in the market mood. The BSE Sensex hovered at above 12000 points, except during May, 2006 when it dipped below the 10,000 mark.

The average inflation in 2006-07, based on the wholesale price index, was higher at 6.73% as against the earlier estimated 5.5%. Liquidity in the system continued to be comfortable

during the first half of the year, but in the later half the liquidity position tightened and the rate of interest on bank deposits rose from 5.75% to 9.50%. The Non Banking Finance Sector ("NBFC Sector"), however, continued to face fierce competition from the banking industry which has penetrated into almost all the segments of the financial services sector. The working of the Non Banking Financial Companies (NBFCs) also continued to be adversely affected by defaults and absence of proper and speedier recovery laws and procedures, such as those available to banks and financial institutions. In the highly competitive environment in which the NBFCs are presently working, they have no option but to continue streamlining and optimizing their operations to adapt to the emerging scenario.

Outlook, Risks and Concerns

With a GDP growth of 9.20% posted during the year, the Indian economy provides attractive growth opportunities. As the contribution of the services sector to the overall economy is steadily rising, the financial services industry is also poised for steady growth.

The NBFC sector in which your Company operates, has been facing competitive pressure from Banks and Financial Institutions, making it increasingly difficult to generate revenues from financing activities. Accordingly, the Company had cut down its exposure to credit operations consisting of loans, hire purchase etc. No fresh exposures were undertaken in these areas during the year under review. The Company's operations continued to be focused on capital market-related activities and making use of risk hedging tools such as derivatives and other risk neutral instruments. Further, your Company will continue to explore additional opportunities in areas related to its operations.

The Company is exposed to normal industry risks such as credit, interest rate, economic, political, market and operational risks. The Company views risk management as integral to its business for creating and maintaining best practices in business operations and administration. Your Company follows prudent business and risk management practices to combat these challenges.

Opportunities and Threats

The equity markets continued to remain upbeat during the year. The increase in asset values in the real estate sectors and the growth in industry, trade and commerce had led to significant increase in overall credit off-take. Your Company intends to increase its thrust on investments in the fast growing infrastructure sector through joint ventures, corporate advisory services, investment appraisal and syndication. The Company is carefully gauging each opportunity in terms of risks and rewards involved and hopes to tie up successful ventures in the foreseeable future.

Your Company would also endeavor to strengthen its subsidiary and associate companies and make efforts to harness the benefits of group synergy.

Adequacy of Internal Control Systems

The Company has proper and adequate system of internal controls to monitor proper recording of transactions according to policies and procedures laid down by the Company. The Company ensures that the regulatory guidelines are complied with at various levels.

The internal audit reports are regularly monitored by the Audit Committee.

Segment wise Performance

The Company being an NBFC is mainly engaged in finance business. Therefore, there are no separate segments for reporting as per the Accounting Standard AS-17 issued by The Institute of Chartered Accountants of India.

Cautionary Statement

The statements in the above analysis, describing the Company's projections, estimates, expectations or predictions may be 'forward looking statements' within the meaning of applicable security laws and regulations. The actual results may differ from those expressed or implied. Important factors that could make a difference to the Company's operations, include changes in government regulations, tax regimes, economic developments within the country and abroad, and other related factors.

3. Dividend

With a view to conserve resources, no dividend is recommended.

4. Directors

Shri M. P. Mehrotra, Shri Gian Vijeshwar and Shri Rakesh Babbar were appointed as Directors on 31/01/2007 in casual vacancies caused by the resignations of Shri Ramji Mehrotra, Shri D. D. Chopra and Shri K. K. Soni respectively. In terms of section 262 of the Companies Act, 1956 the term of Shri M. P. Mehrotra will be upto the date of the ensuing Annual General Meeting. Accordingly his appointment as director is included at item No. 7 of the notice convening 20th Annual General Meeting of the Company and relevant explanatory statement. The newly appointed Directors bring with them rich wealth of varied experience which, in combination with existing expertise of your Board & its management team would go a long way in charting the course of your Company.

The term of Shri Gian Vijeshwar and Shri Rakesh Babbar will end on the dates of the 21st and 22nd Annual General Meetings, respectively.

The Board places on record its sincere appreciation for Shri Ramji Mehrotra, Shri D.D.Chopra & Shri K.K.Soni for their valuable contribution during their tenure.

Shri Ajit Kumar, Shri A. K. Puri, Shri M. G. Diwan and Dr. S Ramesh Directors would retire by rotation at the forthcoming Annual General Meeting and all, being eligible, offer themselves for reappointment. The Board has re-appointed Shri S. K Agarwal as Managing Director and Shri T. B. Gupta as Executive Vice-Chairman of the Company w.e.f. 21/06/2007 subject to members' approval. To enable the Company to obtain their continued valuable direction, guidance and assistance in conduct of the affairs of your Company, it is recommended that their reappointment be approved.

5. Directors' Responsibility Statement

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, the Directors hereby confirm:

- that in the preparation of the annual accounts for the financial year ended 31st March, 2007, the applicable accounting standards have been followed, along with proper explanation relating to material departures;
- that they have selected such accounting policies 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 at the end of the financial year and of the profit of the Company for that period;
- that they have taken proper and sufficient care for the maintenance of proper accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding

the assets of the Company and for preventing and detecting fraud and other irregularities; and

- that they have prepared the annual accounts for the financial year ended 31st March, 2007 on a 'going concern' basis.

6. Corporate Governance

The Report on Corporate Governance in terms of Clause 49 of the Listing Agreement is annexed to this report.

7. Auditors

The Auditors, M/s. Agiwal & Associates, Chartered Accountants, will retire at the forthcoming Annual General Meeting. The Company has received a certificate from the Auditors that they are qualified under section 224 (1B) of the Companies Act, 1956 to act as the Auditors of the Company, if appointed. On the recommendation of the Audit Committee, the Board of Directors recommends their appointment. The Board may also be authorised to fix their remuneration.

8. Auditors' Report

The observations made by the Auditors with reference to notes on accounts for the year under report have been adequately dealt with, in the relevant Notes on Accounts and need no further comments from Directors.

9. Statutory Information

Not being a manufacturing Company, your Company is advised that Form A prescribed under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, relating to Conservation of Energy and Technology Absorption, is not applicable to it. It is informed that during the year under review, the Company did not absorb any new technology or carried out any related R&D activity. Details of foreign exchange earnings and outgo are given below:

Foreign Exchange earnings	: Nil
Foreign Exchange out go	: Rs.99,826/-

The shares of the Company are presently listed at 1) The Bombay Stock Exchange Ltd. Mumbai. 2) The National Stock Exchange of India Ltd. Mumbai. 3) The Calcutta Stock Exchange Association Ltd. Kolkata. and 4) The Madras Stock Exchange Ltd. Chennai. The Company has paid the Annual Listing fees for the year 2007-2008 to all the aforesaid Stock Exchanges. The Company has already applied for delisting of its shares from the Stock Exchanges at Kolkata and Chennai. The delisting confirmation is yet to be received from The Calcutta Stock Exchange Association Ltd. and The Madras Stock Exchange Ltd.

10. Fixed Deposits

The Company has neither held nor accepted any fixed deposit during the year under review. The Company has no plans to accept any deposits from the public in the future also.

11. Human Resources

The Company has a team of able and experienced professionals. The management recognizes the intellectual capital as its most valuable asset and constantly strives to strategically align personal goals and organizational growth. It encourages open channels of communication, blending the individual's vision with that of the organization and building a shared understanding of how each team member can contribute to the Company's success. It aims to build a strong corporate culture on core values such as safety, integrity, innovation and teamwork, thus creating a vision-guided, values-driven organization that focuses on employee fulfillment and leadership development. Employee relations continued to be cordial during the year. The number of employees stood at 26. The Directors place on record their appreciation of the devoted service of the employees at all levels. In terms of the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, there was no employee during the year drawing remuneration more than the stipulated amount in the said rules.

12. Subsidiary Companies

Statements pursuant to Section 212(1) (e) & (f), read with sub-section (3) and sub section (5) of the said section of the Companies Act, 1956 for the relevant financial year, in respect of the subsidiary companies, are enclosed with Annual Accounts of the Company.

13. Consolidated Financial Statements

In compliance of Clause 41 of the Listing agreement, the Consolidated Financial statements in accordance with the prescribed accounting standards, are annexed to the Audited Annual Accounts for the year under review.

14. Compliance Certificate

A certificate from the Auditors of the Company regarding the compliance of the conditions of corporate governance as stipulated under clause 49 of the Listing Agreement, is attached to the said report.

15. Group

Group for inter se transfer of shares under Clause 3 (e) of Securities & Exchange Board of India (Substantial Acquisition of Shares & Takeovers) Regulations, 1997:

- | | |
|------------------------------|--|
| a. Shri M. P. Mehrotra | h. Shri Ramji Mehrotra |
| b. M. P. Mehrotra (HUF) | i. Mrs. Sushma Mehrotra |
| c. Dr. (Mrs) Sushma Mehrotra | j. VLS Capital Ltd. |
| d. Shri Somesh Mehrotra | k. Gaurav Overseas Exports Pvt. Ltd. |
| e. Ms. Divya Mehrotra | l. Needle Eye Plastic Industries Pvt. Ltd. |
| f. Mrs. Sadhana Mehrotra | m. Pragati Moulders Pvt. Ltd. |
| g. Ms. Daya Mehrotra | n. South Asian Enterprises Ltd. |

16. Acknowledgements

Your Directors wish to place on record their sincere appreciation and gratitude to the Company's business associates, customers, Bankers, and the Reserve Bank of India for their continued support and assistance and also to the esteemed shareholders of the Company, for their valuable support and patronage.

For and on behalf of the Board

Place : New Delhi	S. K. AGARWAL	M. P. MEHROTRA
Date : 18/07/2007	Managing Director	Director

Annexure-1
REPORT ON CORPORATE GOVERNANCE
Our Mission:

To be a top ranking NBFC to achieve sustained growth of business and profitability in core areas of investments, private placements and securities related operations, fulfilling socio economic obligations, excellence in customer service through up-gradation of skills of staff, their effective participation and making use of state of art technology.

Corporate Philosophy:

The philosophy of your Company is to enhance the long-term economic value of the Company, its stakeholders and the society at large by adopting better corporate practices in fair and transparent manner, by aligning interest of the Company with its shareholders and other key stakeholders. Your Company has been practicing the principles of good Corporate Governance over the years and has been the follower of rewarding its shareholders over a sustained period of time.

1. BOARD OF DIRECTORS

- a) The total strength of the Board is 12 Directors all being non-executive, except the Managing Director and the Executive Vice-Chairman. The Board comprises of 2 (Two) Promoter Directors, 8 (Eight) Independent Directors and 2 (Two) Non-Independent Directors. The present constitution of Board complies with requirement of Clause-49 of Listing Agreement, which stipulates that at least one third of the Board Members should be independent if the Chairman is non-executive Director.

S.No.	Name of the Director	Whether Promoter/Executive or Non-Executive/Independent	No. of Board Meetings attended during 2006-07	Whether attended AGM held on 25.09.2006	No. of Directorships in other Public Ltd. Companies	No. of Committee positions held in other Public Ltd. Companies	
						Chairman	Member
1)	Shri Ajit Kumar (Chairman)	Non-Executive, Independent	5	NO	-	-	-
2)	Shri T. B. Gupta (Executive Vice-Chairman)	Executive, Non-Independent	5	YES	4	-	2
3)	Shri S. K. Agarwal (Managing Director)	Executive, Non-Independent	5	YES	3	1	-
4)	Shri Ramji Mehrotra *	Non-Executive, Non-Independent	0	NO	-	-	-
5)	Shri Somesh Mehrotra	Non-Executive, Promoter	2	NO	1	-	-
6)	Shri K. K. Soni ** (Director-Finance & Chief Financial Officer)	Executive, Non-Independent	3	YES	5	-	2
7)	Shri N. C. Sundararajan	Non-Executive, Independent	3	NO	-	-	-
8)	Shri A. K. Puri	Non-Executive, Independent	4	NO	1	-	1
9)	Shri M. G. Diwan	Non-Executive, Independent	4	NO	5	1	2
10)	Dr. S. Ramesh	Non-Executive, Independent	5	YES	3	-	3
11)	Shri B. M. Oza	Non-Executive, Independent	5	NO	-	-	-
12)	Shri D. D. Chopra ***	Non-Executive, Independent	1	NO	1	-	-
13)	Shri M. P. Mehrotra \$	Non-Executive, Promoter	2	N.A.	8	2	-
14)	Shri Gian Vijeshwar \$	Non-Executive, Independent	2	N.A.	6	3	1
15)	Shri Rakesh Babbar \$	Non-Executive, Independent	2	N.A.	6	1	3

* Resigned w.e.f. 26/12/2006

** Resigned w.e.f. 31/01/2007

*** Resigned w.e.f. 16/01/2007

\$ Appointed w.e.f. 31/01/2007

None of the Directors is a member of more than 10 Board-level committees, namely the Audit Committee and the Shareholders/Investors Grievance Committee or a Chairman of more than five such committees, as required under Clause 49 of the listing agreement. The Directorship in other companies excludes Directorships in any foreign Company, Private Company and Section 25 Company.

- b) During the year ended 31/03/2007, 5 (Five) Board Meetings were held with at least one meeting in every quarter on 30/05/2006, 28/07/2006, 28/10/2006, 31/01/2007 and 27/02/2007.
c) There were no material transactions with the non-executive Directors during the year under review. For other related party transactions, necessary disclosures have been made in clause 9 under the head "Notes on Accounts" in the Annual Accounts for the year under review.

- d) Information supplied to the Board:

The VLS Board oversees the business conduct, while the Audit Committee, comprising majority of independent Directors, appraises control and procedures. As a result, the Company continuously examines its governance practices to protect investor trust and enhance the Board effectiveness. The Board has unfettered and complete access to any information within the Company and to any employee of the Company. At meetings of the Board, it welcomes the presence of senior executives who can provide additional insights into the items being discussed. Members of VLS management team regularly review the health of its business across strategy and performance to staffing and compliance. These business managers extensively monitor the financial performance and operating systems enabling the Company to identify potential risks and opportunities early in their occurrence cycle translating into proactive de-risking.

All other relevant information as and when required including those envisaged in Clause 49 of Listing Agreement was regularly provided to the Board and Committees thereof. The requisite CEO and CFO certification was also placed before the Board alongwith the annual accounts for the year under review as required under Clause 49 of Listing Agreement.

- e) Details of remuneration paid to the Directors during the year ended on 31.03.2007:

S.No.	Name of the Director	Salary(In Rs.)	Perquisites (In Rs.)	Sitting fee (In Rs.)	Commission (In Rs.)	Total(In Rs.)
1)	Shri Ajit Kumar	N.A.	N.A.	25,000	N.A.	25,000
2)	Shri T. B. Gupta	3,21,432	94,537	NIL	NIL	4,15,969
3)	Shri S.K. Agarwal	5,40,000	3,62,288	NIL	NIL	9,02,288
4)	Shri Somesh Mehrotra	N.A.	N.A.	12,000	N.A.	12,000
5)	Shri B.M. Oza	N.A.	N.A.	55,000	N.A.	55,000
6)	Dr. S. Ramesh	N.A.	N.A.	35,000	N.A.	35,000
7)	Shri A.K. Puri	N.A.	N.A.	28,000	N.A.	28,000
8)	Shri N.C. Sundararajan	N.A.	N.A.	21,000	N.A.	21,000
9)	Shri M.G. Diwan	N.A.	N.A.	20,000	N.A.	20,000
10)	Shri Ramji Mehrotra	N.A.	N.A.	NIL	N.A.	NIL
11)	Shri D.D. Chopra	N.A.	N.A.	5,000	N.A.	5,000
12)	Shri K.K. Soni	N.A.	N.A.	NIL	N.A.	NIL
13)	Shri M. P. Mehrotra	N.A.	N.A.	10,000	N.A.	10,000
14)	Shri Gian Vijeshwar	N.A.	N.A.	10,000	N.A.	10,000
15)	Shri Rakesh Babbar	N.A.	N.A.	10,000	N.A.	10,000

Notes:

- i) Currently, the Company does not have any stock option scheme.
- ii) No other remuneration, except sitting fee is paid to non-executive directors.
- iii) Shri M. P. Mehrotra, Shri Somesh Mehrotra and Shri N.C. Sundararajan held 485, 4,04,106 and 3,000 equity shares of the Company respectively as on 31.03.2007. No other director held any shares of the Company on that date for self or for others on beneficial basis.
- iv) The service contract in case of Executive Directors is 3 years and 2 months with notice period of 3 months. All the Non-Executive Directors are liable to retire by rotation.

f) Code of Conduct

The Code of Conduct is applicable on all Directors and Senior Managerial personnel of the Company with certain provisions applicable to all employees e.g. Insider Trading etc. The said code though formally adopted in compliance of Clause 49 of listing agreement, its principles were in practice long before as governing factor of the business rules of the Company. The Code of Conduct is available on the Company's Website. The declaration from Managing Director that all Board Members and other concerned have complied with the code is appended to and forms part of this Report.

Declaration under Clause 49 I (D) for compliance with the Code of Conduct

Pursuant to Clause 49 (1) (D) of the listing agreement entered into with Stock Exchanges, I hereby declare that the Company has obtained affirmative compliance with Code of Conduct from all the Board Members and Senior Management personnel of the Company for the period under review, which ended on 31/03/2007.

Date: 18/07/2007
Place: New Delhi

S. K. Agarwal
Managing Director

g) Disclosures regarding appointment or re-appointment of Directors

Shri Ajit Kumar, Shri A. K. Puri, Shri M. G. Diwan and Dr. S. Ramesh will retire by rotation at the forthcoming Annual General Meeting and being eligible have offered themselves for reappointment. Shri M. P. Mehrotra, Shri Gian Vijeshwar and Shri Rakesh Babbar were appointed in casual vacancy caused due to resignation of Shri Ramji Mehrotra, Shri D. D. Chopra and Shri K. K. Soni respectively by the Board on 31/01/2007. Shri M. P. Mehrotra will hold office till the date of ensuing Annual General Meeting, in terms of section 262 of the Companies Act, 1956 and being eligible has offered himself for re-appointment. The Board recommends his re-appointment. The relevant information about these Directors has been furnished in notice convening the ensuing Annual General Meeting.

2. AUDIT COMMITTEE
a) Composition

As on 01/04/2006, the Audit Committee comprised of Dr. S. Ramesh (Chairman of the Committee) and Shri N.C. Sundararajan, Shri A.K. Puri, Shri K. K. Soni, Shri Ramji Mehrotra, Shri Divey Dipti Chopra and Shri B.M. Oza as members. The Board, in its meeting held on 31/01/2007, accepted the resignation of Shri Ramji Mehrotra, Shri D. D. Chopra and Shri K. K. Soni as Directors of Company. Consequently, they also ceased to be members of the Audit Committee. The Audit Committee consisted of Dr. S. Ramesh (Chairman of the Committee) and Shri N. C. Sundararajan, Shri A.K. Puri, and Shri B.M. Oza as members till 19/06/2007.

The Board in its meeting held on 20/06/2007 nominated Shri M. P. Mehrotra in the Audit Committee and withdrew the nomination of Shri B.M. Oza. Post reconstitution, the Audit Committee has Shri M. P. Mehrotra, Shri N.C. Sundararajan, and Shri A.K. Puri as members and Dr. S. Ramesh is chairman of committee. Majority of the members are independent Directors including chairman of the committee. Shri M. P. Mehrotra and Shri N. C. Sundararajan are Chartered Accountants by profession. Shri A.K.Puri is a retired Banker and Dr. S. Ramesh is retired Civil Services officer. All the members of committee are financially literate in terms of relevant stipulation under Clause- 49 of the listing agreement and majority have extensive experience in areas of finance, taxation and other financial services.

b) Terms of reference

The role, terms of reference, authority and powers of the Committee are in conformity with the listing agreement read with Section 292A of the Companies Act, 1956. The Company Secretary is the Secretary of the Committee. The Statutory Auditor is regularly invited for meetings of the Committee. The Internal Auditor, the Managing Director and the Executive Vice - Chairman are also invited to its meetings whenever required. The minutes of Audit committee meetings are regularly placed before the Board. The Board had accepted all the recommendations made by Audit Committee during the year under review.

c) Meetings and attendance

During the year ended on 31/03/2007, 4 (Four) Audit Committee Meetings were held on 29/05/2006, 27/07/2006, 27/10/2006 and 30/01/2007. The summary of attendance of members is as under:

Name	Shri A.K. Puri	Shri N. C. Sundararajan	Shri B.M. Oza	Shri D.D. Chopra (upto. 31/01/2007)	Shri Ramji Mehrotra (upto. 31/01/2007)	Dr. S Ramesh	Shri K.K. Soni (upto. 31/01/2007)
Attendance in Four Meetings	4	3	4	0	0	4	0

3. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE
a) Composition and terms of reference

The Committee comprised of Shri B.M. Oza - Chairman of the Committee with Shri T.B. Gupta, Shri Somesh Mehrotra, Shri Ramji Mehrotra, Shri Divey Dipti Chopra and Shri S. K. Agarwal as members as on 01/04/2006. After the resignation of Shri Ramji Mehrotra and Shri D. D. Chopra, the Committee has Shri B.M. Oza - Chairman of the Committee with Shri T.B. Gupta, Shri Somesh Mehrotra, and Shri S. K. Agarwal as members. Apart from approval of share transfer and related aspects the Committee is vested with the requisite powers and authority to specifically look into the redressal of the shareholders and investor's grievances. The Company Secretary is the Compliance Officer and Secretary of the Committee.

As a step towards providing better services to its shareholders, individual members regularly approve the requests for dematerialization of shares received during the intervening period between two committee meetings in exercise of authority delegated by committee. Thus, the time gap between the demat approvals on an average is less than 15 days. The summary of demat requests approved by members is regularly placed before Committee. The minutes of the Committee meetings are regularly placed before the Board.

b) Meetings and attendance

During the year under review, 12 (Twelve) meetings of Shareholders/ Investors Grievance Committee were held on 28/04/2006, 25/05/2006, 28/06/2006, 24/07/2006, 23/08/2006, 30/09/2006, 31/10/2006, 29/11/2006, 29/12/2006, 29/01/2007, 28/02/2007, and 30/03/2007. The summary of meetings attended by members of Committee is as under.

Name	Shri B.M. Oza	Shri Somesh Mehrotra	Shri D.D. Chopra	Shri T. B. Gupta	Shri Ramji Mehrotra	Shri S. K. Agarwal
Attendance in 12 meetings	10	0	0	12	0	12

c) Shareholders Complaints

The Company had received 6 complaints during the financial year ended 31st March, 2007. All the complaints whether received through SEBI, Stock Exchange or individual members during the year were redressed to the satisfaction of investors and none remained outstanding at the end of the year under report. The nature wise summary of complaints received and redressed during the year is as under:

Nature of Complaints**	Received	Redressed
Non-receipt of Dividend	2	2
Non-receipt of shares after transfer	3	3
Non-receipt of Annual Report	0	0
Non-receipt of Bonus Shares	0	0
Non-receipt of Name change sticker	0	0
Non-receipt of Endorsement Sticker	0	0
Loss of shares/for duplicate shares	0	0
Non- receipt of share certificate after Rejection of Demat request	1	1
Total	6	6

** Complaint received from multiple sources e.g. from SEBI, Stock Exchange etc. has been treated as one complaint but a complaint, if sent again by SEBI/ Stock Exchange has been treated as a fresh complaint.

General correspondence e.g. change of address, enquiry on dividend for the year, ISIN No. of the Company etc. have been excluded from above.

4. GENERAL BODY MEETINGS
a) Details of the last three Annual General Meetings

Financial year ended	Date	Time	Venue
March 31, 2006	September 25, 2006	10.30 a.m.	Sri Sathya Sai International Centre Auditorium, Lodhi Road Institutional Area, Lodhi Road, Pragati Vihar, New Delhi-110003.
March 31, 2005	September 23, 2005	10.30 a.m.	Sri Sathya Sai International Centre Auditorium, Lodhi Road Institutional Area, Lodhi Road, Pragati Vihar, New Delhi-110003.
March 31, 2004	September 23, 2004	10.30 a.m.	Sri Sathya Sai International Centre Auditorium, Lodhi Road Institutional Area, Lodhi Road, Pragati Vihar, New Delhi-110003.

b) Special resolution passed in the previous 3 Annual General Meetings (AGM)

- In the AGM held on 25.9.2006, no agenda item was required to be approved by special resolution.
- In the AGM held on 23.9.2005, no agenda item was required to be approved by special resolution.
- In the AGM held on 25.9.2004, special resolution for appointment of Mrs. Usha Gupta at place of profit in VLS Securities Ltd., a wholly owned subsidiary of the Company was passed.

c) Postal ballots

During the year under review, no item was proposed for approval of members through Postal Ballot.

5. DISCLOSURES
a) Related party transactions

There were no transactions with promoters, Directors and related persons that were materially significant, having conflict with the interest of Company at large, during the financial year under review. However, necessary disclosure has been made in Audited Financial Accounts for the year under review under the head 'Notes on Accounts'.

b) Statutory compliance, penalties and strictures

The Company has complied with all applicable requirements of Stock Exchange, SEBI and other statutory authorities on all matters related to capital market during the year under review. The details of penalties/strictures on the Company in last three years are as under:

- i) The adjudicating officer SEBI, vide letter dated 31/03/2003 had imposed a penalty of Rs.5 lakhs on Company for alleged violation of regulation 10 of SEBI (Substantial Acquisition of Shares & Takeovers) Regulations, 1997 in the matter of transfer of 3,44,658 shares of Trackparts of India Ltd. The Company had preferred an appeal against the said order vide appeal no. 611/2003 before Hon'ble Securities Appellate Tribunal, Mumbai (SAT), but the appeal was dismissed by said Tribunal vide order dated 17.11.2005. The Company has appealed before the Hon'ble Supreme Court against decision of Hon'ble tribunal and the matter is subjudice.
- ii) The trading of securities of the Company was temporarily disallowed w.e.f. 27/06/2002 by the National Stock Exchange for alleged violations of provisions of listing agreement. The Company has inter-alia denied violation in its submission made to stock exchange and has submitted required explanation on the queries of Stock Exchange. After consideration by the designated committee of Exchange for this purpose the **Exchange had reinstated the trading of scrip of the Company w.e.f. 04/03/2004.**

c) Legal Proceedings

There are certain pending cases relating to disputes over title to shares, in which the Company has been made a party. However, these cases are not material in nature.

d) Whistle blower policy

The Company does not have a Whistle blower policy at present, but no person is denied access to Audit Committee. Further, the existing working setup also provides unfettered approach to management by the employees in reporting any matter envisaged to be covered in the whistle blower policy.

e) Compliance of Non-mandatory requirements

- i) The Company does not maintain separate office for the Non-Executive Chairman. However he may claim reimbursement of expenses incurred for performance of duties as chairman. No expenses on this account have been claimed during the year under review.
- ii) Remuneration Committee
The Remuneration Committee as on 01/04/2007 comprised Shri B.M. Oza - Chairman of the Committee with Shri Somesh Mehrotra, Dr. S. Ramesh, Shri Ramji Mehrotra and Shri D.D. Chopra as Members. Shri Ramji Mehrotra and Shri D. D. Chopra ceased to be member of the committee upon their resignation as Director of the Company. The said committee then had Shri B.M. Oza - Chairman of the Committee with Shri Somesh Mehrotra and Dr. S. Ramesh as the members. On 20/06/2007, the Board nominated Shri Rakesh Babbar and Shri A. K. Puri in the committee. The Committee now consists of Shri B. M. Oza, Shri Somesh Mehrotra, Dr. S. Ramesh, Shri Rakesh Babbar and Shri A. K. Puri. Shri B. M. Oza is the chairman of the committee. The company secretary acts as secretary of the committee. The Committee formulates the remuneration package for managerial personnel including Executive Director(s) for approval of the Board and performs other roles detailed out in the listing agreement executed with the Stock Exchanges or as assigned by the Board from time to time. During the year under review one meeting of remuneration committee was held on 27/07/2006. In the current year, two meetings of committee were held on 20/06/2007 and 17/07/2007 for deciding the remuneration package of Managing Director and Executive Vice- Chairman. All the recommendation made by the committee were accepted by the Board without any modification.
- iii) The periodic results were not sent to any shareholder. However, they have been published in newspapers as prescribed in listing agreement. They are also available on website sebidifar.nic.in in terms of Clause 51 of the Listing Agreement and the Company's website.
- iv) The Board has so far not adopted Peer group evaluation of Directors and restricting the tenure of Independent Directors to nine years in aggregate. Your Directors being seasoned and highly experienced personalities in their field, keep themselves abreast of latest developments in their area and expertise and in the area of technology, management etc. However, the Directors are also kept posted of requisite information about business activities of the Company and risks involved therein to enable the Directors to discharge their responsibilities in best possible manner.
- v) There was no qualification in the Auditor's Report on the Annual Accounts of the Company for the year under review.

6. COMMUNICATION TO SHAREHOLDERS

- a) The Company does not send newsletter to shareholders on quarterly or half yearly basis. The Company publishes un-audited quarterly results in prescribed format, in two newspapers viz. The Financial Express and Jansatta regularly and the same is also available on Company's website <http://www.vlsfinance.com>. The quarterly/ Annual results of Company from the quarter ended 31/12/2003 onwards and other information as prescribed are also available on website sebidifar.nic.in which is maintained under aegis of Securities & Exchange Board of India. Further, disclosures pursuant to the listing agreement are promptly communicated to the Stock Exchanges.
- b) The official news releases and presentations made to analysts/ institutional investors shall also be posted on the website as and when made. No presentation was, however, made by Company to Analysts etc during the year under review.
- c) The Management Discussion and Analysis forms part of Annual Report for the year under review. The Company, however, assumes no responsibility in respect of forward looking statements, which may be amended or modified in future on the basis of subsequent developments or events.
- d) The Company also dedicated an e-mail ID exclusively for redressal of Investor Complaints in compliance of Clause 47 (f) of listing agreement namely hconsul@vlsfinance.com which is also displayed on the Company's website www.vlsfinance.com under heading 'contact us'.

7. SHAREHOLDERS INFORMATION
a) Annual General Meeting

- Date and time	:	Friday, 28 th September, 2007
- Venue	:	Sri Sathya Sai International Centre Auditorium, Lodhi Road Institutional Area, Lodhi Road, Pragati Vihar, New Delhi-110003
- Financial Year	:	April to March
- Book Closure	:	From 21-09-2007 to 28-09-2007 (both days inclusive)
- Buy back of shares	:	During the year under review, there was no proposal by the Company to buy back its shares.
- Dividend payment date	:	Not Applicable as no dividend has been recommended.

b) Listing at Stock Exchanges

The equity shares of the Company are listed at following Stock Exchanges:

1. The Stock Exchange, Mumbai. (Code: 511333)
2. National Stock Exchange, Mumbai. (Code: VLSFINAC)
3. The Calcutta Stock Exchange Association Ltd, Kolkata
4. The Madras Stock Exchange Ltd., Chennai.

The annual listing fee has been paid to all the Stock Exchanges as mentioned above up to the year 2007-2008. However, de-listing confirmation is yet to be received from the Calcutta Stock Exchange Association Ltd. and the Madras Stock Exchange Ltd.

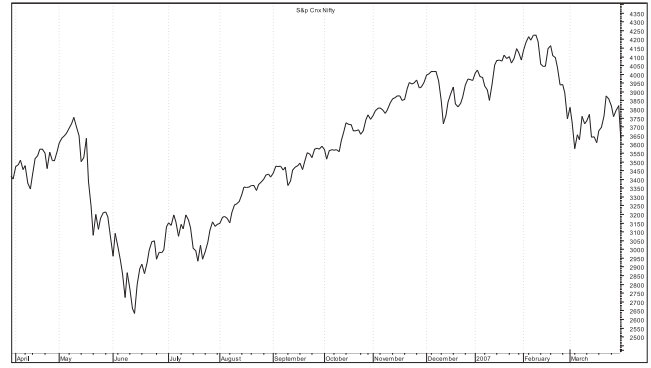
c) Stock Market data

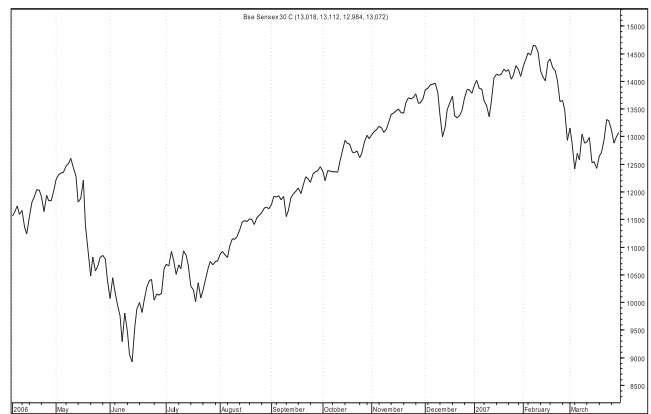
Monthly highs, lows and trading volume for the Financial Year 2006-2007:

(Source: Metastock)

Months	NSE			BSE		
	High Rs.	Low Rs.	Volume Nos.	High Rs.	Low Rs.	Volume Nos.
Apr-06	35.55	19.75	6175053	35.70	19.50	6040340
May-06	37.40	22.10	12820920	37.30	21.90	7702738
Jun-06	22.95	12.55	1334640	23.25	12.60	1009080
Jul-06	14.00	10.65	482925	14.12	10.60	444871
Aug-06	16.95	12.30	881567	17.13	12.14	815082
Sep-06	14.95	13.15	574115	14.95	13.20	540207
Oct-06	19.45	13.60	1675393	19.23	13.55	1361735
Nov-06	16.25	13.50	854571	16.25	13.50	629188
Dec-06	21.10	14.90	1824287	20.90	14.90	2637336
Jan-07	20.40	16.95	1140593	20.45	16.70	1387275
Feb-07	23.80	17.00	1793390	23.60	17.05	2176250
Mar-07	18.55	14.00	574802	18.40	14.05	762651
Total			30132256			25506753

Graphical representation of Shares Price in NSE and BSE vis-à-vis Index Movement:
NSE Graph of VLS Finance Ltd.

Nifty

BSE Graph of VLS Finance Ltd.

BSE Sensex

d) Registrar and Transfer Agents and Share Transfer System

The Company has retained M/s RCMC Share Registry Pvt. Ltd., as its Registrar & Transfer Agents for further period of one year w.e.f. 01/04/2007 for entire shareholder services viz. processing request for transfer, other shareholder services, dematerialisation of holding, providing connectivity services with depositories in compliance of SEBI's circular No.D&CC/F/TTC/CIR-15/2002 dated 27/12/2002.

e) Investors Correspondence

For any query relating to transfer/transmission of shares, dematerialisation, change of address etc. please write to M/s RCMC Share Registry Pvt. Ltd, Registrars and Transfer Agents of the Company, at 1515, 1st Floor, Bhishm Pitamah Marg, Kotla Mubarakpur, near South Extension, New Delhi-110003 (Phone No. 24692346, 24601017). For any further assistance in said matters, queries may be addressed to the Company Secretary at the Registered office of the Company.

f) Distribution of shareholding as on March 31, 2007

Slab of share holding	No. of shareholders	%age	Nominal value of shares held in (Rs.)	%age
1-500	1100	41.4643	28075100.00	7.0549
501-1000	12094	45.1774	77960400.00	19.5905
1001-2000	2132	7.9641	30624580.00	7.6956
2001-3000	544	2.0321	14118500.00	3.5478
3001-4000	216	0.8069	7798400.00	1.9596
4001-5000	193	0.7210	9077760.00	2.2811
5001-10000	281	1.0497	20266620.00	5.0928
10001 and above	210	0.7845	210028640.00	52.7776
Total	26770	100.0000	397950000.00	100.0000

According to categories of shareholders as on March 31, 2007

Serial No.	Categories	No. of shares	Amount In Rs.	Percentage of shareholding
1	Promoters, Directors and Relatives	14442868	144428680.00	36.2932
2	Financial Institution and Banks	10250	102500.00	0.0258
3	Mutual Fund	100	1000.00	0.0003
4	FII's	300	3000.00	0.0008
5	Corporate Bodies	4102191	41021910.00	10.3083
6	Clearing Members	30202	302020.00	0.0759
7	Indian Public	21185394	211853940.00	53.2363
8	NRI/OCBs/FN	23695	236950.00	0.0595
	Grand Total	39795000	397950000.00	100.0000

g) Dematerialisation of Shares and liquidity

83.68% of the total share capital of Company are held in dematerialized form as on 31/03/2007. The shares of Company are actively traded in The Bombay Stock Exchange Ltd. and The National Stock Exchange Ltd. The shares of the Company are traded only in demat segment w.e.f. 28th August 2000.

h) There were no ADRs/ GDRs/ Warrants or other convertible instruments out standing as on 31/03/2007.
j) Financial Calendar (Tentative)

Quarter ending	June 30, 2007	End of July, 2007
Quarter ending	September 30, 2007	End of October, 2007
Quarter ending	December 31, 2007	End of January, 2008
Year ending	March 31, 2008 #	End of May, 2008
Annual General Meeting for the year ended March 31, 2007		28 th September, 2007

For the quarter ending 31/03/2008 un-audited results may not be published and only audited results will be published, unless decided otherwise.

k) Subsidiary Companies

The Company does not have a material non-listed Indian subsidiary in terms of revised clause 49 of the listing agreement ("Clause 49") as per financial results of the period under review, i.e. Financial Year 2006-07.

i) Secretarial Audit

The Securities and Exchange Board of India has directed vide circular No. D & CC/FITIC/ CIR-16/2002 dated December 31, 2002 that all issuer companies shall submit a certificate of capital integrity, reconciling the total shares held in both the depository, viz. NSDL and CDSL and in physical form with the total issued /paid-up capital on quarterly basis.

The said certificate by a Practicing Company Secretary is submitted to the Stock Exchanges where the securities of the Company are listed at the end of each quarter, within prescribed time.

l) Plant Location

Not applicable since the company is not into manufacturing of similar activity.

Auditors' Certificate on Corporate Governance

As required by Clause 49 of the Listing Agreement, the Auditors Certificate is annexed hereto.

CERTIFICATE

To the Members of
VLS Finance Ltd.

We have examined the compliance of conditions of corporate governance by VLS Finance Ltd., for the year ended on 31st March, 2007, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchange (s).

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the 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, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the clause 49 of the Listing Agreement.

We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Company and certificates furnished by the Registrar and Transfer Agents of the Company.

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

For and on behalf of
Agiwal & Associates
Chartered Accountants

(P.C. Agiwal)
(Partner)
Membership No. 80475

Date: 18/07/2007
Place: New Delhi

Office: 3830, Lal Kothi, 2nd Floor, Pataudi House Road, Above Bank of Baroda, Darya Ganj, New Delhi-110002

AUDITORS' REPORT

To,
The Members
VLS Finance Ltd.
New Delhi

We have audited the attached Balance Sheet of VLS Finance Ltd. as at 31st March 2007 and also Profit and Loss Account of the Company for the year ended on that date annexed thereto and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

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.

1. As required by the Companies (Auditor's Report) Order, 2003 issued by the Department of Company Affairs in terms of section 227 (4A) of the Companies Act, 1956 we enclose in the annexure a statement on the matters specified in paragraph 4 & 5 of the said Order, to the extent applicable to the Company.
2. Further to our comments in the annexure referred to in paragraph one 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 purpose of our audit;
 - b) In our opinion, proper books of accounts as required by law have been kept by the Company, so far as appears from our examination of those books;
 - c) The Balance Sheet, Profit & Loss Account and cash flow statement dealt with by this report are in agreement with the books of accounts;
 - d) In our opinion the Balance sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - e) On the basis of written representations received from the directors as on 31st March 2007, and taken on record by the board of directors, we report that none of the directors is disqualified as on 31st March 2007 from being appointed as a director in terms of clause (g) of subsection (1) of section 274 of the companies Act 1956;

In our opinion and to the best of our information and according to the explanation given to us, the said accounts read with significant accounting policies and notes to accounts thereon 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;

- 1) In the case of Balance Sheet, of the state of affairs of the Company as at 31st March 2007 and;
- 2) In the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date;
- 3) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For Agiwal & Associates
Chartered Accountants

Place: New Delhi
Date: 20th June, 2007

(P.C. Agiwal)
Partner
(M. No. 80475)

**ANNEXURE TO AUDITORS REPORT
REFERRED TO IN PARAGRAPH (1) OF OUR REPORT OF EVEN DATE
Re: VLS Finance Ltd. for the year ended 31st March 2007**

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) All the fixed assets *except assets on lease, which are in the possession of the lessee*, have been physically verified by the management at the reasonable interval. No material discrepancies were noticed on such verification as informed to us.
- (c) In our opinion and according to information and explanations given to us, the Company has not disposed off substantial part of fixed assets during the year.
- (ii) (a) The securities held as stock-in-trade have been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of stock-in-trade followed by the management were found reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) In our opinion and according to information and explanations given to us, the Company has maintained proper records of its inventories. The discrepancies noticed on verification between the physical stocks and book records which are not material in relation to the Company, have been properly dealt with in the books of accounts.

- (iii) (a) The Company has granted interest free unsecured loan to the subsidiary company listed in the register maintained under section 301 of the Companies Act, 1956 and the amount outstanding from one subsidiary company as on 31.03.2007 is Rs.9,15,511/-.
- (b) In our opinion the terms and conditions of such unsecured loan given by the Company are prima facie not prejudicial to interest of the Company.
- (c) As per information given to us, the aforesaid loan given to the subsidiary company is payable on demand and there is no overdue amount at the year end.
- (d) The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clause (f) and (g) of the Order are not applicable.
- (iv) In our opinion and according of the information and explanations given to us, the Company has an adequate internal control procedure commensurate with its size and nature of its business, for the purchase of fixed assets and for purchase/sale of securities. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system during the year.
- (v) (a) To the best of our knowledge and belief and according to information and explanations given to us, the transactions that needed to be entered into the register maintained in pursuance to section 301 of the Companies Act, 1956, have been so entered.
- (b) According to information and explanation given to us, the transaction, made in pursuance of contracts or arrangements entered into Register(s) maintained under section 301 of the Companies Act, 1956 as aggregating during the period of Rs. 5,00,000/- (Rs. Five Lacs only) or more in respect of each party, have been made at the rates which are reasonable having regard to prevailing market rates.
- (vi) The Company has not accepted any deposits from the public during the year. Hence provisions of section 58A & 58AA or any other relevant provisions of the Companies Act, 1956 and rules of Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits are not applicable to the Company.
- (vii) In our opinion, the Company has an internal audit system, commensurate with its size and nature of its business.
- (viii) In our opinion and according to the information and explanations given to us, maintenance of cost records as prescribed by the Central Govt. under section 209(1) (d) of the Act, is not required as the Company is not in the manufacturing activity.
- (ix) (a) The Company is regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth tax, service tax and any other statutory dues with the appropriate authorities. There was no outstanding against any undisputed statutory dues as on 31.03.2007.
- (b) According to the records and information and explanations given to us, there is no outstanding of any disputed statutory dues as on 31.03.2007.
- (x) The Company neither have accumulated losses at the end of the year, nor incurred cash losses during the current financial year or in the immediately preceding Financial Year.
- (xi) On the basis of the verification of records and information and explanations given to us, the Company has not defaulted in repayment of dues to financial institutions or banks. The Company has not issued any debentures during the year.
- (xii) The Company has maintained adequate documents and records in case of loan granted on the basis of securities by way of pledge of shares.
- (xiii) The Company has maintained proper record for dealing and trading in shares, securities, debentures and timely entries have been made therein. The shares, securities and debentures and other investments have been held by the Company in its own name except to the extent of exemption granted under section 49 of the Act.
- (xiv) In our opinion and according to information and explanations given to us, the Company has not given any Guarantee for loans taken by others from Banks or Financial Institutions.
- (xv) The Company has not raised any Term Loan during the year.
- (xvi) According to the cash flow statement and other records examined by us and the information and explanations given to us, on overall basis, the funds raised on short-term basis have not been used during the year for long-term investments.
- (xvii) The Company has not made any preferential allotment of shares to any party covered in the register maintained u/s 301 of the Companies Act, 1956.
- (xviii) To the best of our knowledge and information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.
- (xix) The Para Nos. 4 (xiii), (xix) and (xx) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

For Agiwal & Associates
Chartered Accountants

Place: New Delhi
Date: 20th June, 2007

(P.C. Agiwal)
Partner
(M. No. 80475)

BALANCE SHEET AS AT 31st March, 2007
(Amount in Rupees)

	Sch. No.	As at 31st Mar, 2007	As at 31st March, 2006
I. SOURCES OF FUNDS			
1. Shareholders' Funds			
a) Capital	1	39,91,72,250	39,91,72,250
b) Reserves & Surplus	2	123,20,36,292	114,15,72,801
2. Loan Funds			
Unsecured Loans	3	1,33,06,588	1,31,81,588
Total Sources		164,45,15,130	155,39,26,639
II. APPLICATION OF FUNDS			
3. Fixed Assets			
a) Gross Block	4	137,83,55,071	137,82,44,939
b) Less: Depreciation		127,80,51,568	127,33,18,239
c) Net Block		10,03,03,503	10,49,26,700
4. Investments (At cost)			
	5	61,56,40,040	82,65,86,699
5. A. Current Assets, Loans & Advances			
a) Stock on Hire		8,80,281	0
b) Share stock in trade	6	3,33,74,044	1,12,99,734
c) Sundry Debtors	7	10,31,678	1,41,01,739
d) Cash & Bank Balances	8	70,69,185	65,20,501
e) Other Current Assets	9	29,64,23,531	33,97,48,057
f) Loans and Advances	10	57,87,28,172	23,09,69,304
		91,75,06,891	60,26,39,335
5. B. Less: Current Liabilities & Provisions			
a) Liabilities	11	26,53,832	77,10,257
b) Provisions	12	2,26,07,226	1,10,45,910
		2,52,61,058	1,87,56,167
Net Current Assets (A-B)		89,22,45,833	58,38,83,168
6. Deferred Tax Assets			
		3,63,25,754	3,85,30,072
Total Deployments		164,45,15,130	155,39,26,639
Notes on Accounts			
As per our report of even date.			
For Agiwal & Associates			
Chartered Accountants			
P.C. Agiwal			
Partner			
June 20th, 2007	M.P. Mehrotra	S.K. Agarwal	Tej Bhan Gupta
New Delhi	Director	Managing Director	Executive Vice-Chairman
			H. Consul
			Company Secretary

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2007
Amount in Rupees

	Sch. No.	For the year ended 31st Mar, 2007	For the year ended 31st March, 2006
INCOME			
Sale of Shares/Securities		2283,95,19,405	2165,68,76,115
Income from Operations	13	4,41,51,601	1,59,10,788
Income from Investments		3,54,65,853	4,46,18,005
Other Income		14,94,699	15,86,264
Profit/(Loss) on account of Foreign Exchange rate difference		(141,079)	3,96,229
Increase/(Decrease) in stock of shares	17	2,20,74,310	(1,340,209)
Total (A)		2294,25,64,789	2171,80,47,192
EXPENDITURE			
Purchase of Shares/Securities		2281,14,52,657	2161,96,55,450
Interest & Finance Charges	14	9,765	6,982
Administrative & Other Expenses	15	2,29,21,646	2,24,28,858
Employees' Cost	16	63,33,670	50,59,418
Depreciation	4	51,11,267	52,99,805
Total (B)		2284,58,29,005	2165,24,50,513
PROFIT/(LOSS) BEFORE ADJUSTMENTS			
Bad Debts Recovery		9,67,35,784	6,55,96,679
Provision for diminution in value of Investments	0	80,20,189	1,34,71,642
Less: Amount Transferred from General Reserve	0	0	8,00,00,000
Provision for Non Performing Assets		5,32,675	4,98,691
PROFIT/(LOSS) BEFORE TAX		10,42,23,298	7,85,69,630
Less: Provision for Taxation - MAT/Current Tax		1,12,14,537	29,15,207
Less: Provision for Taxation - Fringe Benefit Tax		2,75,552	3,10,007
Less: Provision for Taxation - Deferred Tax		22,04,318	2,38,745
PROFIT/(LOSS) AFTER TAX		9,05,28,891	7,51,05,671
Add: Surplus b/fd. from previous year		13,76,935	19,85,190
PROFIT/(LOSS) BEFORE PRIOR YEAR ADJUSTMENTS		9,19,05,826	7,70,90,861
Add/(Less): Prior year adjustments		(65,400)	0
PROFIT AVAILABLE FOR APPROPRIATIONS		9,18,40,426	7,70,90,861
APPROPRIATED TO:			
Transfer to General Reserve		6,00,00,000	6,00,00,000
Statutory Reserve u/s 45 IC of the RBI Act, 1934		2,08,44,660	1,57,13,926
SURPLUS CARRIED TO BALANCE SHEET		1,09,95,766	13,76,935
EARNING PER SHARE (Refer Note No:12 in Schedule 18)			
Basic and Diluted Earning per Share (Rs.)		2.27	1.89
Face Value per Share (Rs.)		10.00	10.00
Notes on Accounts			
As per our report of even date.			
For Agiwal & Associates			
Chartered Accountants			
P.C. Agiwal			
Partner			
June 20th, 2007	M.P. Mehrotra	S.K. Agarwal	Tej Bhan Gupta
New Delhi	Director	Managing Director	Executive Vice-Chairman
			H. Consul
			Company Secretary

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2007 (Amount in Rupees)

	As at 31st March, 2007	As at 31st March, 2006
SCHEDULE 1 SHARE CAPITAL		
AUTHORISED CAPITAL		
5,00,00,000 Equity Shares of Rs.10/- each (Previous year 5,00,00,000 Equity shares of Rs.10/-each)	50,00,00,000	50,00,00,000
ISSUED CAPITAL		
4,02,62,500 Equity Shares of Rs.10/- each (Previous year 4,02,62,500 Equity shares of Rs.10/-each)	40,26,25,000	40,26,25,000
SUBSCRIBED & PAID-UP CAPITAL		
3,97,95,000 Equity Shares of Rs.10/- each fully paid up for cash (Previous year 3,97,95,000 Equity Shares of Rs.10/- each)	39,79,50,000	39,79,50,000
Add: Amount forfeited on 4,67,500 equity shares (Previous year 4,67,500 equity shares)	12,22,250	12,22,250
	39,91,72,250	39,91,72,250

(Of the above, 3,31,62,500 equity shares, fully paid up have been issued as bonus shares by way of capitalisation of share premium)

SCHEDULE 4 FIXED ASSETS

Sl. No.	Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		Cost As at 01.04.2006	Additions during the year	Sales/ Adjustments	Cost As at 31.03.2007	Upto 31.03.2006	For the year	Sales/ Adjustments	Upto 31.03.2007	As at 31.03.2007	As at 31.03.2006
1	Assets for own use:										
A	Buildings	15,48,22,577	Nil	Nil	15,48,22,577	6,57,66,916	44,52,784	Nil	7,02,19,700	8,46,02,877	8,90,55,661
B	Temporary Structures	28,49,232	Nil	Nil	28,49,232	28,49,231	Nil	Nil	28,49,231	1	1
C	Vehicles	27,78,489	36,047	3,92,534	24,22,002	20,88,760	1,79,536	3,77,938	18,90,358	5,31,644	6,89,729
D	Office Equipments	21,72,743	84,264	Nil	22,57,007	15,37,986	93,211	Nil	16,31,197	6,25,810	6,34,757
E	Furniture & Fixtures	28,92,603	47,287	Nil	29,39,890	25,20,483	72,167	Nil	25,92,650	3,47,240	3,72,120
F	Air Conditioners	17,64,269	31,000	Nil	17,95,269	13,76,180	56,369	Nil	14,32,549	3,62,720	3,88,089
G	Computers	30,93,004	304,068	Nil	33,97,072	27,31,630	2,23,345	Nil	29,54,975	4,42,097	3,61,374
H	Electrical Installations	7,74,549	Nil	Nil	7,74,549	6,23,029	21,077	Nil	6,44,106	1,30,443	1,51,520
I	Generator	4,30,905	Nil	Nil	4,30,905	3,39,044	12,778	Nil	3,51,822	79,083	91,861
2	Assets on Lease	120,66,66,568	Nil	Nil	120,66,66,568	119,34,84,980	Nil	Nil	119,34,84,980	1,31,81,588	1,31,81,588
	Total	137,82,44,939	5,02,666	3,92,534	137,83,55,071	127,33,18,239	51,11,267	3,77,938	127,80,51,568	10,03,03,503	10,49,26,700
	Previous Year	137,64,64,101	17,80,838	0	137,82,44,939	126,80,18,434	52,99,805	0	127,33,18,239	10,49,26,700	10,84,45,667

SCHEDULE : 5 INVESTMENTS (Long Term)

PARTICULARS	FACE VALUE	QUANTITY		AMOUNT (In Rs.)	
		AS AT 31.03.2007	AS AT 31.03.2006	AS AT 31.03.2007	AS AT 31.03.2006
A. IN EQUITY SHARES					
1. Un-quoted & Fully Paid					
Hotline Display Devices Ltd	10	4500000	4500000	45187500	45187500
Hotline Electronic Components Ltd	10	900000	900000	9000000	9000000
Hotline Electronics Ltd	10	2000000	2000000	20075000	20075000
Foremost Factors Ltd	10	40000	40000	400000	400000
Indhradhan Agro Ltd.	10	1500000	1500000	15000000	15000000
Invest India Economic Foundation Private Ltd.	10	2000	2000	20000	20000
Anchal Fintrade P.Ltd	100	35000	35000	3500000	3500000
Alok Fintrade P.Ltd	100	5000	5000	500000	500000
B S Traders P.Ltd	100	20000	20000	2000000	2000000
Ganga Projects P.Ltd	100	10000	10000	1000000	1000000
Kanoria Properties P.Ltd	100	80000	80000	8000000	8000000
Generatio Next Medical Services Co Pvt Ltd	100	42000	42000	4200000	4200000
Pranjal Investments P.Ltd	100	56000	56000	5600000	5600000
Sunair Hotels Ltd.	10	9594824	9594824	235948240	235948240
Appu Ghar Entertainment Pvt Ltd	10	277100	0	138550000	0
Savera Construction P.Ltd	10	0	1250000	0	12500000
VLS Capital Ltd	10	4820833	4820833	73853947	73853947
MPL Enterprises Ltd + (Previously MPL Finance & Leasing Co Ltd)	10	5482	5482	-	-
Eha infrastructure P.Ltd	10	490000	490000	4936750	4936750
		SUB-TOTAL (A-1)		554271437	416971437
2. Quoted & Fully Paid					
BESTAVISION LTD	10	0	8000000	0	160000000
ICDS Ltd +	10	21929	21929	0	0
DHAMPUR SUGAR (Kashipur) LTD	10	99949	126000	1005217	1522500
3i INFOTECH LTD	10	3600	0	851313	0
ALOK INDUSTRIES LTD	10	1000	0	73160	0
ANSAL PROPERTIES & INFRASTRUCTURES LTD	5	0	61089	0	8696372
ANDHRA BANK LTD	10	0	100	0	8031
AKRUTI NIRMAL LTD	10	100	0	58552	0
BICON LTD	5	0	50	0	20380
BONGAIGON REFINERY & PERTROCHEM LTD	10	1100	1000	70267	64848
BALRAMPUR CHINI MILLS LTD	1	500	0	29150	0
CONS FINVEST HOLDINGS LTD	10	3040	3040	122208	122208
CAIRN INDIA LTD	10	100	0	13761	0
DABUR INDIA LTD +	1	0	1000	0	0
DCM SHRIRAM CONSOLIDATED LTD	2	2000	0	199153	0
ESSAR OIL LTD	10	22600	0	1236986	0

(Amount in Rupees)

	As at 31st March, 2007	As at 31st March, 2006
SCHEDULE 2 RESERVES & SURPLUS		
a) GENERAL RESERVE		
As per last Balance Sheet	13,68,83,930	15,68,83,930
Less: Transfer to Profit and Loss A/c	0	8,00,00,000
	13,68,83,930	7,68,83,930
Add: Transfer from Profit and Loss A/c	6,00,00,000	6,00,00,000
Total (a)	19,68,83,930	13,68,83,930
b) STATUTORY RESERVE		
As per last Balance Sheet	3,54,65,701	1,97,51,775
Add: Transfer from P/L account for the year	2,08,44,660	1,57,13,926
Total (b)	5,63,10,361	3,54,65,701
c) SECURITY PREMIUM ACCOUNT		
As per last Balance Sheet	96,78,46,235	96,78,46,235
Total (c)	96,78,46,235	96,78,46,235
<i>Of the above amount of Rs.96,78,46,235/-, an amount of Rs.4,74,33,750 is relating to share premium received on forfeited shares</i>		
d) SURPLUS	1,09,95,766	13,76,935
Total (d)	1,09,95,766	13,76,935
Grand Total (a) to (d)	123,20,36,292	114,15,72,801
SCHEDULE 3 UNSECURED LOANS		
Adjustable deposits	1,33,06,588	1,31,81,588
Total	1,33,06,588	1,31,81,588

SCHEDULE 5 INVESTMENTS (Long Term)					
PARTICULARS	FACE VALUE	QUANTITY		AMOUNT (In Rs.)	
		AS AT 31.03.2007	AS AT 31.03.2006	AS AT 31.03.2007	AS AT 31.03.2006
OU DH SUGAR MILLS LTD	10	3000	0	369258	0
PARSVNATH DEVELOPERS LTD	10	200	0	96107	0
PETRONET LNG LTD	10	7000	10000	395057	422835
POLARIS SOFTWARE LTD	5	0	200	0	23038
PRECOT MILLS LTD	10	0	500	0	165908
RAIN CALCINING LTD	10	0	1000	0	41980
RELAXO FOOTWEAR LTD	5	1200776	1200776	34786395	34786395
RELIANCE PETRO LTD	10	12400	0	945652	0
RELIANCE COMM LTD	5	1600	50	646325	14509
RELIANCE INDUSTRIES LTD	10	4200	0	5611411	0
RELIANCE NATURAL RESOURCES LTD	5	2000	0	56860	0
SOFTSOL INDIA LTD	10	9000	0	1735896	0
SWARAJ MAZDA LTD	10	500	0	155364	0
SHANTI GEAR LTD	1	2000	0	143556	0
SYNGENTA INDIA LTD	5	200	0	89126	0
TATA TELE SERVICES (MAHA STRA) LTD	10	7000	5000	170266	136518
TV TODAY NETWORK LTD	5	0	1000	0	92610
TCI INDUSTRIES LTD	10	24060	31691	723311	952720
TRANSCORP INT'L LTD	10	31691	31691	758999	758999
TRANSPORT CORP OF INDIA LTD	10	0	90000	0	5281662
TISCO LTD	10	400	0	174859	0
UNIVERSAL CABLE LTD	10	9288	0	896946	0
WIPRO LTD	2	200	0	123808	0
VBC FERRO ALLOYS LTD	10	1000	0	127080	0
VISU INTERNATIONAL LTD	10	2000	0	41440	0
VSNL LTD	10	3000	0	1307700	0
WELSPUN GUJARAT STAHLROHREN LTD	5	200	0	21728	0
YES BANK LTD	10	500	0	72442	0
VIJAYA BANK LTD	10	0	500	0	26495
VIDEOCON APPLIANCES LTD	10	0	2800	0	101220
SUB-TOTAL (A-2)				88119813	269195442
B. IN PREFERENCE SHARES Un-quoted & Fully Paid					
Flex International P.Ltd (8% Redeemable Non cumulative preference shares)	100	0	1500000	0	150000000
Fusebase Eltoro Pvt Ltd	100	12500	12500	1250000	1250000
SUB-TOTAL B				1250000	151250000
C. IN EQUITY SHARES OF SUBSIDIARIES Un-quoted & Fully Paid-up					
VLS Securities Ltd.	10	5500000	5500000	55000000	55000000
VLS Investments Ltd.	10	50020	50020	500200	500200
VLS Asset Management Ltd.	10	70100	70100	701000	701000
VLS Investments Inc., Delaware, U.S.A.	At Par	100	100	43590	44620
SUB-TOTAL C				56244790	56245820
D. DEBENTURES & BONDS Unquoted & Fully Paid-up					
Eha infrastructure Pvt Ltd (0% optionally convertible debentures)	100000	690	690	69000000	69000000
ICICI Bond (12%)	100000	1	1	104000	104000
SUB-TOTAL D				69104000	69104000
TOTAL (A1+A2+B+C+D)				768990040	962766699
Less: Provision for diminution in value of Investments				160000000	160000000
TOTAL (E)				608990040	802766699
I. Aggregate value of quoted investments				At Cost 88119813	269195442
				Market Value 225421650	418700092
II. Aggregate value of un-quoted investments - In Subsidiaries				At Cost 56244790	56245820
- Others				At Cost 624625437	637325437
E. INVESTMENT IN IMMOVABLE PROPERTIES:-					
				6650000	23820000
TOTAL (F)				6650000	23820000
TOTAL (E+F)				615640040	826586699

+Bonus Shares received, hence cost of acquisition is NIL

SCHEDULE 6 SHARE STOCK IN TRADE

(At Cost or market price, whichever is lower)

Name of the Company	As at As on 31.03.2007		As at As on 31.03.2006	
	Quantity	Value (Rs.)	Quantity	Value (Rs.)
<i>Stock of Quoted Equity shares (Fully Paid)</i>				
ARIHANT COTSYN LTD	2,000	1	2,000	1
CENTRAL ROADLINES CORPORATION LTD	2,82,700	1	2,82,700	1
HINDUSTAN ADHESIVES LTD	1,000	1	1,000	2,890
INTERCRAFT LTD	29,000	1	29,000	1
KOTHARI PRODUCTS LTD	10	3,903	10	3,903
RITESH INDUSTRIES LTD	0	0	85,900	2,55,123
SOUTH ASIAN ENTERPRISES LTD	17,11,289	3,33,70,136	17,11,289	1,10,37,814
SWEDE INDIA LTD	200	1	200	1
Total	20,26,199	3,33,74,044	21,12,099	1,12,99,734

(Amount in Rupees)

	As at 31st March, 2007	As at 31st March, 2006
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SCHEDULE 7 SUNDRY DEBTORS

a) Instalments Receivable (Unsecured)		
Considered Doubtful		
1. Due for more than six months	67,21,510	67,69,994
2. Others	Nil	Nil
Sub-total	67,21,510	67,69,994
Less: Provision for Non-performing Assets	66,69,994	67,69,994
Total (a)	51,516	0
b) Dues from share Brokers Considered Good		
1. Due for more than six months	Nil	Nil
2. Others	9,80,162	1,41,01,739
Total (b)	9,80,162	1,41,01,739
Total (a+b)	10,31,678	1,41,01,739

SCHEDULE 8 CASH & BANK BALANCES

a) Cash on Hand	6,86,106	9,67,066
b) Cheques in Hand	0	3,08,712
c) Balances with scheduled banks		
1. In Current Accounts	52,12,863	38,14,709
2. In Deposit Accounts	11,70,216	14,30,014
Total (a+b+c)	70,69,185	65,20,501

SCHEDULE 9 OTHER CURRENT ASSETS

a) Interest Accrued but not due	8,349	14,36,922
b) Security Deposits	3,35,727	15,35,727
c) Margin Money with Share Brokers	21,98,00,000	26,06,02,557
d) Other Receivable	2,25,00,000	2,93,24,915
Less: Provision for Non-performing Assets	27,00,000	8,15,325
	1,98,00,000	2,85,09,590
e) Advance Tax Paid	5,64,79,455	4,76,63,261
Total (a+b+c+d+e)	29,64,23,531	33,97,48,057

SCHEDULE 10 LOANS AND ADVANCES

(Unsecured, considered good unless otherwise specified)		
a) Short term Loans and Advances	11,42,67,044	1,41,28,024
Less: Provision for Non-performing Assets	3,40,81,701	3,40,81,701
	8,01,85,343	8,00,46,323
b) Loans to subsidiaries	9,15,511	9,05,511
c) Receivables from subsidiaries	59,91,341	60,71,655
d) Advances Recoverable in cash or in kind or for value to be received	49,71,31,128	15,06,92,966
Less: Provision for Non-performing Assets	54,95,151	67,47,151
	49,16,35,977	14,39,45,815
Total (a+b+c+d)	57,87,28,172	23,09,69,304

SCHEDULE 11 LIABILITIES

a) Creditors for Expenses		
i) Total Outstanding dues of small scale industrial undertakings	Nil	Nil
ii) Total outstanding dues of creditors other than small scale industrial undertakings	23,08,577	18,26,857
b) Advance Payments received	0	1,33,400
c) Other Liabilities	1,25,000	57,50,000
d) Payable to Share Brokers	2,20,255	0
Total (a+b+c+d)	26,53,832	77,10,257

SCHEDULE 12 PROVISIONS

a) Provision for Taxation :-		
Balance B/fd	1,05,15,207	76,00,000
Add: Provision for the year	1,12,14,537	29,15,207
	2,17,29,744	1,05,15,207
b) Provision for Fringe Benefit Tax :-		
Balance B/fd	3,10,007	0
Add: Provision for the year	2,75,552	3,10,007
	5,85,559	3,10,007
c) Provision for Leave Encashment :-		
Balance B/fd	2,20,696	2,27,180
Add: Provision for the year	71,227	(6,484)
	2,91,923	2,20,696
Total (a+b+c)	2,26,07,226	1,10,45,910

SCHEDULES TO PROFIT & LOSS ACCOUNT	For the Year Ended on 31st March, 2007	For the Year Ended on 31st March, 2006
SCHEDULE 13 INCOME FROM OPERATIONS		
Income from Hire Purchase Financing	64,639	0
Income from other Credit Operations	4,40,86,962	1,59,10,788
Total	4,41,51,601	1,59,10,788
SCHEDULE 14 INTEREST & FINANCE CHARGES		
Interest to Bank	0	229
Bank / Finance Charges	9,765	6,753
Total	9,765	6,982
SCHEDULE 15 ADMINISTRATIVE & OTHER EXPENSES		
Advertisement & Business Promotion	5,84,330	6,94,769
Consultancy, Legal & Service Charges	88,44,956	90,22,767
Communication Expenses	9,30,690	10,34,622
Electricity & Water Charges	5,04,832	5,62,385
Insurance	54,313	56,998
Office Expenses	11,99,993	12,03,110
Securities Transaction Tax	37,90,756	33,46,821
Shares Transaction Charges	1,52,410	1,41,900
Travelling Expenses & Conveyance	15,13,690	15,04,371
Rates & Taxes	13,57,444	12,25,376
Rent	2,45,000	1,46,000
Repairs & Maintenance		
—Building	1,22,115	3,68,641
—Others	19,33,476	19,44,566
Miscellaneous Expenses	11,39,822	7,13,983
Auditors' Remuneration		
a) Audit Fees	91,424	88,160
b) For Other Services		
—For Tax audit	45,712	44,080
—For certification	1,02,306	88,700
—Out of pocket expenses	27,781	36,609
Internal Auditors' Remuneration		
—Fees	40,000	40,000
—Out of pocket expenses	8,000	8,000
Directors' Sitting Fees	2,31,000	1,57,000
Loss on sale/transfer of Fixed Assets	1,596	0
Total	2,29,21,646	2,24,28,858
SCHEDULE 16 EMPLOYEES' COST		
Salaries	53,78,346	40,42,360
Staff Amenities	4,52,998	4,00,321
Employer's Contribution to PF, ESI, Gratuity Fund etc.	5,02,326	6,16,737
Total	63,33,670	50,59,418
SCHEDULE 17-INCREASE/(DECREASE) IN STOCK OF SHARES		
Closing Stock of Shares	3,33,74,044	1,12,99,734
Less: Opening Stock of Shares	1,12,99,734	11,61,88,691
Less: Shares transferred to Investments	0	10,35,48,748
	1,12,99,734	1,26,39,943
Net Increase/(Decrease)in Stock of Shares	2,20,74,310	(1,340,209)

SCHEDULE: 18 Notes on Accounts for the year ended on 31st March 2007
I. SIGNIFICANT ACCOUNTING POLICIES:-
A. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statement have been prepared under the historical cost convention method in accordance with the generally accepted accounting principles and the provisions of the Companies Act, 1956, as adopted consistently by the Company.

B. REVENUE RECOGNITION

- The Company adopts accrual basis of accounting.
- Income from Hire Purchase transactions is calculated following *Sum of Digits* method.
- Installments of Leasing and Hire Purchase Loans are received one month in advance. Thus, the installments collected in the last month of the accounting year include a portion of the income of the next accounting year. However, this portion is not accounted as income received in advance, as the method is consistently followed and the amount involved is not material considering the total receipts of the Company and its "set-off effect" on the accounts.

C. FIXED ASSETS

- Assets under Lease and Hire Purchase are accounted in the books at invoice value and the difference between the invoice price and disbursed amount is accounted as Security Deposits, grouped under Adjustable Deposits (shown under Schedule 3 Unsecured Loans) and the same is adjusted to the respective asset account on the expiry of the term of lease/hire purchase.
- Assets for own use are accounted for in the books at Cost including incidental charges less accumulated depreciation, if any.
- Depreciation is provided as under:
 - On Own Assets:**
On Written Down Value Method as per the rates prescribed under Schedule XIV of the Companies Act, 1956.
 - On Leased Assets:**
100% of the cost of asset is depreciated over the primary lease period applying interest rate implicit in the lease on the outstanding investment on lease to calculate the finance earnings for the period and the difference between the lease rental and finance earnings is charged as depreciation. This method is being consistently followed by the Company and effect of this method is similar to the method recommended by the Institute of Chartered Accountants of India.
- The Company follows a procedure of writing off all capital expenses which do not exceed Rs.1000/- in each case.

D. SHARE - STOCK IN TRADE

- Shares are valued at cost or market value whichever is lower.
- The Company deals/hedges/arbitrages the securities in the capital market and futures and options securities in the derivative segment. Therefore, the purchase and sales figures of both the segments are shown in the financial statements at their gross value.

E. INVESTMENTS

- Investments are classified into long-term investments and current investments.
- Long-term investments are valued at cost. Provision for diminution in value of investment is made scrip-wise to recognize a decline other than temporary in nature.
- Current investments are valued, scrip wise, at cost or market price, whichever is lower.
- The Company follows "FIFO Method" for calculating the cost of each investment sold by the Company for arriving at the profit/loss.

F. DEFERRED REVENUE EXPENDITURE

Deferred Revenue Expenditure is written off equally over a period of ten years.

G. PROVISION FOR RETIREMENT BENEFITS

- Gratuity liability of the Company is met through the Group Gratuity Scheme of Life Insurance Corporation of India. The contribution made to the said scheme has been charged to the Profit & Loss Account.
- Leave encashment payments to the employees are accounted for on accrual basis on the assumption that such benefits are payable to the employees at end of the accounting year.

H. TAXATION

- Provision for Taxation is made on the basis of the taxable profits computed for the current accounting year in accordance with the Income Tax Act, 1961.
- Deferred Tax resulting from timing difference are expected to crystallize in case of deferred tax liabilities with reasonable certainty and in case of deferred tax assets with virtual certainty that there would be adequate future taxable income against which such deferred tax assets can be realized.

I. FOREIGN EXCHANGE TRANSLATIONS

- Investments in foreign entities are recorded at the exchange rates prevailing on the date of making the investments.
- Transactions in foreign currencies are recorded at the rates prevailing on the date of transaction.
- Monetary items denominated in foreign currency are restated at the rate prevailing on Balance Sheet date.
- Exchange gains/losses on conversion of monetary items denominated in foreign currency at the yearend are dealt with in the profit and loss account.

II. NOTES ON ACCOUNT

- Contingent Liability:- Nil
- In some cases balances in the accounts of Debtors, Loans and Advances, Other Current Assets and Creditors are subject to confirmation by the respective parties.
- Cash & Bank Balances include
 - Share Transfer Stamps of Rs.1,516/- (Previous Year Rs.1,776/-).
 - Bank Deposits include fixed deposits of Rs.11,07,726/- (Previous Year – Rs.10,54,352/-) pledged with the banks as security for overdraft facilities.
- The Company has followed the applicable Guidelines issued by the Reserve Bank of India to all Non-Banking Financial Companies regarding Capital Adequacy, Asset Classification, provisioning for and income recognition on non-performing assets.
- Additional information pursuant to the provision of paragraphs 3, 4C & 4D of Part II of Schedule VI of the Companies Act, 1956

Trading Items	Opening Stock in trade as on 01.04.2006		Purchases		Sales		Closing Stock in trade as on 31.03.2007	
	Qty.	Value Rs.	Qty.	Value Rs.	Qty.	Value Rs.	Qty.	Value Rs.
Shares	212099	11299734	23205638	2881452657	23791738	2283951945	2026199	33374044
(Previous year)	2169250	12639943	28879435	21619655450	26954586	21656876115	2112099	11299734

6. Income from investments include:

	Current Year (Rs.)	Previous Year (Rs.)
Dividend Income (Gross)	40,67,660	41,04,250
Interest on Debentures and Bonds (Gross)	12,000	12,000
Tax Deducted at Source	Nil	Nil

- Interest Receipts (Gross) Rs.3,48,07,996/- (inclusive of interest of Rs.4,57,823/- on Fixed Deposits and of Rs.2,57,04,718/- on margin money with share brokers and other interest received of Rs.86,45,455/-) (Previous Year Rs. 1,46,83,309/-, inclusive of interest of Rs.91,14,321/- on Fixed Deposits and Rs.55,68,988/- on margin money with share brokers) grouped under Income from Operations includes Tax Deducted at Source amounting to Rs.82,26,185/- (Previous Year Rs. 32,91,176/-).
- The term of lease agreements in respect of Leased Assets have expired and the assets continue in the possession of lessees. However, the said assets have been included in the block of fixed assets of the Company pending the transfer of titles.
- Related Party Disclosure
Followings are the related parties:-
Subsidiaries: - VLS Securities Ltd. (100%), VLS Investments Ltd. (100%), VLS Asset Management Ltd.(99.15%), VLS Investments Inc., Delaware, USA (100%).
Key Managerial Personnel: - Shri T.B. Gupta (Executive Vice-Chairman) and Shri S.K.Agarwal (Managing Director)
Associates: - South Asian Enterprises Ltd.

Relative of Key Managerial Personnel: - Mrs. Sudha Agarwal wife of Shri S.K. Agarwal.
Summary of transactions with the above related parties is as follows:-

Particulars	Subsidiaries	Associates	Key Managerial Personnel	(Amount in Rs.)	
					Others
Purchase of Securities	5,50,45,484 (Previous year. Rs. 25,87,86,407)				
Sale of Securities	23,84,90,399 (Previous year Rs. 33,50,01,745)				
Rent and other Charges received	3,60,000 (Previous year. Rs. 4,80,000)				
Rent and other charges paid	4,66,870 (Previous year. Rs.3,75,842)				2,40,000 (Previous year. Rs. 1,80,000)
Remuneration to Managing Director and Executive Vice-Chairman			13,18,257 (Previous year. Rs. 11,99,633)		
Due from Subsidiaries (outstanding balance as on 31.03.2007)	69,06,852 (Previous year. Rs. 69,77,166)				

10. Deferred Tax Assets of Rs. 3,63,25,754/- (Previous Year Rs. 3,85,30,072/-) are net of deferred tax liabilities of Rs. 1,80,57,535/- (Previous year Rs.1,77,12,742/-). The major components of deferred tax assets and liabilities are as under :-

Particulars	Deferred Tax Assets	Deferred Tax Liabilities
Fixed Assets	Rs. Nil (P.Y. Rs. Nil)	Rs.1,80,57,535/- (P.Y. Rs.1,77,12,742)
Accumulated Losses	Rs.5,42,84,794/- (P.Y. Rs. 5,61,68,528)	Rs. Nil (P.Y. Rs. Nil)
Leave Encashment	Rs.98,495/- (P.Y. Rs.74,286)	Rs. Nil (P.Y. Rs. Nil)
Total	Rs.5,43,83,289/- P.Y. Rs. 5,62,42,814)	Rs.1,80,57,535/- (P.Y. Rs.1,77,12,742)

11. Managerial Remuneration

Particulars	Paid to Shri T.B. Gupta	Paid to Shri S.K. Agarwal
Remuneration	Rs.3,21,432 (Previous Year – Rs.3,21,432/-)	Rs.5,40,000 (Previous Year – Rs. 5,40,000/-)
Perquisites	Rs.94,537 (Previous Year – Rs.83,571/-)	Rs.3,62,288 (Previous Year – Rs. 2,54,630/-)

The perquisite figure does not include contribution made by the Company for gratuity and group insurance scheme to the LIC and provision made for leave encashment.

12. Earning Per Share Calculation of EPS (Basic and Diluted)

Particulars	Equivalent No. of Shares - Year ended	
	31 st March 2007	31 st March. 2006
Basic and Diluted		
Total Shares Outstanding	3,97,95,000	3,97,95,000
Profit after Taxes	Rs. 9,05,28,891	Rs. 7,51,05,671
EPS	Rs. 2.27	Rs. 1.89

13. Expenditure in Foreign Exchange: – Foreign Travel Expenses Rs.99,826/- (Previous year Rs.2,93,781)
14. A non interest bearing amount of Rs.9,15,511/- (maximum amount outstanding during the year is Rs.9,15,511/-) is due from VLS Asset Management Ltd., the subsidiary of the Company.
15. Recovery of Bad Debts of Rs.80,20,189/- is net off bad debts written off of Rs.17,52,000/- (Previous Year : Recovery of Bad Debts of Rs.1,34,71,642/- is net off bad debts written off of Rs. Nil)
16. The Company being an NBFC is mainly engaged in finance business. All activities of the Company are related to the finance business. Therefore, there are no separate segments for reporting as per the Accounting Standard AS-17 issued by the Institute of Chartered Accountants of India.
17. Disclosure under The Micro, Small and Medium Enterprises Development Act, 2006 is applicable in respect of those parties which are registered under the Act. In the absence of information being available with the Company of such registration, if any, no disclosure could be made.
18. Schedule to the Balance sheet of a non-deposit taking Non-Banking Financial Company [as required in terms of Paragraph 13 of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007]

(For the year 2006-07)

(Rs. In lakhs)

Particulars			
Liabilities side:			
(1)	Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid:	Amount outstanding	Amount Overdue
	(a) Debentures : Secured	—	—
	: Unsecured	—	—
	(other than falling within the meaning of public deposits)	—	—
	(b) Deferred Credits	—	—
	(c) Term Loans	—	—
	(d) Inter-corporate loans and borrowing	—	—
	(e) Commercial Paper	—	—
(f) Others : Adjustable Deposits	133.07	—	

Assets side:		Amount Outstanding
(2)	Break-up of Loans and Advances including bills receivables [other than those included in (4) below]:	
	(a) Secured	—
	(b) Unsecured	6,183.05
(3)	Break-up of Leased Assets and stock on hire and other assets counting towards AFC activities	
	(i) Lease assets including lease rentals under sundry debtors	
	(a) Financial lease	—
	(b) Operating lease	136.69
	(ii) Stock on hire including hire charges under sundry debtors	
	(a) Assets on hire	71.15
	(b) Repossessed Assets	—
	(iii) Other loans counting towards AFC activities	
	(a) Loans where assets have been repossessed	—
	(b) Loans other than (a) above	—
(4)	Break-up of Investments :	
	Current Investment:	
	1. Quoted :	
	(i) Shares : (a) Equity	333.74
	(b) Preference	—
	(ii) Debentures and Bonds	—
	(iii) Units of mutual funds	—
	(iv) Government Securities	—
	(v) Others	—
	2. Unquoted :	
	(i) Shares : (a) Equity	—
	(b) Preference	—
	(ii) Debentures and Bonds	—
	(iii) Units of mutual funds	—
	(iv) Government Securities	—
	(v) Others	—
	Long Term investments :	
	1. Quoted :	
	(i) Shares : (a) Equity	881.20
	(b) Preference	—
	(ii) Debentures and Bonds	—
	(iii) Units of mutual funds	—
	(iv) Government Securities	—
	(v) Others	—
	2. Unquoted :	
	(i) Shares : (a) Equity	5,542.71
	(b) Preference	12.50
	(ii) Debentures and Bonds	691.04
	(iii) Units of mutual funds	—
	(iv) Government Securities	—
	(v) Others -in Equity Shares of Subsidiaries	562.45

Category	Amount net of provisions		
	Secured	Unsecured	Total
1. Related Parties			
(a) Subsidiaries	—	69.07	69.07
(b) Companies in the same group	—	—	—
(c) Other related parties	—	—	—
2. Other than related parties	8.80	5,850.03	5,858.83
Total	8.80	5,919.10	5,927.90

Category	Market Value/ Break-up or fair value or NAV	Book Value (Net of Provisions)
1. Related Parties		
(a) Subsidiaries	499.80	562.45
(b) Companies in the same group	0.00	0.00
(c) Other related parties	333.70	333.70
2. Other than related parties	8,370.03	5,527.49
Total	9,203.53	6,423.64

(7) Other information

Particulars	Amount
(i) Gross Non-Performing Assets	
(a) Related parties	0.00
(b) Other than related parties	727.46
(ii) Net Non-Performing Assets	
(a) Related parties	0.00
(b) Other than related parties	238.00
(iii) Assets acquired in satisfaction of debt	66.50

19. Previous year figures have been regrouped/rearranged wherever necessary.

20. Schedules from 1 to 18 form an integral part of accounts.

As per our report of even date
For Agiwal & Associates
Chartered Accountants

For and on behalf of the Board

P.C. Agiwal Partner	M.P.Mehrotra Director	S.K. Agarwal Managing Director	Tej Bhan Gupta Exe.Vice-Chairman
June 20th, 2007 New Delhi	H.Consul Company Secretary		

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE
I. Registration Details

Registration	23129	State Code	55
CIN: L65910DL1986PLC023129		Balance Sheet Date	31.03.2007

II. Capital raised during the Year (Amount in Rs.Thousands)

Public Issue	Nil	Right Issue	Nil
Bonus Issue	Nil	Private Placement	Nil

III. Position of Mobilisation and Deployment of Funds (Amount in Rs.Thousands)

Total Liabilities	1644515	Total Assets	1644515
Sources of Funds:			
Paid up Capital	399172	Reserves & Surplus	1232036
Secured Loans	0	Unsecured Loans	13307
Application of Funds:			
Net Fixed Assets	100303	Investments	615640
Net Current Assets	892246	Misc. Expenditure	Nil
Deferred Tax Assets	36326	Accumulated Losses	Nil

IV. Performance of Company (Amount in Rs.Thousands)

Turnover	22942565	Total Expenditure	22838342
Profit/Loss Before Tax	104223	Profit/Loss after Tax	90529
Earning per Share (Rs.)	2.27	Dividend Rate	Nil

V. Generic Names of Three Principal Products/ Services of Company (as per monetary terms)

Item Code No.	NA	Dealing in shares and securities
(ITC Code)		Investments
Production Description		Financial & Advisory Services

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES
A. Domestic Subsidiaries

1. Name of the Subsidiary Company	VLS Investments Ltd.	VLS Securities Ltd.	VLS Asset Management Ltd.
2. Financial Year of the Subsidiary Company ended on	31.03.2007	31.03.2007	31.03.2007
3. i) No. of shares held by VLS Finance Ltd. and/or its nominees	50,020 equity shares of Rs.10/ each	55,00,000 equity shares of Rs.10/ each	70,100 equity shares of Rs.10/ each
ii) Extent of Holding Company's interest in the subsidiary as on 31.3.2007	100%	100%	99.15%
1. Net Aggregate amount of the profits/ losses of the subsidiary company so far as it concerns the members of VLS Finance Ltd.			
a) Not dealt within the accounts of VLS Finance Ltd.			
i) For the subsidiary's financial year ended on 31.3.2007	Net Profit Rs. 10,889	Net Profit Rs. 96,990	Net Loss Rs.2,155
ii) For the previous Financial Years	Net Profit Rs.3,725	Net Loss Rs.47,87,738	Net Loss Rs.16,05,600
b) Dealt within the accounts of VLS Finance Ltd.			
i) For the subsidiary's Financial Year ended on 31.3.2007	NIL	NIL	NIL
ii) For the previous financial years	NIL	NIL	NIL

B. Overseas Subsidiaries

1. Name of the Subsidiary Company	VLS Investments Inc., Delaware, U.S.A.
2. Financial Year of the Subsidiary Company ended on	31.12.2006
3. i) No. of shares held by VLS Finance Ltd. and/or its nominees	100 equity shares of USD at par.
ii) Extent of Holding Company's interest in the subsidiary as on 31.12.2006	100%
4. Net Aggregate amount of the profits/ losses of the subsidiary company so far as it concerns the members of VLS Finance Ltd.	
a) Not dealt within the accounts of VLS Finance Ltd.	
i) For the subsidiary's financial year ended on 31.12.06	US\$ 614
ii) For the Previous Financial Years	US\$ 420
b) Dealt within the accounts of VLS Finance Ltd.	
i) For the subsidiary's Financial Year ended on 31.12.06	Nil
ii) For the previous financial year	Nil

For and on behalf of the Board

M.P.Mehrotra Director S.K. Agarwal Managing Director Tej Bhan Gupta Exe.Vice Chairman

June 20th, 2007
New Delhi H.Consul Company Secretary

STATEMENT PURSUANT TO SECTION 212 (5) OF THE COMPANIES ACT, 1956

1. Name of Subsidiary	: VLS Investments Inc., Delaware, U.S.A.
Relevant Financial year	: 01.01.2006 to 31.12.2006
a. There has been no change in the interest of VLS Finance Ltd. (the holding company) in the said subsidiary between the end of relevant financial year of subsidiary and the end of financial year of holding company.	
b. There have been no material changes between the end of relevant financial year of the said subsidiary & end of financial year of the holding company in respect of:	
i. The subsidiary's fixed assets.	
ii. The moneys lent by it.	
iii. Its investments.	
iv. The moneys borrowed by it for purpose other than meeting its current liabilities.	

For and on behalf of the Board

M.P.Mehrotra Director S.K. Agarwal Managing Director Tej Bhan Gupta Exe.Vice Chairman

June 20th, 2007
New Delhi H.Consul Company Secretary

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st March, 2007

Rs. lacs

PARTICULARS	For the Year ended 31.03.2007	For the Year ended 31.03.2006
A CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax and Extraordinary Items	1042.23	785.70
Add Interest & Finance Charges	0.10	0.07
Depreciation	51.11	53.00
Provision for Leave encashment	0.71	(0.06)
Provision for diminution in value of investments	0.00	800.00
	1094.15	1638.71
Less Income from Investments	354.66	446.18
Transfer from General Reserve	0.00	800.00
	354.66	1246.18
Operating Profit before Working Capital Changes	739.49	392.53
Changes in Working Capital		
Trade & Other Receivables	(2922.96)	(567.47)
Inventories	(220.74)	13.40
Inventories transferred to Investment	0.00	1035.49
Trade & Other Payables	(50.56)	(391.79)
Cash generated from operations	(2454.77)	482.16
Less:		
Interest Paid	0.10	0.07
Cash flow before extraordinary items	(2454.87)	482.09
Extraordinary Items	0.00	0.00
Net Cash Flow from Operating Activities (A)	(2454.87)	482.09
B CASH FLOW FROM INVESTING ACTIVITIES		
Net Deployment in Fixed Assets	(5.03)	(17.81)
Net proceeds from investments	2109.47	(88.25)
Investment - transfer from Inventories	0.00	(1035.49)
Investment in subsidiary	0.00	0.00
Income from Investments	354.66	446.18
Net Cash used in Investing Activities (B)	2459.10	(695.37)
C CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Long Term Borrowings	1.25	0.00
Net Cash Flow from Financing Activities (C)	1.25	0.00
Net Increase/ (Decrease) in		
Cash & Cash Equivalents (A+B+C)	5.48	(213.28)
Cash & Cash Equivalents (Opening)	65.21	278.49
Cash & Cash Equivalents (Closing)	70.69	65.21

Note : Cash & Cash Equivalents (Closing) includes deposits with banks amounting to Rs. 11.08 lacs (Previous Year Rs. 10.54 lacs), which are pledged with them as security for overdraft facility.

As per our report of even date

For Agiwal & Associates Chartered Accountants For and on behalf of the Board

P.C. Agiwal Partner M.P.Mehrotra Director S.K. Agarwal Managing Director Tej Bhan Gupta Executive Vice-Chairman H.Consul Company Secretary

June 20th, 2007
New Delhi

VLS SECURITIES LIMITED
DIRECTORS' REPORT

To
The Members of **VLS SECURITIES LIMITED**

Your Directors are pleased to present the 13th Annual Report of your Company together with the Balance Sheet as at 31st March, 2007 and Profit & Loss Account for the year ended on that date.

Financial Results

During the year under review, your Company generated gross revenue of Rs.147.57 crores. Activity wise, a Gross Profit of Rs. 15.88 lakhs was earned during the year on account of trading as a client in the derivatives segment. However, brokerage income witnessed a further decline during the year due to limited clientele and added Rs.4.45 lakhs to the total revenue base, as compared to Rs.6.64 lakhs during the previous year. The interest income witnessed marginal increase of Rs.6.00 lakhs while other income declined by 4.98 lakhs.

It is heartening to state that the Company has been able to earn a post tax net profit of Rs.97.452/- after sustaining losses in past few years. Your Directors are hopeful of better performance in the current year.

Dividend

In view of the accumulated losses of the Company, no dividend has been recommended.

Operations

Your Company earned brokerage income of Rs. 4.45 lakhs during the year under review, as compared to Rs. 6.64 lakhs earned during the previous year. The Company is making all efforts to increase its retail broking business and measures are being taken to attract prospective clients.

The application for membership in the Future & Option (Derivatives) segment of National Stock Exchange of India Limited (NSE) is under consideration at Securities & Exchange Board of India ("SEBI")

Future Outlook

The Indian Capital Market largely maintained its buoyant performance during the year after setback sustained in first quarter of the period under review. The BSE sensex since then, continued to hover at levels of 12000 and above. With the economy still on the growth path, with reasonable growth rate levels coupled with the continuing strong performance of the corporate sector, the conditions in the stock market are expected to stabilize leading to greater participation by the foreign institutional investors (FIIs) and domestic retail investors.

The primary market continued with moderate activity for most of the year with more companies tapping the market. However, with the possibilities of sensex sustaining its levels and with a good number of public offers in pipeline, the general mood is expected to remain upbeat. The Merchant Banking Division of the Company is exploring possibilities of making inroads with thrust on consultancy and similar fee based services pending renewal of registration as Merchant Banker by SEBI.

Directors

There was no change in the Board of Directors during the year under review.

Shri T. B. Gupta - Director shall be retiring by rotation at the ensuing Annual General Meeting and being eligible has offered himself for re-appointment. Your Directors recommend his re-appointment.

Audit Committee

During the year, 4 meetings of the Audit Committee were held on 26-05-2006, 24-07-2006, 22-12-2006 and 24-03-2007. There was no change in constitution of Audit Committee during the year. Shri S. K. Agarwal, Managing Director is chairman of the Committee with Shri T. B. Gupta and Shri K. K. Soni as members. All the recommendations made by the Committee were accepted by the Board in entirety.

Directors' Responsibility Statement

Pursuant to the provisions of Section 217(2AA) of the Companies Act 1956 with respect to Directors' Responsibility statement, it is hereby confirmed –

- that in preparation of annual accounts for the financial year ended 31st March 2007, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- that the Directors have taken proper and sufficient care for the maintenance of proper 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;
- that the Directors have prepared the Annual Accounts for the financial year ended 31st March, 2007 on a going concern basis.

Auditors

The term of M/s. Agiwal & Associates, Chartered Accountants, the Statutory Auditors of the Company will conclude at the ensuing Annual General Meeting. They have furnished a Certificate confirming their eligibility under Section 224 (1B) of the Companies Act, 1956 to act as Auditors of the Company, if reappointed, and have also given their consent to the re-appointment. In accordance with the recommendation of the Audit Committee, the Board recommends their reappointment for the Financial Year 2007-2008. You are also requested to authorize the Board to fix their remuneration.

Auditors Report

The Auditors' report to the shareholders does not contain any qualifications.

Fixed Deposits

During the year under review, the Company has not invited or accepted any fixed deposit within the meaning of Section 58A of the Companies Act, 1956 and the Rules made there under.

Statutory Disclosures

The Companies (Disclosure of Particulars in the Report of Board of Directors), Rules 1988 require the disclosure of particulars regarding Conservation of Energy in Form A and Technology Absorption in Form B, prescribed by the Rules. The Company not being a manufacturing company, Form A is not applicable to it. Further, since during the year under review, the Company did not absorb any new technology nor has carried out any R&D activity including conservation of Energy except as mandated for operational requirements by the National Stock Exchange of India Ltd. and applicable regulations, therefore, head wise information envisaged in said forms has been dispensed with.

Details about Foreign Exchange Earnings and Outgo in (Rs.):

Foreign Exchange Earning : Nil

Foreign Exchange Outgo : Nil

As none of the employees of the Company are in receipt of remuneration in excess of limits specified in Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, the statement as required under the said section has not been annexed. The Company has complied with SEBI (Stock Brokers and Sub Brokers) Regulations 1992, SEBI (Merchant Bankers) Regulations 1992 and other applicable laws/ regulations, as amended. The

Company has duly applied to SEBI for renewal of its certificate of registration as a Category I Merchant Banker.

Human Resources

The relationship with the employees continued to be cordial during the year. The Directors place on record their sincere appreciation to the employees at all levels.

Acknowledgements

The Board takes this opportunity to place on record their sincere appreciation for all round co-operation and support from The National Stock Exchange of India Ltd., the regulatory authorities, Clients, Bankers, Associates and Employees.

For and on behalf of the Board of Directors

Place : New Delhi	S.K. Agarwal	K.K. Soni
Date : 18/06/2007	Managing Director	Director

AUDITORS' REPORT

To

The Members

VLS Securities Ltd.

New Delhi

We have audited the attached Balance Sheet of VLS Securities Ltd. as at 31st March 2007 and also Profit and Loss Account of the Company for the year ended on that date and the cash flow statement for the year ended on that date both annexed thereto. These financial statements are the responsibility of the Company Management. Our responsibility is to express an opinion on these financial statements based on our audit.

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.

- As required by the Companies (Auditor's Report) Order, 2003 issued by the Department of Company Affairs in terms of Section 227 (4A) of the Companies Act 1956 we enclose in the annexure a statement on the matters specified in paragraph 4 & 5 of the said Order, to the extent applicable to the Company.
- Further to our comments in the annexure referred to in paragraph one above we report that:
 - We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - In our opinion, proper books of accounts as required by law have been kept by the Company, so far as appears from our examination of those books;
 - The Balance Sheet, Profit & Loss Account and cash flow statement dealt with by this report are in agreement with the books of account;
 - In our opinion the Balance Sheet, Profit & Loss account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in subsection (3C) of Section 211 of the Companies Act 1956;
 - On the basis of written representations received from the directors as on 31st March 2007, and taken on record by the Board of directors, we report that none of the directors is disqualified as on 31st March 2007 from being appointed as a director in terms of clause (g) of subsection (1) of section 274 of The Companies Act 1956;
 - In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with significant accounting policies and notes to accounts thereon 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;
 - In the case of Balance Sheet of the state of affairs of the Company as at 31st March 2007 and,
 - In the case of the Profit and Loss account, of the profit of the Company for the year ended on that date.
 - In the case of cash flow statement, of the cash flows for the year ended on that date.

For Agiwal & Associates
Chartered accountants
(V.K. Gupta)
Partner

Place: New Delhi	Membership No. 81979
Date: 18 th June 2007	

**ANNEXURE TO AUDITORS REPORT
REFERRED TO IN PARAGRAPH (1) OF OUR REPORT OF EVEN DATE**
Re: VLS Securities Ltd. for the year ended 31st March 2007

- (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) All the assets have been physically verified by the management at the year-end. No material discrepancies were noticed on such verification as informed to us.
- (c) In our opinion and according to information and explanations given to us, the Company has not disposed off substantial part of fixed assets during the year.
- (a) This para is not applicable as the Company has not acquired any security under the stock-in-trade account during the year under review.
- (b) In view of (a) above, this para in relation to procedures of physical verification of stock-in-trade is not applicable to the Company.
- (c) Since the Company did not have any inventory during the year under review, this para is not applicable to it.
- (a) The Company has not taken/granted any loans secured/unsecured from/to the Companies, Firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- (b) As the Company has not taken/granted loans from/to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956, the clause related to rate of interest and other terms and conditions of loans taken and given by the Company, secured or unsecured, which are prima facie prejudicial to the interest of the Company is not applicable to the Company.
- (c) In our opinion and according to the information and explanations given to us, the Company has an adequate internal control procedure commensurate with its size and nature of its business, for the purchase of fixed assets and for purchase/sale of securities. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.

- (v) (a) To the best of our knowledge and belief and according to information and explanations given to us, the transactions that needed to be entered into the register maintained in pursuance to Section 301 of the Companies Act, 1956, have been so entered.
- (b) According to information and explanation given to us, the transaction, made in pursuance of contracts or arrangements entered into Register(s) maintained under section 301 of the Companies Act 1956 as aggregating during the year of Rs. 5,00,000/- (Rs. five lacs only) or more in respect of each party, have been made at the rates which are reasonable having regard to prevailing market rates.
- (vi) The Company has not accepted any deposits from the public during the year. Hence provisions of Section 58A & 58AA or any other relevant provisions of the Companies Act 1956 and rules of Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits are not applicable to the Company.
- (vii) In our opinion, the Company has an internal audit system, commensurate with the size and nature of its business.
- (viii) In our opinion and according to the information and explanations given to us, maintenance of cost records as prescribed by the Central Govt. under section 209(1) (d) of the Act is not required as the Company is not in the manufacturing activity.
- (ix) (a) 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, Service tax and any other statutory dues with the appropriate authorities. There was no outstanding against any undisputed statutory dues as on 31-03-2007.
- (b) According to the records and information and explanations given to us, there is no outstanding of any disputed statutory dues as on 31.03.2007.
- (x) The Company has accumulated losses at the end of previous year. However, the accumulated losses have not eroded the net worth of the Company by 50%. The Company has not incurred cash losses during the financial year covered by our audit. However, it has incurred cash losses in the immediately preceding Financial Year.
- (xi) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of securities by way of pledge of shares, debentures or other securities.
- (xii) The Company has maintained proper records for dealing and trading in shares, securities, debentures and timely entries have been made therein. The shares, securities, debentures and other investments have been held by the Company in its own name except to the extent of exemption granted under section 49 of the Act.
- (xiii) In our opinion and according to information and explanations given to us, the Company has not given any Guarantee for loans taken by others from Banks or Financial Institutions.
- (xiv) The Company has not raised any Term Loan during the year.
- (xv) According to the cash flow statement and other records examined by us and the information and explanations given to us, on overall basis, funds raised on short-term basis have not been used during the year for long-term investment.
- (xvi) The Company has not made any preferential allotment of shares to any party covered in the register maintained under section 301 of the Act during the year.
- (xvii) To the best of our knowledge and information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.
- (xviii) The Para Nos. 4 (xi), (xiii), (xix) and (xx) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

For Agiwal & Associates
Chartered Accountants
(V.K. Gupta)
Partner
Membership No. 81979

Place: New Delhi
Date: 18th June 2007

BALANCE SHEET AS AT 31st MARCH 2007

				(Amount in Rs.)	
		Sch. No.	As at March 31, 2007	As at March 31, 2006	
I. SOURCES OF FUNDS					
1. Shareholders' funds					
a) Share Capital 1 5,50,00,000 5,50,00,000					
b) Reserves & Surplus - - -					
2. Deferred Tax Liabilities - - 19,656					
TOTAL 5,50,00,000 5,50,19,656					
II. APPLICATION OF FUNDS					
1. Fixed Assets 2					
a) Gross Block 41,81,209 41,48,941					
b) Less : Depreciation 39,43,033 38,29,711					
c) Net Block 2,38,176 3,19,230					
2. Investments (At cost) 3 1,50,83,254 1,53,80,014					
3. Current assets, loans & Advances					
a) Sundry Debtors 4 1,281 1,18,881					
b) Cash and Bank Balances 5 15,47,474 28,26,383					
c) Loans and Advances 6 3,40,08,419 3,19,19,284					
3,55,57,174 3,48,64,548					
<i>Less: Current Liabilities & Provisions</i>					
a) Current Liabilities 7 3,88,870 2,33,511					
b) Provisions 8 2,19,597 1,65,363					
Net Current Assets 3,49,48,707 3,44,65,674					
4. Debit balance in Profit & loss account 46,90,286 47,87,738					
5. Deferred Tax Asset 6,077 -					
6. Miscellaneous expenditure (To the extent not written off or adjusted) 9 33,500 67,000					
TOTAL 5,50,00,000 5,50,19,656					
<i>Significant Accounting Policies and Notes to Accounts</i> 14					

As per our report of even date

For Agiwal & Associates
Chartered Accountants

For and on behalf of the Board

V.K. Gupta Partner
Membership No. 81979
Place : New Delhi
Date : 18/06/2007

S.K. Agarwal Managing Director
K.K.Soni Director
T.B. Gupta Director

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2007

				(Amount in Rs.)	
		Sch. No.	For the year ended 31-Mar-07	For the year ended 31-Mar-06	
INCOME					
Sale of shares - F&O 147,29,06,704 15,16,32,558					
Income from brokerage 4,45,766 6,64,632					
Interest Income (Gross) 18,94,616 12,94,562					
Other Income 4,05,681 9,04,162					
Total 147,56,52,767 15,44,95,914					
EXPENDITURE					
Purchase of shares - F&O 147,13,17,943 15,13,80,092					
Operating expenses 11 5,06,093 4,19,193					
Employees Cost 12 22,95,898 23,51,829					
Administrative & Other expenses 13 11,95,718 13,30,950					
Loss on sale of investments (Net) 88,177 2,28,381					
Depreciation 2 1,13,322 1,65,703					
Miscellaneous Expenditure Written Off 33,500 1,66,862					
Total 147,55,50,651 15,60,23,010					
PROFIT/(LOSS) BEFORE ADJUSTMENT 1,02,116 (1,527,096)					
Bad Debts written off 24,18,893 -					
Less: Provision for Doubtful Debts written back 24,18,893 -					
PROFIT/(LOSS) BEFORE TAX 1,02,116 (1,527,096)					
Less: Provision for Taxation FBT 30,397 34,572					
Deferred Tax (25,733) 1,508					
PROFIT/(LOSS) AFTER TAX 97,452 (1,563,176)					
Add: Balance as per previous year's Balance Sheet (4,787,738) (3,224,562)					
Profit available for Appropriation (4,690,286) (4,787,738)					
Balance carried to Balance Sheet (4,690,286) (4,787,738)					
EARNING PER SHARE					
(Refer Note No. k in Schedule 14)					
Basic and Diluted Earning per Share (Rs.) 0.02 (0.28)					
Face Value per Share (Rs.) 10 10					
<i>Significant Accounting Policies and Notes to Accounts</i> 14					
As per our report of even date					
For Agiwal & Associates Chartered Accountants					
For and on behalf of the Board					
V.K. Gupta Partner Membership No. 81979 Place : New Delhi Date : 18/06/2007					
S.K. Agarwal Managing Director K.K.Soni Director T.B. Gupta Director					

SCHEDULES TO BALANCE SHEET

				(Amount in Rs.)			
		Sch. No.	As at 31-Mar-07	As at 31-Mar-06			
1. SHARE CAPITAL							
AUTHORISED							
75,00,000 Equity Shares of Rs.10/- each 7,50,00,000 7,50,00,000							
ISSUED, SUBSCRIBED & PAID UP*							
55,00,000 Equity shares of Rs.10/- each, fully paid up in cash 5,50,00,000 5,50,00,000							
* (The Entire Share Capital is held by Holding Company viz., VLS Finance Ltd. and its nominees)							
2. FIXED ASSETS							
(Amount in Rs.)							
Particulars	Gross Block			Depreciation		Net Block	
	As on 1-Apr-06	Additions during the year	As at 31-Mar-07	Up to 1-Apr-06	For the Year	Up to 31-Mar-07	As at 31-Mar-06
Computers	37,61,611	32,268	37,93,879	35,35,939	99,690	36,35,629	1,58,250
Office Equipments	2,88,205	0	2,88,205	2,07,645	11,206	2,18,851	69,354
Furniture & Fixtures	71,112	0	71,112	59,187	2,158	61,345	9,767
Vehicles	28,013	0	28,013	26,940	268	27,208	805
Total	41,48,941	32,268	41,81,209	38,29,711	1,13,322	39,43,033	2,38,176
Previous Year	41,18,541	30,400	41,48,941	36,74,008	1,55,703	38,29,711	3,19,230
3. INVESTMENTS (LONG TERM)							
Particulars	Quantity		Value				
	As on 1-Apr-06 (Nos.)	As on 31-Mar-2007 (Nos.)	As at 31-Mar-2007 (Rs.)	As at 31-Mar-2006 (Rs.)			
QUOTED INVESTMENTS							
Fully Paid up (unless otherwise stated) Face Value (in Rs.)							
A) IN EQUITY SHARES							
i) Bhilwara Spinners Ltd.	10	20,928	0	0	2,96,760		
ii) Relaxo Footwear Ltd.	5	5,20,000	5,20,000	1,50,80,000	1,50,80,000		
iii) D Pharma Ltd.	10	200	0	1	1		
iv) Punjab Wireless Systems Ltd.	10	500	0	1	1		
B) OTHERS							
UTI Master Plus 91	10	200	200	3,252	3,252		
		5,41,828	5,20,200	1,50,83,254	1,53,80,014		
NOTE: Aggregate value of quoted investments							
Book Value (Rs.): 1,50,80,002 15,376,762							
Market Value (Rs.): 1,73,54,414 18,628,528							

SCHEDULES TO BALANCE SHEET

Sch. No.	(Amount in Rs.)	
	As at 31-Mar-07	As at 31-Mar-06
4 SUNDRY DEBTORS		
(Unsecured and considered good unless otherwise stated)		
i) Debts outstanding for a period exceeding six months	0	24,18,893
(Previous Year Doubtful Debts- Rs.24,18,893/-)		
ii) Other Debts	1,281	1,18,881
Less: Provision for doubtful debts	0	24,18,893
	<u>1,281</u>	<u>1,18,881</u>
5 CASH AND BANK BALANCES		
Cash in Hand (As certified by the management)	7,180	12,034
Broker's stamps in hand	3,288	35,717
Balances with Scheduled Banks		
i) In current accounts	13,37,006	6,52,026
ii) In Fixed deposit accounts	2,00,000	21,26,606
	<u>15,47,474</u>	<u>28,26,383</u>
6 LOANS AND ADVANCES		
(Unsecured, considered good)		
Advances recoverable in cash or in kind or for value to be received or adjusted		
i) Deposits with Stock Exchanges	77,00,000	77,00,000
ii) Pre-paid Expenses	20,352	31,665
iii) Advance Income Tax/TDS/FBT	9,15,559	11,30,454
iv) Interest accrued but not due on fixed deposits	67,429	1,82,363
v) Margin money with Share brokers	2,50,00,000	2,25,00,000
vi) Receivable against hedging transactions	0	97,700
vii) Other receivables	3,05,079	2,77,102
	<u>3,40,08,419</u>	<u>3,19,19,284</u>
7 CURRENT LIABILITIES		
i) Sundry Creditors (Due to SSI- Nil)	2,82,625	1,62,343
ii) Other Liabilities	1,06,245	71,168
	<u>3,88,870</u>	<u>2,33,511</u>
8 PROVISIONS		
i) Provision for FBT	64,969	34,572
ii) Provision for Leave encashment	1,54,628	1,30,791
	<u>2,19,597</u>	<u>1,65,363</u>
9 MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
Shares Issue Expenses	67,000	1,00,500
Less: Written Off to Profit & Loss A/c	33,500	33,500
	<u>33,500</u>	<u>67,000</u>

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT

Sch. No.	(Amount in Rs.)	
	For the year ended 31-Mar-07	For the year ended 31-Mar-06
10 OTHER INCOME		
Dividend Income	3,92,250	4,27,660
Income from Consultancy	0	4,67,000
Misc. Income	13,431	9502
	<u>4,05,681</u>	<u>9,04,162</u>
11 OPERATING EXPENDITURE		
SEBI Fees	25,000	25,000
SEBI Turnover fees	0	5,000
NSE Capital Market subscription	0	1,00,000
V-Sat Charges	1,10,000	1,10,000
Transaction and other NSE Charges	22,845	37,964
Service Tax	72,206	8,412
Securities Transaction Tax	2,28,613	63,095
Brokers Stamp Duty	47,429	69,722
	<u>5,06,093</u>	<u>4,19,193</u>
12 EMPLOYEES' COST		
Salaries & Allowances	19,84,364	21,29,769
Staff Welfare	1,486	2,483
Employer's Contribution to PF, ESI, Gratuity Fund etc.	3,10,048	2,19,577
	<u>22,95,898</u>	<u>23,51,829</u>
13 ADMINISTRATIVE AND OTHER EXPENSES		
Rent	1,80,000	2,40,000
Rates & Taxes	36,054	43,730
Electricity Charges	1,20,000	1,80,000
Office Maintenance	60,000	60,000
Legal and other Consultancy Charges	1,20,500	1,56,830
Repair & Maintenance	7,099	14,947
Travelling and Conveyance	2,52,820	2,50,749
Insurance	29,106	24,494
Miscellaneous Expenses	24,917	25,815
Business Promotion	83,937	87,063
News Papers, Books & Periodicals	76,252	66,822
Communication Expenses	1,16,536	83,469
Printing & Stationery	11,213	14,491
Internal Audit fee	21,836	20,000
Directors Sitting Fee	8,000	8,000
Auditors Remuneration		
- Statutory Audit fees	16,836	16,530
- Tax audit fees	5,612	5,510
- Certification fees	5,000	12,500
- Out of pocket expenses	20,000	20,000
	<u>11,95,718</u>	<u>13,30,950</u>

SCHEDULE 14: SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS
I. SIGNIFICANT ACCOUNTING POLICIES:
a) Method of Accounting

The Company is following accrual basis of accounting and accounts are prepared on historical cost basis in accordance with the general accepted accounting practices.

b) Revenue Recognition

Income from brokerage activities is accounted for on accrual basis except for the settlement for which pay-in and payout falls in the next financial year.

c) Fixed Assets and Depreciation

i) Fixed assets are stated at cost less accumulated depreciation.

ii) Depreciation on fixed assets is provided on Written Down Value Method at the rates (single shift basis) provided by Schedule-XIV of the Companies Act, 1956 on pro-rata basis.

d) Miscellaneous Expenditures

Deferred Revenue Expenditure / Share Issue Expenditure incurred before 01.04.1998 are being amortized over a period of ten years and incurred after 31.03.1998 are being amortized over a period of five years.

e) Provision for Retirement Benefits

Gratuity Liability of the Company is met through the Group Gratuity Scheme of Life Insurance Corporation of India. The contribution made to the said scheme has been charged to the Profit & Loss Account.

Leave encashment payments to the employees are accounted for on accrual basis on the assumption that such benefits are payable to the employees at the end of the accounting year.

f) The Company deals in Future & Option in the derivatives segment and the purchase and sale figures of the said segment have been shown in the financial statements at their gross value.

g) Investments

(i) Investments are classified into long-term investments and current investments.

(ii) Long term investments are valued at cost. Provision for diminution in value of investments is made scrip-wise to recognize a decline other than temporary in nature. Current investments are valued scrip-wise, at cost or market price, whichever is lower.

(iii) The Company follows 'FIFO method' for calculating the cost of each investment sold by the Company for determining the profit/loss.

h) Taxation

a) Provision for taxation is made on the basis of taxable profit in accordance with the Income Tax Act, 1961.

b) Deferred tax resulting from timing difference between book and taxable profit is accounted for using the tax rates and law that have been enacted or substantively enacted as on the balance sheet date. The deferred tax asset is recognized only to the extent that there is a virtual certainty that there would be adequate future taxable income against which such deferred tax assets can be realized. The deferred tax liability is recognized on having a reasonable certainty for crystallization of the same.

II. NOTES TO ACCOUNTS:
a) Contingent Liabilities: - Nil

b) **Interest** income includes Rs.18,33,339/- (Previous Year – Rs.11,90,045/-) on fixed deposits and Rs. 61,277/- (Previous Year – Rs. 1,04,517/-) on income tax refund. Interest income on fixed deposits includes tax deducted at source of Rs. 4,11,401/- (Previous Year – TDS of Rs. 2,67,047/-).

c) **Other income** includes dividend income of Rs.3,92,250/- (Previous Year –Rs.4,27,660/-) The tax deducted at source during the year on said income amounted to NIL. (Previous Year – NIL)

d) Deferred Tax Assets

Deferred Tax Assets of Rs.6,077/- (Previous Year deferred tax liabilities of Rs.19,656/-) are net of deferred tax liabilities of Rs.46,481/- (Previous Year net of deferred tax assets of Rs.44,024/-). The major components of deferred tax assets and liabilities are as under:-

Particulars	Deferred Tax Assets	Deferred Tax Liabilities
Fixed Assets	Rs.Nil - (P.Y.Rs.Nil)	Rs.46,481/- (P.Y.Rs.63,680/-)
Leave Encashment	Rs.52,558/- (P.Y.Rs.44,024/-)	Rs.Nil (P.Y.Rs.Nil)
Total	Rs.52,558/- (P.Y.Rs.44,024/-)	Rs.46,481/- (P.Y.Rs.63,680/-)

e) Margin money paid to the stockbrokers amounting to Rs. 2,50,00,000/-, shown under the Schedule 'Loans and Advances', is given in the form of fixed deposits.

f) Details of purchases and sales during the year:

Category	Opening Stock		Purchases		Sales		Closing Stock	
	Quantity	Value (Rs.)	Quantity	Value (Rs.)	Quantity	Value (Rs.)	Quantity	Value (Rs.)
Current year (F&O)	Nil	Nil	14,92,951	1,47,13,17,943	14,92,951	1,47,29,06,704	Nil	Nil
Previous Year (F&O)	Nil	Nil	1,31,690	15,13,80,092	1,31,690	15,16,32,558	Nil	Nil

g) Disclosure under The Micro, Small and Medium Enterprises Development Act, 2006 is applicable in respect of those parties which are registered under the Act. In the absence of information being available with the Company of such registration, if any, no disclosure could be made.

h) The writ petition before Hon'ble High court of Calcutta in the case of Lalit Kumar Marodia vs. Union of India & other (of which Company was a co-petitioner) was dismissed by the Hon'ble Court during the year and no appeal was preferred against the dismissal. The Company has also joined as a party to a SLP No.162/2005 filed before the Hon'ble Supreme Court challenging the constitutional validity of SEBI (Broker and Sub-broker) Regulations 1992 which has been admitted and is pending for disposal.

i) Managerial Remuneration

No amount was paid towards remuneration, perquisites or any other benefits to Shri S.K. Agarwal - Managing Director.

j) Related Party Disclosure

Followings are the related parties: - Holding Company: - VLS Finance Ltd.

Fellow Subsidiaries: VLS Investments Limited, VLS Asset Management Ltd. and VLS Investments Inc., U.S.A.

Key Managerial Personnel: - Shri S.K. Agarwal, Managing Director.

Others: - Mrs. Sudha Agarwal, wife of Shri S. K. Agarwal.

Transactions during the year with the related parties: -

Nature of Transactions	Holding Company		Total	
	31.03.07	31.03.06	31.03.07	31.03.06
Brokerage earned	2,36,899/-	5,56,359/-	2,36,899/-	5,56,359/-
Reimbursement amount claimed	4,66,870/-	3,75,842/-	4,66,870/-	3,75,842/-
Rent and other charges paid	3,60,000/-	4,80,000/-	3,60,000/-	4,80,000/-
Payable to Holding Company at the year end	2,02,758/-	99,321/-	2,02,758/-	99,321/-

Note: The Company did not enter into any transaction with Key Managerial Personnel / others during the year (Previous Year - Nil) and as such no disclosure on this account is required.

k) Calculation of Earning per share

Particulars	Equivalent No. of Shares Year ended 31 st March 2007	Equivalent No. of Shares Year ended 31 st March 2006
Basic and diluted		
Total Shares outstanding	55,00,000	55,00,000
Profits after taxes	Rs.97,452/-	(Rs. 15,63,176/-)
EPS (In Rs.)	0.02	(0.28)

l) Expenditure in Foreign Exchange

Particulars	Year ended on 31.03.2007	Previous Year ended on 31.03.2006
Foreign Travel Expenses	Nil	Nil
Others	Nil	Nil

m) Previous Years' figures have been re-grouped and re-classified wherever considered necessary.

n) All figures have been rounded off to nearest rupee.

o) Schedules 1-14 form an integral part of the Accounts.

As per our report of even date

For Agiwal & Associates

For and on behalf of the Board

Chartered Accountants

V.K. Gupta

S.K. Agarwal

K.K.Soni

T.B. Gupta

Partner

Managing Director

Director

Director

Membership No. 81979

Place : New Delhi

Date : 18/06/2007

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details			
Registration number	62123	State Code	55
CIN	U74899DL1994PLC062123		
Balance Sheet Date	31-03-2007		
II. Capital raised during the Year (Amount in Rs.Thousands)			
Public Issue	Nil	Right Issue	Nil
Bonus Issue	Nil	Private Placement	Nil
III. Position of Mobilisation and Deployment of Funds (Amount in Rs.Thousands)			
Total Liabilities	55,000	Total Assets	55,000
Sources of Funds:		Application of Funds:	
Paid up Capital	55,000	Net Fixed Assets	238
Reserves & Surplus	Nil	Investments	15,083
Secured Loans	Nil	Net Current Assets	34,949
Unsecured Loans	Nil	Accumulated Losses	4,690
		Deferred Tax Assets	6
Deferred Tax	Nil	Miscellaneous Expenditure	34
IV. Performance of Company (Amount in Rs. Thousands, except otherwise stated)			
Turnover	14,75,653	Total Expenditure	14,75,551
Profit/Loss Before Tax	102	Profit/Loss after Tax	97
Earning per Share (Rs.)	0.02	Dividend Rate	Nil
V. Generic Names of Three Principal Products/ Services of Company (as per monetary terms)			
Item Code No.	N.A.		
(ITC Code)			
Product Description	Share Broking Services		

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2007

	Year Ended 31-Mar-2007	Year ended 31-Mar-2006
A. Cash flow from operating activities		
Net Profit before tax and extra-ordinary items	102,116	(152,7096)
Adjustments for:		
Add: Depreciation	1,13,322	1,55,703
loss on sale of investments	88,177	228,381
Provision for leave encashment	23,837	5,821
Miscellaneous Expenditure written off	33,500	1,56,862
Operating profit before working capital changes	360,952	(980,329)
Adjustments for changes in Working Capital		
Trade Debtors and other sundry receivables	(1,971,535)	(15,379,974)
Inventory/transfer to Investment A/c	-	15,109,104
Trade Creditors and other Payables	155,359	(2,050,665)
Cash generated from operations	(1,455,224)	(3,301,864)
NET CASH FLOW FROM OPERATING ACTIVITIES (I)	(1,455,224)	(3,301,864)
B. Cash flow from investing activities		
Net Deployment in Fixed Assets	(32,268)	(30,400)
Net deployment in investments	296,760	(15,380,014)
Interest received	-	-
Net profit/(loss) on sale of investments	(88,177)	(228,381)
NET CASH USED IN INVESTING ACTIVITIES (II)	176,315	(15,638,795)
C. Cash flow from financing activities		
Proceeds from borrowings	-	-
NET CASH USED IN FINANCING ACTIVITIES (III)	-	-
NET CHANGES IN CASH & CASH EQUIVALENTS (I)+(II)+(III)	(1,278,909)	(18,940,659)
CASH & CASH EQUIVALENTS- OPENING BALANCE	28,26,383	2,17,67,042
CASH & CASH EQUIVALENTS- CLOSING BALANCE	15,47,474	28,26,383

As per our report of even date

For Agiwal & Associates

For and on behalf of the Board

Chartered Accountants

V.K. Gupta

S.K. Agarwal

K.K.Soni

T.B. Gupta

Partner

Managing Director

Director

Director

Membership No. 81979

Place : New Delhi

Date : 18/06/2007

VLS INVESTMENTS LTD.

DIRECTORS' REPORT TO THE MEMBERS

The Directors are pleased to present the 16th Annual Report of your Company, together with the audited Balance Sheet and the Profit and Loss Account for the year ended 31.03.2007.

FINANCIAL RESULTS

The Company has posted a net profit of Rs. 10889/-. This notional profit is due to interest income on fixed deposit with the bank. There was no business activity during the year under review. However, the Board is continuing its efforts for undertaking suitable business activity keeping in view the resources available with the Company.

DIVIDEND

In order to conserve resources of Company no dividend is recommended for the year under review.

DIRECTORS

There was no change in the Board of Directors during the year under review.

Shri S. K. Agarwal, Director, shall be retiring by rotation at the ensuing Annual General Meeting and being eligible has offered himself for re-appointment. Your Directors recommend his re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility statement, the Directors hereby confirm:

- that in the preparation of the annual accounts for the financial year ended 31st March, 2007, the applicable accounting standards have been followed, along with proper explanation relating to material departures;
- that they have selected such accounting policies 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 at the end of the financial year and of the profit of the Company for that period;
- that they have taken proper and sufficient care for the maintenance of proper accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- that they have prepared the Annual Accounts for the Financial year ended 31st March, 2007 on a going concern basis.

PERSONNEL

The Company had no employees during the year under report and therefore there was no employee whose particulars are required to be disclosed under Directors' Report (Particulars of Employees) Rules 1975 in this report.

AUDITORS

The Board recommends the reappointment of M/s. Agiwal & Associates, Chartered Accountants, the Statutory Auditors of the Company. Their term will end at the conclusion of ensuing Annual General Meeting and they being eligible have given their consent to their re-appointment. You are also requested to authorize the Board to fix their remuneration.

AUDITORS' REPORT

The observations made by the Auditors in their report have been adequately dealt with in relevant Notes on Accounts and need no further comments from Directors.

FIXED DEPOSITS

The Company has neither invited nor accepted any Fixed Deposits during the year.

STATUTORY INFORMATION

The Company's (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 requires the disclosure of particulars regarding Conservation of Energy in Form-A and Technology Absorption in Form-B prescribed by the Rules. During the year under review the Company did not absorb any new technology nor has carried out any R&D activity including for conservation of Energy. The head wise disclosure envisaged in aforesaid forms may be construed accordingly. There was no proposal, during the year under review, for buying back the shares by the Company. The Company has had no foreign exchange outgo or inflow.

For and on behalf of the Board of Directors

Place : New Delhi

T.B.Gupta

Anurag Bhatnagar

Date : 15/06/2007

Director

Director

AUDITORS' REPORT

To,

The Members

VLS Investments Ltd.

Kanpur.

We have audited the attached Balance Sheet of VLS Investments Ltd. as at 31st March 2007 and also Profit and Loss Account of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company Management. Our responsibility is to express an opinion on these financial statements based on our audit.

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.

- As required by the Companies (Auditor's Report) Order, 2003 issued by the Department of Company Affairs in terms of section 227 (4A) of the Companies Act, 1956 we enclose in the annexure a statement on the matters specified in paragraph 4 & 5 of the said Order, to the extent applicable to the Company.
- Further to our comments in the annexure referred to in paragraph one above we report that:
 - We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - In our opinion, proper books of accounts 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 & Loss Account dealt with by these report are in agreement with the books of accounts;
- d. In our opinion the Balance sheet and profit & Loss account dealt with by these report comply with the accounting standards refer to in subsection (3C) of section 211 of the Companies Act, 1956;
- e. On the basis of written representations received from the directors as on 31st March 2007, and taken on record by the board of directors, we report that none of the directors is disqualified as on 31st March 2007 from being appointed as a director in terms of clause (g) of subsection (1) of section of 274 of the companies Act 1956;
- f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with significant accounting policies and notes to accounts thereon 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;
- i. In the case of Balance Sheet of the state of affairs of the Company as at 31st March 2007 and,
- ii. In the case of the Profit and Loss account, of the profit of the Company for the year ended on that date.

For **Agiwal & Associates**
Chartered Accountants

(**V.K. Gupta**)
Partner
(M. No. 81979)

Place: New Delhi
Date: 15th June, 2007

**ANNEXURE TO AUDITORS REPORT
REFERRED TO IN PARAGRAPH (1) OF OUR REPORT OF EVEN DATE
Re: VLS Investments Ltd. for the year ended 31st March, 2007**

- (i) The Company do not own any fixed assets and as such, no comments are required to be given under this clause.
- (ii) The Company has not carried out any activities of purchase and sale of shares and securities during the year. There was nil stock-in-trade at the 31.03.2007 and as such, no comments can be given under this clause.
- (iii) (a) The Company has not taken/granted any loans secured/unsecured from/to the Companies, Firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- (b) As the Company has not taken/granted loans from/to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956, the clause related to rate of interest and other terms and conditions of loans taken and given by the Company, secured or unsecured, which are prima facie prejudicial to the interest of the Company is not applicable to the Company.
- (iv) In our opinion and according to the information and explanations given to us, the Company has an adequate internal control procedure commensurate with its size and nature of its business, for the purchase of fixed assets and for purchase/sale of securities. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- (v) (a) To the best of our knowledge and belief and according to information and explanations given to us, the company has not entered into any transactions that needed to be entered into the register maintained in pursuance to section 301 of the Companies Act, 1956.
- (b) According to information and explanation given to us, there was no transaction, made in pursuance of contracts or arrangements entered into Register(s) maintained under section 301 of the Companies Act, 1956 as aggregating during the period of Rs.5,00,000/- (Rupees Five Lacs only) or more in respect of each party.
- (vi) The Company has not accepted any deposits from the public during the year. Hence provisions of section 58A & 58AA of the Companies Act, 1956 and rules of Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits are not applicable to the Company.
- (vii) In our opinion and according to the information and explanations given to us, maintenance of cost records as prescribed by the Central Govt. under section 209(1) (d) of the Act, is not required as the Company is not in the manufacturing activity.
- (viii) (a) The Company is regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth tax and any other statutory dues with the appropriate authorities. There was no outstanding against any undisputed statutory dues as on 31.03.2007.
- (b) There was no outstanding of any disputed statutory dues as on 31.03.2007.
- (ix) The Company does not have accumulated losses and it has not incurred any cash losses during the financial year covered by our audit. There was no cash loss in the immediate preceding financial year also.
- (x) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of securities by way of pledge of shares, debentures or other securities.
- (xi) The Company has not dealt in shares or other securities during the year under Audit.
- (xii) In our opinion and according to information and explanations given to us, the Company has not given any Guarantee for loans taken by others from Banks or Financial Institutions.
- (xiii) The Company has not raised any Term Loan during the year.
- (xiv) According to records examined by us, the Company has not raised any short term and long term funds during the year under review.
- (xv) The Company has not made the preferential allotment of shares during the year.
- (xvi) To the best of our knowledge and information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.
- (xvii) The Para Nos. 4 (vii), (xi), (xiii), (xix) and (xx) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

For **Agiwal & Associates**
Chartered Accountants

(**V.K. Gupta**)
Partner
(M. No. 81979)

Place: New Delhi
Date: 15th June, 2007

BALANCE SHEET AS ON 31ST MARCH, 2007

(Amount in Rupees)

	Schedule No.	As At 31.03.2007	As At 31.03.2006
I. SOURCES OF FUNDS			
<i>Shareholders' Funds</i>			
a) Share Capital	1	500200	500200
b) Reserves & Surplus	2	14614	3725
TOTAL		514814	503925
II. APPLICATION OF FUNDS			
<i>(A) Current Assets, Loans & Advances:</i>			
a) Cash & Bank Balances	3	516823	503282
b) Loans & Advances	4	13726	7075
c) Other Current Assets	5	6483	5659
		<u>537032</u>	<u>516016</u>
<i>(B) Less: Current Liabilities & Provisions:</i>			
a) Liabilities	6	12112	7510
b) Provisions	7	10106	4581
Net Current Assets (A-B)		514814	503925
TOTAL		514814	503925
Notes on Accounts	8		

for and on behalf of the Board

As per our report of even date
for **Agiwal & Associates**
Chartered Accountants

Tej Bhan Gupta
Director

S.K. Agarwal
Director

V.K. Gupta
Partner

15th June, 2007
New Delhi

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON 31ST MARCH, 2007

(Amount in Rupees)

	As at 31.03.2007	As at 31.03.2006
INCOME		
Interest Income on Fixed Deposit with Bank(Gross)	29639	25730
Total (A)	<u>29639</u>	<u>25730</u>
EXPENDITURE:		
Filing Charges	1000	1000
Auditor's Remuneration	5612	5510
Bank Charges	113	112
Accounting Charges	6000	2000
Certification Charges	500	Nil
Total (B)	13225	8622
Profit/(Loss) for the year (A-B)	16414	17108
Less: Provision for taxation	5525	2194
Profit/(Loss) after Tax	10889	14914
Balance as per previous year Balance Sheet	3725	(11189)
Surplus/(Loss) carried to Balance Sheet	14614	3725
Earning per Share		
Basic and Diluted Earning per Share (Rs.)	0.22	0.30
Face Value per Share(Rs.)	10.00	10.00

Notes on Accounts - Schedule 8
for and on behalf of the Board

As per our report of even date
for **Agiwal & Associates**
Chartered Accountants

Tej Bhan Gupta
Director

S.K. Agarwal
Director

V.K. Gupta
Partner

15th June, 2007
New Delhi

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2007

(Amount in Rupees)

	As at 31.03.2007	As at 31.03.2006
SCHEDULE 1 - SHARE CAPITAL		
AUTHORISED		
500000 Equity Shares of Rs.10/- each	5000000	5000000
ISSUED, SUBSCRIBED & PAID-UP		
50020 Equity Shares of Rs.10/- each fully paid in Cash	500200	500200
(The Share Capital in full is held by the holding company viz. VLS FINANCE LTD. by itself and through its nominees)		
TOTAL	500200	500200
SCHEDULE 2 - RESERVES & SURPLUS		
PROFIT & LOSS ACCOUNT		
Balance b/f	3725	(11189)
Add: Profit for the year	10889	14914
TOTAL	14614	3725
SCHEDULE 3 CASH & BANK BALANCES		
a) Bank of Baroda - Current Account	22627	12176
b) Bank of Baroda - Fixed Deposit Account	494196	491106
TOTAL	516823	503282



SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2007

(Amount in Rupees)

	As at 31.03.2007	As at 31.03.2006
SCHEDULE 4 - LOANS & ADVANCES		
a) Advance Income Tax/TDS	13726	7075
TOTAL	13726	7075
SCHEDULE 5 - OTHER CURRENT ASSETS		
a) Interest Accrued on FD with Bank (Net of TDS)	6483	5659
TOTAL	6483	5659
SCHEDULE 6 - CURRENT LIABILITIES		
Expenses payable	12112	7510
TOTAL	12112	7510
SCHEDULE 7 - PROVISIONS		
Provision for taxation (MAT)	2387	2387
Provision for taxation (Income Tax)	7719	2194
TOTAL	10106	4581

SCHEDULE 8 - ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

- The Company adopts the accrual system of accounting.
- Preliminary expenditures are amortized equally over a period of ten years.
- Contingent Liabilities : Nil.
- Estimated amount of contracts remaining to be executed on Capital Account : Nil.
- The Company had no employees during the year 2006-2007.
- Related party disclosure :
Following are the related parties :-
Holding Company: VLS FINANCE LTD (100 %)
Fellow Subsidiaries :-
VLS Securities Ltd, VLS Asset Management Ltd, and VLS Investments Inc., Delaware, USA.
- There are no deferred tax assets/liabilities during the year.
- Interest Income on Fixed Deposits includes tax deducted at source of Rs.6,651/-(Previous year Rs.2,624/-).
- Previous year figures have been regrouped/rearranged wherever necessary to facilitate comparison.
- Schedule 1 to 7 form an integral part of the Balance Sheet and the Profit and Loss Account.

As per our report of even date

For **Agival & Associates** For and on behalf of the Board
Chartered Accountants

V.K. Gupta Tej Bhan Gupta S.K. Agarwal
Partner Director Director

15th June, 2007
New Delhi

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration details:

Registration No.	12963	State Code	20
CIN - U67120UP1991PTC012963		Balance Sheet date	31-03-2007

II. Capital raised during the year (Amount in Rs.'000)

Public Issues:	Nil	Rights Issues:	Nil
Bonus Issues:	Nil	Private Placement:	Nil

III. Position of mobilization and deployment of funds (Amt in Rs.'000)

Total Liabilities	: 515	Total Assets	: 515
Sources of funds		Application of funds	
Paid-up Capital	: 500	Net Fixed Assets	: -
Reserves & Surplus	: 15	Investments	: -
Secured Loans	: -	Net Current Assets	: 515
Unsecured Loans	: -	Miscellaneous Expenditure	: Nil
		Accumulated Losses	: Nil

IV. Performance of Company (Amount in Rs.'000)

Turnover	: 30	Total Expenditure	: 14
Profit/(Loss) before tax	: 16	Profit/(Loss) after tax	: 11
Earnings per share in Rs	: 0.22	Dividend rate%	: Nil

V. Generic names of principal products/services of Company (as per monetary terms)

Investment Activities



VLS ASSET MANAGEMENT LTD.

DIRECTORS' REPORT TO THE MEMBERS

Your Directors present the 12th Annual Report of your Company together with the Balance Sheet as at 31st March, 2007 and Profit and Loss Account for the year ended on that date.

Financial Results

During the year under review, the Company has incurred a loss of Rs. 2,155/-. The accumulated losses of the Company, during the year under review, have exceeded 50% of its net worth. The Board has been advised that the Company, not being a Industrial Company, no reference to BIFR or other authorities is required to be made. The Company did not undertake any activity during the year under review. However, the Board is exploring suitable opportunities/areas and is expected to make headways soon. The Company is therefore being viewed as a going concern and the accounts have been prepared under the going concern assumption.

Dividend

In view of the loss suffered by the Company during the year under review, no dividend has been recommended by the Board.

Directors

There was no change in the Board of Directors during the year under review. Shri S. C. Agarwal, Director shall be retiring by rotation at the ensuing Annual General Meeting and being eligible have offered himself for reappointment. Your Directors recommend his reappointment in order to have his continued valuable direction, guidance and assistance in the conduct of the affairs of your Company.

Directors' Responsibility Statement

Pursuant to provisions of Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility statement, it is hereby confirmed: -

- that in preparation of annual accounts for the financial year ended 31st March, 2007, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- that the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give true & fair view of the state of affairs of the Company at the end of the financial year and of the Loss of the Company for that period.
- that the Directors have taken proper and sufficient care for the maintenance of proper 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.
- that the Directors have prepared the Annual Accounts for the Financial year ended 31st March, 2007 on a going concern basis.

Auditors

The Board recommends the reappointment of M/s V. Sankar Aiyar & Co, Chartered Accountants, Statutory Auditors of the Company. Their term will end at the conclusion of ensuing Annual General Meeting, and being eligible, they have given their consent for re-appointment. You are also requested to authorize the Board to fix their remuneration.

Auditors Report

The observations made by Auditors in their report have been adequately dealt with in relevant Notes on Accounts and need no further comments from Directors.

Fixed Deposits

During the year under review, the Company has not invited or accepted any fixed deposit within the meaning of Section 58A of the Companies Act, 1956 and the rules made there under.

Statutory Disclosure

The Company's (Disclosure of Particulars in the Report of Board of Directors), Rules 1988 requires the disclosure of particulars regarding Conservation of Energy in Form A and Technology Absorption in Form B, prescribed by the Rules. Since during the year under review the Company did not absorb any new technology nor has carried out any R&D activity including conservation of Energy, therefore, head wise information envisaged in said forms has been dispensed with. There was no proposal, during the year under review, for buying back the shares by the Company.

The Company has had no foreign exchange outgo or inflow.

Personnel

The Company had no employees during the year under report. Therefore, the particulars required pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975, as amended, are not applicable to the Company.

Acknowledgement

The Board takes this opportunity to place on record its sincere thanks to its members, bankers and other associates for their continued support.

For and on behalf of the Board of Directors
Place : New Delhi S. C. Agarwal Anurag Bhatnagar
Date : 18.06.2007 Director Director

AUDITORS' REPORT TO THE SHAREHOLDERS OF VLS ASSET MANAGEMENT LIMITED

- We have audited the attached Balance Sheet of VLS ASSET MANAGEMENT LIMITED as at 31st March, 2007, and the annexed Profit & Loss Account of the Company for the year ended on that date. 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.
- We conducted the 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.
- According to the information and explanations obtained and based on such checks as we considered necessary, we report that none of the matters specified in paragraphs 4 and 5 of the Companies (Auditors' Report) Order, 2003, issued by the Department of Company Affairs in terms of Section 227 (4A) of the Companies Act, 1956, are either applicable or call for a statement for the year under audit except that:



The accumulated losses of the company at the end of the financial year are not less than 50% of its net worth and it has incurred cash losses in the current as well as in the immediately preceding financial year.

4. Further to our comments in the annexure referred to in paragraph 3 above, we report that:-
- 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;
 - 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 the books;
 - The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account;
 - In our opinion, the Balance Sheet and Profit & Loss Account dealt with by this report comply with the accounting standards referred to in subsection (3C) of Section 211 of the Companies Act, 1956, to the extent applicable.
 - On the basis of written representations received from the directors and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - In our opinion and to the best of our information and according to the explanations given to us, the accounts read together with the notes on accounts give the information required by the Companies Act, 1956 in the manner so required and give true and fair view in conformity with the accounting principles generally accepted in India:
 - In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2007; and
 - In the case of the Profit & Loss Account, of the Loss for the year ended on that date, and
 - In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For V. Sankar Aiyar & Co.
Chartered Accountants
(V. Rethinam)
Partner

Place: New Delhi
Date: 18-06-07

Membership Number:-10412

BALANCE SHEET AS ON 31ST MARCH, 2007

(Amount in Rupees)

	Sch. No.	As At March 31, 2007	As At March 31, 2006
I. SOURCES OF FUNDS			
1. Shareholders' funds			
a) Share Capital	1	7,07,000	7,07,000
2. Loan Funds			
a) Unsecured Loan	2	9,15,871	9,05,871
TOTAL		16,22,871	16,12,871
II. APPLICATION OF FUNDS			
1. Current assets, loans & Advances			
a) Cash and Bank Balances	3	20,547	12,702
Less: Current Liabilities & Provisions			
a) Current Liabilities	4	5,431	5,431
<i>Net Current Assets</i>		15,116	7,271
2. Profit & Loss Account		16,07,755	16,05,600
TOTAL		16,22,871	16,12,871
NOTES ON ACCOUNTS			
	6		

As our report of even date
for **V. Sankar Aiyar & Co.**
(Chartered Accountants)

For and on behalf of the Board

V. Rethinam
Partner
M. No. 10412

S.K. Agarwal
Director

S.C. Agarwal
Director

Date : June 18, 2007
Place : New Delhi

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON 31ST MARCH, 2007

(Amount in Rupees)

	Sch. No.	As at 31-Mar-07	As at 31-Mar-06
INCOME			
Total		-	-
EXPENDITURE			
Administrative & Other expenses	5	2,155	6,310
Total		2,155	6,310
Loss for the year		(2,155)	(6,310)
Add: Loss B/F		(1,605,600)	(1,599,290)
Balance carried to balance sheet		(1,607,755)	(1,605,600)

Notes forming part of the Accounts 6

As our report of even date
for **V. Sankar Aiyar & Co.**
(Chartered Accountants)

For and on behalf of the Board

V. Rethinam
Partner
M. No. 10412

S.K. Agarwal
Director

S.C. Agarwal
Director

Date : June 18, 2007
Place : New Delhi

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2007

(Amount in Rupees)

	As at 31/03/2007	As at 31/03/2006
1 SHARE CAPITAL		
AUTHORISED CAPITAL		
1,00,00,000 Equity Shares of Rs.10/- each	100,000,000	100,000,000
ISSUED, SUBSCRIBED & PAID UP CAPITAL		
70,700 Equity shares of Rs.10/- each fully paid up in cash (*)		
*(70,100 Share held by VLS Finance Ltd., the Holding Company)	707,000	707,000
	707,000	707,000
2 UNSECURED LOAN		
From Holding Company i. e. VLS Finance Ltd. (Non interest bearing) (Maximum amount outstanding during the year Rs. 9,15,511/- previous year Rs. 9,05,511.)		
	915,511	905,511
From Directors	360	360
	915,871	905,871
3 CURRENT ASSETS, LOANS & ADVANCES		
Balance with Scheduled Bank		
	20,547	12,702
	20,547	12,702
4 CURRENT LIABILITIES & PROVISIONS		
Audit Fee Payable		
	5,431	5,431
	5,431	5,431

SCHEDULE TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st March, 2007

(Amount in Rupees)

	For the year ended 31-03-2007	For the year ended 31-03-2006
5 ADMINISTRATIVE AND OTHER EXPENSES		
Filing Charges	1,530	3,500
Audit Fee	-	2,806
Bank Charges	125	4
Legal Fee	500	-
	2,155	6,310

SCHEDULE 6 – NOTES ON ACCOUNTS

1. Significant accounting policies:

a) General

The accompanying financial statements have been prepared on the historical cost convention and conform to the statutory provisions and practices prevailing in the country.

b) Method of Accounting

The company is following accrual basis of accounting.

2. Deferred Tax Liability/ Deferred Tax Asset

There is no deferred tax assets/liability of the company during the year.

3. Related Party Disclosure (Accounting Standard - 18)

Following are the Related Parties:-

Holding company – VLS Finance Ltd.

Fellow Subsidiaries: - VLS Securities Ltd., VLS Investments Ltd., VLS Investment Inc.

Transaction during the year with the related party: -

Related Party	Nature of Transaction	As on 31 st March, 2007	As on 31 st March, 2006
Holding Company	Opening Balance	9,05,511	8,92,011
	Loan Received	10,000	13,500
	Closing Balance	9,15,511	9,05,511

4. Basic and Diluted Earning Per Share (Under Accounting Standard - 20)

S. No.	Particulars	Year Ended 31 st March 2007	Year Ended 31 st March 2006
1.	Net Profit/(Loss) after Tax	(2,155)	(6,310)
2.	Weighted Average number of Equity Shares	70,700	70,700
3.	Face value per Share	10	10
4.	Basic & Diluted Earning Per Share	(0.03)	(0.9)

5. The figures for the corresponding previous year have been regrouped or rearranged to make them comparable.

6. Schedules 1-6 form an integral part of the Accounts.

As our report of even date

for **V. Sankar Aiyar & Co.**
(Chartered Accountants)

For and on behalf of the Board

V. Rethinam
Partner
M. No. 10412

S.K. Agarwal
Director

S.C. Agarwal
Director

Date : June 18, 2007
Place : New Delhi

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

I. Registration Details			
Registration	55-65812	State Code	55
Balance Sheet Date	31-03-2007		
II. Capital raised during the Year (Amount in Rs.Thousands)			
Public Issue	Nil	Right Issue	Nil
Bonus Issue	Nil	Private Placement	Nil
III. Position of Mobilisation and Deployment of Funds (Amount in Rs.Thousands)			
Total Liabilities	1,623	Total Assets	1,623



Sources of Funds:			
Paid up Capital	707	Reserves & Surplus	-
Secured Loans	-	Unsecured Loans	916
Application of Funds:			
Net Fixed Assets	-	Investments	-
Net Current Assets	15	Misc. Expenditure	-
Accumulated Losses	1,608		

IV. Performance of Company (Amount in Rs. Thousands)

Turnover	0	Total Expenditure	2
Profit/Loss Before Tax	-2	Profit/Loss after Tax	-2
Earning per Share (Rs.)	0.00	Dividend Rate	Nil

V. Generic Names of Three Principal Products/ Services of Company (as per monetary terms)

Not Applicable

As our report of even date
for **V. Sankar Aiyar & Co.**
(Chartered Accountants)

For and on behalf of the Board

V. Rethinam
Partner
M. No. 10412
Date : June 18, 2007
Place : New Delhi

S.K.Agarwal
Director

S.C.Agarwal
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

	Year Ended 31/03/2007	Year ended 31/03/2006
A. Cash Flow from operating activities		
Net Profit before Tax	(2,155)	(6,310)
Adjustment for :-		
Operating Profit before working capital changes	(2,155)	(6,310)
Increase / (Decrease) in trade payables & Others	-	52
Cash Generated from Operations	(2,155)	(6,258)
Net Cash From Operating Activities	(2,155)	(6,258)
B. Cash Flow from investing activities		
Net Profit/Loss on sale of Investments	-	-
Net Cash From Investing Activities	-	-
C. Cash Flow From Financing activities		
Proceeds from borrowings	10,000	13,500
Net Cash From Financing Activities	10,000	13,500
Net increase in Cash & Cash Equivalents (A+B+C)	7,845	7,242
D. Cash & Cash Equivalents at the beginning of the Year	12,702	5,460
E. Cash & Cash Equivalents at the end of the year	20,547	12,702
Increase in Cash & Cash Equivalents (D-E)	7,845	7,242

As per our report of even date attached hereto
for **V. Sankar Aiyar & Co.**
(Chartered Accountants)

For and on behalf of the Board

V. Rethinam
Partner
M. No. 10412
Date : June 18, 2007
Place : New Delhi

S.K.Agarwal
Director

S.C.Agarwal
Director

VLS INVESTMENTS INC.

DIRECTORS' REPORT TO THE MEMBERS

Your Directors present the 3rd Annual Report of your Company, together with the audited Balance Sheet and the Profit and Loss Account for the year ended on 31.12.2006.

FINANCIAL RESULTS

During the year under review, a net profit of 614 USD was recorded. There was a surplus of 420USD for the previous year and thus the profit available for appropriation was 1034 USD which has been carried forward to the next year. The Company could not undertake any business activity during the year under review and the interest on bank deposit was the only income generated. However, the Board is continuing its efforts for undertaking suitable business activity keeping in view the resources available with the Company.

As already reported in the previous year's report, the Company has been advised by its holding company VLS Finance Limited ('VLSF') to liquidate all of its investments as on 31.12.04 and remit the proceeds to VLSF. Accordingly, the Company liquidated some of the investments held by it during the year under review. The remaining investments are expected to be liquidated in the current year.

DIVIDEND

In order to conserve resources, no dividend is recommended for the year under review.

DIRECTORS

There was no change in the Board of Directors during the period under review.

PERSONNEL

The Company had no employees during the period under report.

AUDITORS

M/s. A. Mehta, Certified Public Accountant, 23 Wheelers Circle, Suite # 198, Stoughton, MA 02072, are appointed as the Statutory Auditors of the Company. The tenure, terms of appointment etc. of Statutory Auditors are in accordance with and subject to relevant regulations in force for the time being.

AUDITORS' REPORT

The observations made by the Auditors in their report have been adequately dealt with in relevant Notes on Accounts and need no further comments from Directors.

FIXED DEPOSITS

The Company has neither invited nor accepted any Fixed Deposits during the period under review.

ACKNOWLEDGEMENTS

The Board takes this opportunity to thank the Shareholders, Bankers and Business Associates for their all round cooperation and support.

For and on behalf of the Board of Directors

Place : New Delhi
Date : 29/03/2007

S. K. Agarwal
Director

Rajesh Jhalani
Director

Independent Auditors' Report

Board of Directors

VLS Investments Inc.,

Boston Massachusetts

We have audited the accompanying balance sheet of "VLS Investments Inc." as of December 31, 2006 and the related statements of operations and retained earnings for the year then ended. 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits 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.

In our opinion, the financial statements referred to above present fairly, in all material respect, the financial position of "VLS Investments Inc." as of December 31, 2006, and the results of its operations and retained earnings for the year then ended in conformity with accounting principles generally accepted in the United States.

A.Mehta
Certified Public Accountant

Place: New Delhi
Dated: 29th March, 2007

A. Mehta
Certified Public
Accountant

Balance Sheet as at December 31, 2006 (expressed in USD)

	Notes	2006	2005
Assets:			
Current Assets:			
Assets:			
Current Assets:			
Financial Assets (Shares/Securities)	3	128,525	563,447
Cash at Bank		10,081	359,004
Formation Expenses	2	79	119
(To the extent not written off/adjusted)		138,685	922,570
Stockholder's Equity & Liabilities			
Stockholder's Equity:			
Common stock, no par value; 100 shares authorised, issued and outstanding	4	1,000	1,000
Current Liabilities:			
Accounts Payable	5	135,952	920,552
Accrued expenses		698	598
Total Current Liabilities		136,650	921,150
Accumulated Profit		1,034	420
		138,685	922,570

For and on behalf of Board

A. Mehta
Certified Public Accountant

S.K. Agarwal
Director

Rajesh Jhalani
Director

Place : New Delhi
Date : 29th March, 2007

The accompanying notes are an integral part of these financial statements.

Profit and Loss Account for the year ended December 31, 2006 (expressed in USD)

	Notes	2006	2005
Revenues:			
Interest Income		953	1,093
		953	1,093
Expenses:			
Bank Charges		-	30
Bank Interest		56	-
Formation Expenses written off		40	40
Audit charges		100	100
Registration and Annual fee		-	199
Federal Tax		143	164
		339	533
Profit/(Loss) for the year		614	560
Add: Brought forward Profit		420	140
Profit/(Loss) available for appropriation		1,034	420

For and on behalf of the Board

A. Mehta
Certified Public Accountant

S.K. Agarwal
Director

Rajesh Jhalani
Director

Place : New Delhi
Date : 29th March, 2007

The accompanying notes are an integral part of these financial statements.

Notes to the annual accounts December 31, 2006
(Continued)

1. **General**

VLS Investments Inc. ("the Company") was incorporated in the State of Delaware on 18th June, 2004 as a limited liability company. The object of the Company is the holding of investments in companies. The current financial statements are for the period from 01.01.2006 to 31.12.2006.

2. **Summary of significant accounting policies**

2.1 **Basis of presentation**

The annual accounts have been prepared in accordance with the Delaware and United States statutory requirements and on a going concern basis.

2.2 **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and thereported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2.3 **Foreign currencies**

The Company's accounts are expressed in US Dollars (USD) and its accounting records are maintained in that currency. Assets and liabilities denominated in other currencies are converted into USD at the rates prevailing at the balance sheet date. Income and expenses in other currencies are translated into USD at the exchange rate prevailing at the transaction date.

2.4 **Formation expenses**

Formation expenses are amortized on a straight-line basis over a period of five years.

2.5 **Financial assets**

Financial assets are valued at cost. Where in the opinion of the Directors there has been a permanent diminution in the value of an investment such diminution is recognized by a charge to earnings.

2.6 **Income Tax**

The Company, with the consent of its shareholder, elected to be taxed as an S Corporation. In lieu of corporation income taxes, the stockholder is taxed on the Company's taxable income. Accordingly these financial statements do not include a provision of income taxes.

3. **Financial assets – Investment in Shares/Stocks**

Financial assets are analysed as follows: -

	(In USD)	
	2006	2005
Niksun Inc.	Nil	25,000
Axcel Photonics Inc.	Nil	10,000
Voyager Fund I, LLC	Nil	54,362
Total (A)	Nil	89,362
Comsteller Technologies Inc. (Current Year- Nil Previous Year-10,000 shares), Eculid Networks Inc. (Current Year – Nil Previous Year - 266,667 shares) and Wirex Communication Inc. (Current Year – 1200 Shares, Previous Year – 4428.78 shares)	1,28,525	4,74,085
Total (B)	1,28,525	4,74,085
Total (A+B)	1,28,525	5,63,447

4. **Subscribed capital**

The subscribed capital is US\$ 1000 represented by 100 shares of common stock of no par value allotted to the holding company i.e. VLS Finance Ltd.

5. **Creditors**

Creditors are analysed as follows:

	(In USD)	
	2006	2005
Amount due to VLS Finance Ltd., the holding company	1,35,952	5,70,552
Other Credit Balance	Nil	3,50,000
	1,35,952	9,20,552

6. The figures for the corresponding previous year have been regrouped or rearranged to make them comparable.

Date: 29th March, 2007
Place: New Delhi

For and on behalf of the Board
S.K. Agarwal Director
Rajesh Jhalani Director

A. Mehta
Certified Public
Accountant

See independent Auditor's Report

CONSOLIDATED FINANCIAL STATEMENTS

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

We have examined the attached Consolidated Balance Sheet of VLS Finance Ltd. ("the Parent Company") and its subsidiaries namely VLS Securities Limited, VLS Investments Ltd. and VLS Asset Management Limited as at 31st March, 2007 and VLS Investments Inc., Delaware, U.S.A. as at 31st December, 2006 along with its unaudited financial statement for the period from 01.01.2007 to 31.03.2007, the Consolidated Profit & Loss Account and the Consolidated Cash Flow Statement for the year ended annexed thereto. These financial statements are the responsibility of the Company management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the 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.

We did not audit the financial statements of the subsidiary namely VLS Asset Management Limited whose financial statement reflect total assets of

Rs. 16,22,871/- as at 31st March, 2007 and total revenues of Rs. NIL for the year ended on that date and also VLS Investments Inc., Delaware, U.S.A. as at 31st March, 2007 whose financial statement reflect total assets of Rs. 60,48,941/- as at 31st March, 2007 and total revenues of Rs.16,782/- for the period ended on that date. These financial statements have been audited by other auditor, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of the subsidiary, is based solely on the report of the other auditors.

We report that consolidated financial statements have been prepared by the Parent Company in accordance with the requirements of Accounting Standard (AS) – 21, Consolidated Financial Statements issued by the Institute of Chartered Accountants of India and on the basis of the separate audited/ unaudited financial statements of the Parent Company and its subsidiaries included in the Consolidated Financial Statements.

On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of the Company and its subsidiaries, we are of the opinion that the said Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- in the case of Consolidated Balance Sheet, of the state of affairs of the company and its subsidiaries as at 31st March 2007;
- in the case of the Consolidated Profit and Loss Account, of the consolidated results of the company and its subsidiaries for the year then ended; and
- in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the Company for the year then ended.

For Agiwal & Associates
Chartered Accountants

Place: New Delhi
Date: 20th June 2007

(P.C.Agiwal)
Partner
(M.No. – 80475)

CONSOLIDATED BALANCE SHEET AS AT 31st MARCH, 2007

(Amount in Rs.)

	Sch. No.	As at 31st March, 2007	As at 31st March, 2006
I. SOURCES OF FUNDS			
1. a) Capital	1	39,91,72,250	39,91,72,250
b) Reserves & Surplus	2	122,58,16,986	113,52,39,947
2. Minority Interests			
a) Capital		6,000	6,000
b) Reserves & Surplus		(13,627)	(13,573)
Opening		(18)	(54)
Add: For the Year		(13,645)	(13,627)
3. Loan Funds			
Unsecured Loans	3	1,33,06,948	1,31,81,948
Total Sources		163,82,88,539	154,75,86,518
II. APPLICATION OF FUNDS			
4. Fixed Assets			
a) Gross Block	4	138,25,36,288	138,23,93,888
b) Less: Depreciation		128,19,94,610	127,71,47,959
c) Net Block		10,05,41,678	10,52,45,929
5. Investments (At cost)	5	58,00,80,910	79,14,55,679
6. A. Current Assets, Loans & Advances			
a) Stock on Hire		8,80,281	0
b) Share stock in trade	6	3,33,74,044	1,12,99,734
c) Sundry Debtors	7	10,32,959	1,43,18,320
d) Cash & Bank Balances	8	95,97,121	1,03,01,840
e) Other Current Assets	9	32,99,90,898	37,11,81,479
f) Loans and Advances	10	57,21,46,751	22,43,00,905
		94,70,22,054	63,14,02,278
6. B. Less: Current Liabilities & Provisions			
a) Liabilities	11	28,87,949	78,84,071
b) Provisions	12	2,28,36,929	1,12,15,854
		2,57,24,878	1,90,99,925
Net Current Assets (A-B)		92,12,97,176	61,23,02,353
7. Deferred Tax Assets		3,63,31,831	3,85,10,416
8. Miscellaneous Expenditure (To the extent not written-off or adjusted)	13	36,944	72,141
Total Deployments Notes on Accounts	19	163,82,88,539	154,75,86,518

As per our report of even date

For Agiwal & Associates
Chartered Accountants

For and on behalf of the Board

P.C. Agiwal
Partner

M.P. Mehrotra
Director

S.K. Agarwal
Managing Director

Tej Bhan Gupta
Executive Vice-Chairman

H. Consul
Company Secretary

June 20th, 2007
New Delhi


CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2007			Amount in Rupees	
	Sch. No.	For the year ended on 31st March, 2007	For the year ended 31st March, 2006	
INCOME				
Sale of Shares/Securities		2431,24,26,109	2180,85,08,673	
Income from Operations	14	4,62,26,507	1,92,60,265	
Income/ (Loss) from Investments		3,57,69,926	4,44,59,799	
Other Income		13,28,130	13,55,764	
Increase/(Decrease) in stock of shares	18	2,20,74,310	(1,340,209)	
Total (A)		2441,78,24,982	2187,22,44,292	
EXPENDITURE				
Purchase of Shares/Securities		2428,27,70,600	2177,10,35,542	
Interest & Finance Charges	15	10,003	10,937	
Administrative & Other Expenses	16	2,42,95,486	2,39,78,971	
Employees' Cost	17	86,29,568	74,11,247	
Depreciation	4	52,24,589	54,55,508	
Miscellaneous Expenditure Written-off	13	35,197	1,58,650	
Total (B)		2432,09,65,443	2180,80,50,855	
PROFIT/(LOSS) BEFORE ADJUSTMENTS		9,68,59,539	6,41,93,437	
Bad Debts Recovery		56,01,296	1,34,71,642	
Provision for diminution in value of Investments		0	8,00,00,000	
Less: Amount transferred from General Reserve		0	8,00,00,000	0
Provision for Non Performing Assets		(1,886,218)	4,98,691	
PROFIT/(LOSS) BEFORE TAX		10,43,47,053	7,71,66,388	
Less: Provision for Deferred Tax for the year		21,78,585	2,40,253	
Less: Provision for Tax for the year		1,12,20,062	29,17,401	
Less: Provision for Tax for the year FBT		3,05,949	3,44,579	
PROFIT/(LOSS) AFTER TAX		9,06,42,457	7,36,64,155	
Add/(Less): Minority Interest		(18)	(54)	
Add/(Less): Surplus/(Loss) b/fd. from previous year		(22,118,265)	(20,068,548)	
PROFIT/(LOSS) BEFORE PRIOR YEAR ADJUSTMENTS		6,85,24,174	5,35,95,661	
Add/(Less) Prior year adjustments		(65,400)	0	
PROFIT AVAILABLE FOR APPROPRIATIONS		6,84,58,774	5,35,95,661	
APPROPRIATED TO:				
Statutory Reserve u/s 45 IC of the RBI Act, 1934		2,08,44,660	1,57,13,926	
Transfer to General Reserve		6,00,00,000	6,00,00,000	
SURPLUS/(LOSS) CARRIED TO BALANCE SHEET		(12,385,886)	(22,118,265)	
EARNING PER SHARE (Refer Note No.10 in Schedule 19)				
Basic and Diluted Earning per Share (Rs.)		2.28	1.85	
Face Value per Share (Rs.)		10.00	10.00	
Notes on Accounts	19			
As per our report of even date				
For Agiwal & Associates			For and on behalf of the Board	
Chartered Accountants				
P.C.Agiwal Partner	M.P.Mehrotra Director	S.K.Agarwal Managing Director	Tej Bhan Gupta Executive Vice-Chairman	
June 20th, 2007 New Delhi				H.Consul Company Secretary

SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2007 (Amount in Rupees)

	As at 31st March, 2007	As at 31st March, 2006
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SCHEDULE 1 CAPITAL
AUTHORISED CAPITAL

5,00,00,000 Equity Shares of Rs.10/- each	50,00,00,000	50,00,00,000
(Previous year 5,00,00,000 Equity shares of Rs.10/-each)		

ISSUED CAPITAL

4,02,62,500 Equity Shares of Rs.10/- each	40,26,25,000	40,26,25,000
(Previous year 4,02,62,500 Equity shares of Rs.10/-each)		

SUBSCRIBED & PAID-UP CAPITAL

3,97,95,000 Equity Shares of Rs.10/- each fully paid up for cash	39,79,50,000	39,79,50,000
(Previous year 3,97,95,000 Equity Shares of Rs.10/- each)		
Add: Amount forfeited on 4,67,500 equity shares (Previous year 4,67,500 equity shares)	12,22,250	12,22,250
	39,91,72,250	39,91,72,250

Issued, Subscribed & Paid-Up Capital includes:-

3,31,62,500 equity shares of Rs.10/-each aggregating to Rs.33,16,25,000/- are allotted as bonus shares by way of capitalisation of share premium.

SCHEDULE 2 RESERVES & SURPLUS
a) GENERAL RESERVE

As per last Balance Sheet	13,68,83,932	15,68,83,932
Less: Transfer to Profit and Loss A/c	0	8,00,00,000
	13,68,83,932	7,68,83,932
Add : Transfer from Profit and Loss A/c	6,00,00,000	6,00,00,000
Total (a)	19,68,83,932	13,68,83,932

b) STATUTORY RESERVE

As per last Balance Sheet	3,54,65,701	1,97,51,775
Add: Transfer from P/L account for the year	2,08,44,660	1,57,13,926
Total (b)	5,63,10,361	3,54,65,701

c) SECURITY PREMIUM ACCOUNT

As per last Balance Sheet	96,78,46,235	96,78,46,235
Total (c)	96,78,46,235	96,78,46,235

Of the above amount of Rs.96,78,46,235/-, an amount of Rs.4,74,33,750 is relating to share premium received on forfeited shares

d) SURPLUS

As per Last Balance sheet	(22,118,265)	(20,068,548)
Less: Transfer to Profit & Loss Account	(22,118,265)	(20,068,548)
	0	0
Add: Transfer from Profit & Loss Account	(12,385,886)	(22,118,265)
Total (d)	(12,385,886)	(22,118,265)

e) CAPITAL RESERVE

	1,71,62,344	1,71,62,344
Grand Total (a) to (e)	122,58,16,986	113,52,39,947

SCHEDULE 3 UNSECURED LOANS

a) Adjustable deposits	1,33,06,588	1,31,81,588
b) Loan from Directors	360	360
Total (a+b)	1,33,06,948	1,31,81,948

CONSOLIDATED FINANCIAL STATEMENTS

SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 31st March, 2007 (Cont'd...)

SCHEDULE 4 FIXED ASSETS

Sl. No.	Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		Cost As at 01.04.2006	Additions during the year	Sales/ Adjustments	Cost As at 31.03.2007	Upto 31.03.2006	For the year	Sales/ Adjustments	Upto 31.03.2007	WDV As at 31.03.2007	WDV As at 31.03.2006
1	Assets for own use:										
A	Buildings	15,48,22,577	0	Nil	15,48,22,577	6,57,66,916	44,52,784	Nil	7,02,19,700	8,46,02,877	8,90,55,661
B	Temporary Structures	28,49,232	Nil	Nil	28,49,232	28,49,231	Nil	Nil	28,49,231	1	1
C	Vehicles	28,06,502	36,047	3,92,534	24,50,015	21,15,701	1,79,804	3,77,938	19,17,567	5,32,448	6,90,801
D	Office Equipments	24,60,953	84,264	Nil	25,45,217	17,45,632	1,04,417	Nil	18,50,049	6,95,168	7,15,321
E	Furniture & Fixtures	29,63,717	47,287	Nil	30,11,004	25,79,668	74,325	Nil	26,53,993	3,57,011	3,84,049
F	Air Conditioners	17,64,270	31,000	Nil	17,95,270	13,76,188	56,369	Nil	14,32,557	3,62,713	3,88,082
G	Computers	68,54,615	3,36,336	Nil	71,90,951	62,67,570	3,23,035	Nil	65,90,605	6,00,346	5,87,045
H	Electrical Installations	7,74,549	Nil	Nil	7,74,549	6,23,029	21,077	Nil	6,44,106	1,30,443	1,51,520
I	Generator	4,30,905	Nil	Nil	4,30,905	3,39,044	12,778	Nil	3,51,822	79,083	91,861
2	Assets on Lease	120,66,66,568	Nil	Nil	120,66,66,568	119,34,84,980	Nil	Nil	119,34,84,980	1,31,81,588	1,31,81,588
	Total	138,23,93,888	5,34,934	3,92,534	138,25,36,288	127,71,47,959	52,24,589	3,77,938	128,19,94,610	10,05,41,678	10,52,45,929
	Previous Year	138,05,82,650	18,11,238	0	138,23,93,888	127,16,92,451	54,55,508	0	127,71,47,959	10,52,45,929	10,88,90,199

SCHEDULE : 5 INVESTMENTS (Long Term)

PARTICULARS	FACE VALUE	QUANTITY		AMOUNT (In Rs.)	
		AS AT 31.03.2007	AS AT 31.03.2006	AS AT 31.03.2007	AS AT 31.03.2006
A. IN EQUITY SHARES					
1. Un-quoted & Fully Paid					
Holline Display Devices Ltd	10	45,00,000	45,00,000	4,51,87,500	4,51,87,500
Holline Electronics Components Ltd	10	9,00,000	9,00,000	90,00,000	90,00,000
Holline Electronics Ltd	10	20,00,000	20,00,000	2,00,75,000	2,00,75,000
Foremost Factors Ltd	10	40,000	40,000	4,00,000	4,00,000
Indhradhan Agro Ltd.	10	1,50,000	1,50,000	15,00,000	15,00,000
Invest India Economic Foundation Private Ltd.	10	2,000	2,000	20,000	20,000
Anchal Fintrade P Ltd	100	35,000	35,000	35,00,000	35,00,000
Alok Fintrade P Ltd	100	5,000	5,000	5,00,000	5,00,000
B S Traders P Ltd	100	20,000	20,000	20,00,000	20,00,000
Ganga Projects P Ltd	100	10,000	10,000	10,00,000	10,00,000
Kanoria Properties P Ltd	100	80,000	80,000	80,00,000	80,00,000
Generatio Next Medical Services Co Pvt Ltd	100	42,000	42,000	42,00,000	42,00,000
Pranjal Investments P Ltd	100	56,000	56,000	56,00,000	56,00,000
Sunair Hotels Ltd.	10	95,94,824	95,94,824	23,59,48,240	23,59,48,240
Appu Ghar Entertainment Pvt Ltd	10	2,77,100	0	13,85,50,000	0
Savera Constructions P Ltd	10	0	1,25,000	0	12,50,000
VLS Capital Ltd	10	48,20,833	48,20,833	7,38,53,947	7,38,53,947
MPL Enterprises Ltd + (Previously MPL Finance & Leasing Co. Ltd.)	10	5,482	5,482	0	0
Eha Infrastructure P Ltd	10	4,90,000	4,90,000	49,36,750	49,36,750
Wirex Communication Inc.	-	1,200	1,200	56,02,406	57,34,786
		SUB-TOTAL (A-1)		55,98,73,843	42,27,06,223
2. Quoted & Fully Paid					
BESTAVISION LTD	10	0	80,00,000	0	16,00,00,000
ICDS Ltd. +	10	21,929	21,929	0	0
DHAMPUR SUGAR (KASHIPUR) LTD	10	99,949	1,26,000	10,05,217	15,22,500
3i INFOTECH LTD	10	3,600	0	8,51,313	0
ALOK INDUSTRIES LTD	10	1,000	0	73,160	0
ANSAL PROPERTIES & INFRASTRUCTURES LTD	5	0	61,089	0	86,96,372
ANDHRA BANK LTD	10	0	100	0	8,031
AKRUTI NIRMAL LTD	10	100	0	58,552	0
BICON LTD	5	0	50	0	20,380
BONGAIGAOON REFINERIES LTD	10	1,100	1,000	70,267	64,848
BALRAMPUR CHINI MILLS LTD	1	500	0	29,150	0
CONS FINVEST HOLDINGS LTD	10	3,040	3,040	1,22,208	1,22,208
CAIRN INDIA LTD	10	100	0	13,761	0
DABUR LTD +	1	0	1,000	0	0
DCM SHRIRAM CONSOLIDATED LTD	2	2,000	0	1,99,153	0
ESSAR OIL LTD	10	22,600	0	12,36,986	0
GOLDSTONE TELE SERVICES LTD	4	0	5,000	0	1,00,150
GOLDSTONE TECHNOLOGIES LTD	10	0	2,000	0	66,360
GATI LTD	2	15,16,240	15,38,415	2,95,19,532	3,00,58,382
GMR INDUSTRIES LTD	10	1,000	250	3,52,633	42,550
GSFC LTD	10	0	500	0	94,909
GLOBAL VECTRA HELICORP LTD	10	3,000	0	7,92,630	0
GUJARAT HOTELS LTD	10	13,528	0	8,21,395	0
HIMACHAL FUTURISTIC COMM LTD	10	26,000	0	7,72,030	0
HAVELLS INDIA LTD	5	250	0	1,16,211	0
HINDALCO IND LTD	1	500	0	74,235	0
FCS SOFTWARE SOLUTION LTD	10	900	0	85,617	0
IDFC LTD	10	0	4,000	0	2,89,690
IGL LTD	10	1,500	1,000	1,89,700	1,30,150
ITC LTD	1	0	600	0	76,305
IDEA CELLULAR LTD	10	500	0	47,990	0
IFCI LTD	10	5,000	0	1,66,375	0
JBF INDUSTRIES LTD	10	0	1,000	0	71,560
JENSON & NICOLSON INDIA LTD	2	0	1,000	0	13,830
JAIPRAKASH HYDRO POWER LTD	10	0	2,000	0	65,660
JP ASSOCIATES LTD	10	0	875	0	3,80,219
JMC PROJECTS LTD	10	250	0	65,857	0
JUPITER BIOSCIENCE LTD	10	1,000	0	1,40,695	0
KOTHARI PRODUCTS LTD	10	0	1,89,700	0	2,38,79,550
LANXESS ABS LTD	10	0	500	0	75,739
MAHINDRA GESCO LTD	10	50	0	45,709	0
MAHINDRA FORGEING LTD	10	200	0	46,519	0
MASCOC GLOBAL LTD	10	0	2,000	0	23,900
MINDA INDUSTRIES LTD	10	6,569	0	10,49,171	0
MOSER BEAR INDIA LTD	10	200	0	72,748	0
NTPC LTD	10	750	1,000	1,05,410	85,300
MIRC ELECTRONICS LTD	1	9,400	94,000	5,01,960	5,01,960
NEPC MICON LTD	10	1,000	0	27,380	0
NEOCURETHERAPEUTICS LTD	10	2,000	0	16,663	0
ODH SUGAR MILLS LTD	10	3,000	0	3,69,258	0
PARSVNATH DEVELOPERS LTD	10	200	0	96,107	0
PETRONET LNG LTD	10	7,000	10,000	3,95,057	4,22,835

SCHEDULE : 5 INVESTMENTS (Long Term)

PARTICULARS	FACE VALUE	QUANTITY		AMOUNT (In Rs.)	
		AS AT 31.03.2007	AS AT 31.03.2006	AS AT 31.03.2007	AS AT 31.03.2006
POLARIS SOFTWARE LAB LTD	5	0	200	0	23,038
PRECOT MILLS LTD	10	0	500	0	1,65,908
RAIN CALCINING LTD	10	0	1,000	0	41,980
RELAXO FOOTWEAR LTD	5	17,20,776	17,20,776	4,98,66,395	4,98,66,395
RELANCE PETRO LTD	10	12,400	0	9,45,652	0
RELANCE COMM LTD	5	1,600	50	6,46,325	14,509
RELANCE INDUSTRIES LTD	10	4,200	0	56,11,411	0
RELANCE NATURAL RESOURCES LTD	5	2,000	0	56,860	0
SOFTSOL INDIA LTD	10	9,000	0	17,35,896	0
SWARAJ MAZDA LTD	10	500	0	1,55,364	0
SHANTI GEAR LTD	1	2,000	0	1,43,556	0
SYNGENTA INDIA LTD	5	200	0	89,126	0
TATA TELE SERVICES (MAHARASHTRA) LTD	10	7,000	5,000	1,70,266	1,36,518
TV TODAY NETWORK LTD	5	0	1,000	0	92,610
TCI INDUSTRIES LTD	10	24,060	31,691	7,23,311	9,52,720
TRANSCORP INT'L LTD	10	31,691	31,691	7,58,999	7,58,999
TRANSPORT CORP OF INDIA LTD	10	0	90,000	0	52,81,662
TISCO LTD	10	400	0	1,74,859	0
UNIVERSAL CABLE LTD	10	9,288	0	8,96,946	0
WIPRO LTD	2	200	0	1,23,808	0
VBC FERRO ALLOYS LTD	10	1,000	0	1,27,080	0
VISU INTERNATIONAL LTD	10	2,000	0	41,440	0
VSNL LTD	10	3,000	0	13,07,700	0
WELSPUN GUJARAT STAHLROHREN LTD	5	200	0	21,728	0
YES BANK LTD	10	500	0	72,442	0
VIJAYA BANK LTD	10	0	500	0	26,495
VIDEOCON APPLIANCES LTD	10	0	2,800	0	1,01,220
BHILWARA SPINNERS LTD	10	0	20,928	0	2,96,760
D PHARMA LTD	10	200	200	1	1
PUNJAB WIRELESS LTD	10	500	500	1	1
UTI Master Plus 91	10	200	200	3,252	3,252
		SUB-TOTAL (A-2)		10,32,03,067	28,45,75,456

B. IN PREFERENCE SHARES Unquoted & Fully Paid

Flex International P.Ltd (8% Redeemable Non cumulative preference shares)	100	0	15,00,000	0	15,00,00,000
Fusebase Etiloro Pvt Ltd	100	12,500	12,500	12,50,000	12,50,000
		SUB-TOTAL (B)		12,50,000	15,12,50,000

C. DEBENTURES & BONDS

Unquoted & Fully Paid-up					
Eha Infrastructure Pvt Ltd (0% optionally convertible debentures)	1,00,000	690	690	6,90,00,000	6,90,00,000
ICICI Bond (12%)	1,00,000	1	1	1,04,000	1,04,000
		SUB-TOTAL (C)		6,91,04,000	6,91,04,000
		TOTAL (A1+A2+B+C)		73,34,30,910	92,76,35,679
Less: Provision for diminution in value of Investments				16,00,00,000	16,00,00,000
		TOTAL (D)		57,34,30,910	76,76,35,679
I. Aggregate value of quoted investments		At cost		10,32,03,067	28,45,75,456
		Market Value		24,27,76,064	43,73,28,620
II. Aggregate value of un-quoted investments - Others		At cost		63,02,27,843	64,30,60,223
		TOTAL (E)		66,50,000	2,38,20,000
		TOTAL (D+E)		58,00,80,910	79,14,55,679
+Bonus Shares received, hence cost of acquisition is NIL.					

SCHEDULE 6 SHARE STOCK IN TRADE

(At Cost or market price, whichever is lower)

(Amount in Rs.)

Name of the Company	As on 31.03.2007		As on 31.03.2006	
	Quantity	Value (Rs.)	Quantity	Value (Rs.)
Stock of Quoted Equity shares (Fully Paid)				
ARIHANT COTSYN LTD	2,000	1	2,000	1
CENTRAL ROADLINES CORP LTD	2,82,700	1	2,82,700	1
HINDUSTAN ADHESIVES LTD	1,000	1	1,000	2,890
INTERCRAFT LTD	29,000	1	29,000	1
KOTHARI PRODUCTS LTD	10	3,903	10	3,903
RITESH INDUSTRIES LTD	0	0	85,900	2,55,123
SOUTH ASIAN ENTERPRISES LTD	17,11,289	3,33,70,136	17,1	



CONSOLIDATED FINANCIAL STATEMENTS

SCHEDULE TO CONSOLIDATED BALANCE SHEET AS AT 31st March, 2007 (Contd.)

SCHEDULE 7 SUNDRY DEBTORS

a) Instalments Receivable		
(Unsecured)		
Considered Good		
1. Due for more than six months	67,21,510	67,69,994
2. Others	0	0
	<u>67,21,510</u>	<u>67,69,994</u>
Less: Provision for Non-performing Assets	66,69,994	67,69,994
Total (a)	<u>51,516</u>	<u>0</u>
b) Dues from Share Brokers		
Considered Good		
1. Due for more than six months	0	24,18,893
2. Others	9,81,443	1,43,18,320
	<u>9,81,443</u>	<u>1,67,37,213</u>
Less: Provision for Non-performing Assets	0	24,18,893
Total (b)	<u>9,81,443</u>	<u>1,43,18,320</u>
Total (a+b)	<u>10,32,959</u>	<u>1,43,18,320</u>

SCHEDULE 8 CASH & BANK BALANCES

a) Cash on Hand	6,96,574	10,14,817
b) Cheques in Hand	0	3,08,712
c) Balances with scheduled banks		
1. In Current Accounts	70,36,135	49,30,585
2. In Deposit Accounts	18,64,412	40,47,726
Total (a+b+c)	<u>95,97,121</u>	<u>1,03,01,840</u>

SCHEDULE 9 OTHER CURRENT ASSETS

a) Interest Accrued but not due	82,261	16,24,944
b) Security Deposits	80,35,727	92,35,727
c) Margin Money with share brokers	24,48,00,000	28,31,02,557
d) Other Receivable	2,23,64,170	2,92,32,786
Less: Provision for Non-performing Assets	27,00,000	8,15,325
	<u>1,96,64,170</u>	<u>2,84,17,461</u>
e) Advance Tax Paid	5,74,08,740	4,88,00,790
Total (a+b+c+d+e)	<u>32,99,90,898</u>	<u>37,11,81,479</u>

SCHEDULE 10 LOANS AND ADVANCES

(Unsecured, considered good unless otherwise specified)		
a) Short term Loans and Advances	11,45,72,123	11,44,05,126
Less: Provision for Non-performing Assets	3,40,81,701	3,40,81,701
	<u>8,04,90,422</u>	<u>8,03,23,425</u>
b) Advances Recoverable in cash or in kind or for value to be received	49,71,51,480	15,07,24,631
Less: Provision for Non-performing Assets	54,95,151	67,47,151
	<u>49,16,56,329</u>	<u>14,39,77,480</u>
Total (a+b)	<u>57,21,46,751</u>	<u>22,43,00,905</u>

SCHEDULE 11 LIABILITIES

a) Creditors for Expenses		
i) Total Outstanding dues of small scale industrial undertakings	Nil	Nil
ii) Total outstanding dues of creditors other than small scale industrial undertakings	23,56,582	18,66,481
b) Advance Payments received	0	1,33,400
c) Other Liabilities	3,11,112	58,84,190
d) Payable to Share Brokers	2,20,255	0
Total (a+b+c)	<u>28,87,949</u>	<u>78,84,071</u>

SCHEDULE 12 PROVISIONS

a) Provision for Taxation		
Balance B/fd	1,05,19,788	76,02,387
Add: Provision for the year	1,12,20,062	29,17,401
Total (a)	<u>2,17,39,850</u>	<u>1,05,19,788</u>
b) Provision for Fringe Benefit Tax		
Balance B/fd	3,44,579	0
Add: Provision for the year	3,05,949	3,44,579
Total (b)	<u>6,50,528</u>	<u>3,44,579</u>
c) Provision for Leave encashment		
Balance B/fd	3,51,487	3,52,150
Add: Provision for the year	95064	(663)
Total (c)	<u>4,46,551</u>	<u>3,51,487</u>
Total (a+b+c)	<u>2,28,36,929</u>	<u>1,12,15,854</u>

SCHEDULE 13 MISCELLANEOUS EXPENDITURE

(To the extent not written off or adjusted)		
Deferred Revenue Expenditure		
Balance B/fd.	72,141	2,30,791
Add: Balance transferred/addition during the year	0	0
Less: Written off to Profit & Loss Account	35,197	1,58,650
Total	<u>36,944</u>	<u>72,141</u>

SCHEDULES TO CONSOLIDATED PROFIT & LOSS ACCOUNT

	for the year ended	for the year ended
	31st March 2007	31st March 2006

SCHEDULE 14 INCOME FROM OPERATIONS

Income from Hire Purchase Financing	64,639	0
Income from other Credit Operations	4,61,61,868	1,92,60,265
Total	<u>4,62,26,507</u>	<u>1,92,60,265</u>

SCHEDULE 15 INTEREST & FINANCE CHARGES

Interest to Bank	0	229
Bank / Finance Charges	10,003	10,708
Total	<u>10,003</u>	<u>10,937</u>

SCHEDULE 16 ADMINISTRATIVE & OTHER EXPENSES

Advertisement & Business Promotion	6,68,267	7,81,832
Consultancy, Legal & Service Charges	89,66,456	91,79,597
Communication Expenses	10,47,226	11,18,092
Electricity & Water Charges	6,24,832	7,42,385
Insurance	83,419	81,492
Office Expenses	12,87,458	12,84,423
Securities Transaction Tax	40,19,369	34,09,916
Shares Transaction Charges	2,62,410	2,51,900
Travelling Expenses & Conveyance	16,10,017	16,44,243
Rates & Taxes	14,70,762	13,02,702
Rent	2,45,000	1,46,000

SCHEDULE 16 ADMINISTRATIVE & OTHER EXPENSES (cont.)

Repairs & Maintenance		
—Building	1,22,115	3,68,641
—Others	21,57,068	21,30,390
Miscellaneous Expenses	10,00,739	7,41,797
Auditors' Remuneration		
a) Audit Fees	1,18,231	1,17,475
b) For Other Services		
—For Tax audit	51,324	49,590
For certification	1,07,306	1,01,200
—Out of pocket expenses	47,781	56,609
Internal Auditors' Remuneration		
—Fees	61,836	60,000
—Out of pocket expenses	8,000	8,000
Directors' Sitting Fees	2,39,000	1,65,000
Loss on sale/transfer of fixed assets	1,596	0
SEBI Membership Fee	25,000	25,000
SEBI Turnover fee	0	5,000
NSE Capital Market Subscription	0	1,00,000
Transaction and Other NSE charges	22,845	37,965
Brokers Stamp Duty	47,429	69,722
Total	<u>2,42,95,486</u>	<u>2,39,78,971</u>

SCHEDULE 17 EMPLOYEES' COST

Salaries	73,62,710	61,72,129
Staff Amenities	4,54,484	4,02,804
Employer's Contribution to PF, ESI, Gratuity Fund etc.	8,12,374	8,36,314
Total	<u>86,29,568</u>	<u>74,11,247</u>

SCHEDULE 18 INCREASE/(DECREASE) IN STOCK OF SHARES

Closing Stock of Shares	3,33,74,044	1,12,99,734
Less: Opening Stock of Shares	1,12,99,734	13,12,97,795
Less: Shares transferred to Investments	0	11,86,57,852
	<u>1,12,99,734</u>	<u>1,26,39,943</u>
Net Increase/(Decrease) in Stock of Shares	<u>2,20,74,310</u>	<u>(1,340,209)</u>

SCHEDULE: 19 Consolidated Notes on Accounts for the year ended on 31st March 2007

I. SIGNIFICANT ACCOUNTING POLICIES: -

A. PRINCIPLES OF CONSOLIDATION

The financial statements relate to VLS Finance Ltd. (the Company) and its subsidiary companies. The consolidation financial statements have been prepared on the following basis: -

- The financial statement of the Company and its subsidiary companies have been combined on a line by line basis by adding together the book value of like items of assets, liabilities, income and expenditures after fully eliminating intra-group balances and intra-group transactions resulting in unrealized profits or losses.
- The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the company's separate financial statements.
- Minority interest's share of net profit/loss of consolidated subsidiaries for the year identified and adjusted against the income of the group in order to arrive at net income attributable to the shareholders of the Company.
- Minority interest's share of net assets of consolidated subsidiaries is identified and presented in the consolidated Balance Sheet separate from liabilities and the equity of the company's shareholders.

B. OTHER SIGNIFICANT ACCOUNTING POLICIES

These are set out under significant accounting policies of the financial statements of the Company and its subsidiaries namely VLS Securities Ltd., VLS Investments Ltd., VLS Asset Management Ltd. and VLS Investments Inc., Delaware, USA.

C. FOREIGN EXCHANGE TRANSLATIONS

- Investments in foreign entities are recorded at the exchange rates prevailing on the date of making the investments.
- Transactions in foreign currencies are recorded at the rates prevailing on the date of transaction.
- Monetary items denominated in foreign currency are restated at the rate prevailing on Balance Sheet date.
- Exchange gains/losses on conversion of monetary items denominated in foreign currency at the yearend are dealt with in the profit and loss account.

II. NOTES ON ACCOUNT

- Contingent Liability:- Nil
- In some cases balances in the accounts of Debtors, Loans and Advances, Other Current Assets and Creditors are subject to confirmation by the respective parties.
- Cash & Bank Balances include
 - Share Transfer Stamps of Rs. 1,516/- (Previous Year Rs.1,776/-).
 - Brokers' Stamps of Rs. 3,288/- (Previous year Rs.35,717/-)
 - Bank Deposits include fixed deposits of Rs.11,07,726/- (Previous Year – Rs.10,54,352) pledged with the banks as security for overdraft facilities.
- The Guidelines issued by the Reserve Bank of India to all Non-Banking Financial Companies regarding Capital Adequacy, Asset Classification, provisioning for and income recognition on non-performing assets have been followed in respect of VLS Finance Ltd.
- Additional information pursuant to the provision of paragraphs 3, 4C & 4D of Part II of Schedule VI of the Companies Act, 1956

Trading items	Opening Stock in trade as on 01.04.2006		Purchases		Sales		Closing Stock in trade as on 31.03.2007	
	Qty.	Value Rs.	Qty.	Value Rs.	Qty.	Value Rs.	Qty.	Value Rs.
Item Traded								
Shares	2112099	11299734	25198789	24282770600	25284689	24312426109	2026199	33374044
(Previous year)	2169250	12639943	27029125	21771035542	27086276	21808508673	2112099	11299734

- The term of lease agreements in all Leased Assets have expired and the assets continue in the possession of lessees. However, the said assets have been included in the block of fixed assets of the Company pending the transfer of titles.
- Related Party Disclosure : Followings are the related parties:-
Key Managerial Personnel: - Shri T.B. Gupta (Executive Vice-Chairman in VLS Finance Ltd.) and Shri S.K. Agarwal (Managing Director in VLS Finance Ltd. and VLS Securities Ltd.)

CONSOLIDATED FINANCIAL STATEMENTS

Associates: - South Asian Enterprises Ltd.

Relative of Key Managerial Personnel: - Mrs. Sudha Agarwal wife of Shri S.K. Agarwal.

Summary of transactions with the above related parties is as follows:-

(Amount in Rs.)

Particulars	Associates	Key Managerial Personnel	Others
Rent Paid	Nil (Previous year: Nil)	Nil (Previous year: Nil)	2,40,000 (Previous year: Rs. 1,80,000)
Remuneration to Managing Director and Executive Vice-Chairman		13,18,257 (Previous year Rs.11,99,633)	

8. Deferred Tax Assets are net of deferred tax liabilities of Rs. 1,81,04,016/- (Previous year Rs.1,77,76,422/-). The major components of deferred tax assets and liabilities are as under:-

Particulars	Deferred Tax Assets	Deferred Tax Liabilities
Fixed Assets	Rs. Nil (Previous year Rs. Nil)	Rs.1,81,04,016/- (Previous year Rs. 1,77,76,422)
Accumulated Losses	Rs.5,42,84,794/-(Previous year Rs. 5,62,12,552)	Rs. Nil (Previous year Rs. Nil)
Leave Encashment	Rs.1,51,053/- (Previous year Rs.74,286)	Rs. Nil (Previous year Rs. Nil)
Total	Rs. 5,44,35,847/- (Previous year Rs.5,62,86,838)	Rs. 1,81,04,016/- (Previous year Rs. 1,77,76,422)

9. Managerial Remuneration

Particulars	Paid to Shri T.B. Gupta	Paid to Shri S.K. Agarwal
Remuneration	Rs.3,21,432 (Previous Year – Rs.3,21,432/-)	Rs.5,40,000 (Previous Year – Rs. 5,40,000)
Perquisites	Rs.94,537 Previous Year – Rs.83,571/-)	Rs.3,62,288 Previous Year – Rs. 2,54,630)

The perquisite figure does not include contribution made by the Company for gratuity and group insurance scheme to the LIC and provision made for leave encashment.

10. Earning Per Share

Calculation of EPS (Basic and Diluted)

Particulars	Equivalent No. of Shares - Year ended 31 st March, 2007	31 st March, 2006
-------------	--	------------------------------

Basic and Diluted

Total Shares Outstanding	3,97,95,000	3,97,95,000
Profit after Taxes	Rs. 9,06,42,457	Rs. 7,36,64,155
EPS	Rs. 2.28	Rs. 1.85

11. The Writ Petition before the Hon'ble High Court of Calcutta in the case of Lalit Kumar Marodia Vs. Union of India & others (of which VLS Securities Ltd was a co-petitioner) was dismissed by the Hon'ble Court during the year and no appeal was preferred against the dismissal. VLS Securities Ltd has also joined as a party to a SLP No.162/2005 filed before the Hon'ble Supreme Court challenging the constitutional validity of SEBI (Broker and Sub-broker) Regulations 1992 which has been admitted and is pending for disposal.

12. The Company has made the provision of Rs.1,12,20,062 (Previous year Rs. 29,17,401/-). Out of this Rs. 1,12,14,537 (Previous year Rs. 29,15,207) relates to VLS Finance Ltd and Rs.5,525 (Previous year Rs.2,194/-) relates to VLS Investments Ltd. towards Taxation / MAT payable under the Income Tax Act, 1961.

13. The Holding Company being an NBFC is mainly engaged in finance business. All activities of the Company are related to the finance business. Therefore, there are no separate segments for reporting as per the Accounting Standard on Segment Report AS-17 issued by The Institute of Chartered Accountants of India.

14. Income from investments includes:

	Current Year (Rs.)	Previous Year (Rs.)
Dividend Income (Gross)	44,59,910	45,31,910
Interest on Debentures and Bonds (Gross)	12,000	12,000
Tax Deducted at Source	Nil	Nil

15. Interest Receipts (Gross) of Rs.3,67,32,251/- (Previous Year Rs.1,60,03,601) grouped under Income from Operations includes Tax Deducted at Source of Rs. 86,44,237/- (Previous Year Rs. 35,60,847).

16. Expenditure in Foreign Exchange:-Foreign Travel Expenses in respect to VLS Finance Ltd. Rs. 99,826/- (Previous year Rs. 2,93,781).

17. Margin Money with Share Brokers shown under the Schedule 9: Other Current Assets – includes Rs. 2,50,00,000/- in respect to VLS Securities Ltd is given in the form of fixed deposits.

18. Recovery of Bad Debts of Rs. 56,01,296/- (Previous year :Rs.1,34,71,642) is net of Bad Debts written off of Rs. 17,52,000 (Previous year :Nil) of VLS Finance Ltd and Rs. 24,18,893 (Previous year : Nil) of VLS Securities Ltd.

19. SUBSIDIARY COMPANIES

The subsidiary companies considered in the consolidated financial statements are:-

S. No.	Name of Subsidiary Company	Country of Incorporation	Extent of Holding (%) as on 31.03.2007
1.	VLS Securities Ltd.	India	100
2.	VLS Investments Ltd.	India	100
3.	VLS Asset Management Ltd.	India	99.15
4.	VLS Investments Inc, Delaware.	USA	100

20. The audited financial statement of the subsidiaries have been considered for consolidation except in case of VLS Investment Inc, Delaware, USA where audited financial statement as

at 31.12.2006 and unaudited financial statement for the period 01.01.2007 to 31.03.2007 have been considered.

21. Disclosure under The Micro, Small and Medium Enterprises Development Act, 2006 is applicable in respect of those parties which are registered under the Act. In the absence of information being available with the Company of such registration, if any, no disclosure could be made.

22. Previous year figures have been regrouped/rearranged wherever necessary.

23. Schedules from 1 to 19 form an integral part of accounts.

As per our report of even date

For Agiwal & Associates

Chartered Accountants

For and on behalf of the Board

P.C. Agiwal
Partner

M.P.Mehrotra
Director

S.K. Agarwal
Managing Director

Tej Bhan Gupta
Exe.Vice Chairman

H.Consul
Company Secretary

June 20th, 2007
New Delhi

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 31ST MARCH, 2007

PARTICULARS	Rs. lacs	
	For the Year ended 31.03.2007	For the Year ended 31.03.2006
A CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax and Extraordinary Items	1043.47	771.66
Add Interest & Finance Charges	0.10	0.11
Depreciation	52.25	54.56
Provision for diminuation in value of investments	0.00	800.00
Miscellaneous Expenditure written off	0.35	1.59
	1096.17	1627.92
Less Income from Investments	357.70	444.60
Transfer from General Reserve	0.00	800.00
Provision for Leave encashment	0.95	(3.51)
	358.65	1241.09
Operating Profit before Working Capital Changes	737.52	386.83
Changes in Working Capital		
Trade & Other Receivables	(2,941.12)	(970.80)
Inventories	(220.74)	1199.98
Trade & Other Payables	(49.96)	(391.17)
Cash generated from operations	(2,474.30)	224.84
Less:		
Interest Paid	0.10	0.11
Cash flow before extraordinary items	(2,474.40)	224.73
Extraordinary Items	0.00	(3.53)
Net Cash Flow from Operating Activities (A)	(2,474.40)	221.20
B CASH FLOW FROM INVESTING ACTIVITIES		
Net Deployment in Fixed Assets	(5.35)	(18.11)
Net Proceeds from investments	2113.75	140.82
Investment - transfer from Inventories	0.00	(1186.58)
Income from Investments	357.70	444.60
Net Cash used in Investing Activities (B)	2466.10	(619.27)
C CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Long Term Borrowings	1.25	0.00
Net Cash Flow from Financing Activities (C)	1.25	0.00
Net Increase/ (Decrease) in Cash & Cash Equivalents (A+B+C)	(7.05)	(398.08)
Cash & Cash Equivalents (Opening)	103.02	501.11
Cash & Cash Equivalents (Closing)	95.97	103.02

Note : Cash & Cash Equivalents (Closing) includes deposits with banks amounting to Rs. 11.08 lacs (Previous year Rs. 10.54 Lacs), which are pledged with them as security for overdraft facility.

As per our report even date
For Agiwal & Associates
Chartered Accountants

For and on behalf of the Board

P.C. Agiwal
Partner

M.P. Mehrotra
Director

S.K. Agarwal
Managing Director

Tej Bhan Gupta
Executive Vice-Chairman

H. Consul
Company Secretary

June 20th, 2007
New Delhi

*** **

NOTICE

**20th ANNUAL GENERAL MEETING OF
MEMBERS OF THE COMPANY
WILL BE HELD AT**

Sri Sathya Sai International Centre Auditorium,
Lodhi Road Institutional Area, Lodhi Road
Pragati Vihar, New Delhi - 110 003
at 10.30 A.M.
on Friday,
the 28th day of September, 2007

SHARE TRANSFER & INVESTOR SERVICES

M/s RCMC Share Registry Pvt. Ltd.
Unit: VLS Finance Ltd.
1515, 1st Floor, Bhisim Pitamah Marg,
Kotla Mubarakpur, Near South Extn., New Delhi-110003
Or its office at
B-106, Sector-2, Noida, U.P. - 201301

Our e-mail address :

✉ For investor services : hconsul@vlsfinance.com

✉ Other than above : vls@vsnl.com

🌐 visit us at www.vlsfinance.com

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BOARD OF DIRECTORS :

Shri Ajit Kumar	Chairman
Shri T.B. Gupta	Executive Vice-Chairman
Shri S.K. Agarwal	Managing Director
Shri M.P. Mehrotra	
Shri M.G. Diwan	
Shri Gian Vijeshwar	
Dr. S. Ramesh	
Shri Rakesh Babbar	
Shri N.C. Sundararajan	
Shri Somesh Mehrotra	
Shri A.K. Puri	
Shri B.M. Oza	

COMPANY SECRETARY

Shri H. Consul

AUDITORS

M/s. Agiwal & Associates
Chartered Accountants,
3830, Lal Kothi, 2nd Floor,
Pataudi House Road,
Above Bank of Baroda,
Darya Ganj, New Delhi-110002

BANKERS

HDFC Bank
UCO Bank

EQUITY SHARES LISTED AT :

THE NATIONAL STOCK EXCHANGE OF INDIA LTD.

Exchange Plaza, 5th Floor, Plot No. C/1,
G Block, Bandra Kurla Complex,
Bandra (E), Mumbai-400051.

THE BOMBAY STOCK EXCHANGE LTD.,

25, Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai - 400 001.

THE MADRAS STOCK EXCHANGE LTD.

Exchange Building, Post Box No. 183,
11, Second Line Beach, Chennai-600 001.

THE CALCUTTA STOCK EXCHANGE ASSOcn. LTD.

7, Lyons Range, Kolkata-700 001.

N.B. : Members/Proxy are requested to bring their
copy of Annual Report at the Meeting as
extra copies have not been printed due to
high cost of paper.



VLS FINANCE LTD.

C-489, Defence Colony, New Delhi-110 024

**ATTENDANCE CARD
TWENTIETH ANNUAL GENERAL MEETING
Friday, the 28th Day of September, 2007**

Folio No./DP ID & CL ID	No. of Shares
Name	
Address	

I hereby record my presence at the 20th ANNUAL GENERAL MEETING of the Company at SRI SATHYA SAI INTERNATIONAL CENTRE AUDITORIUM, LODHI ROAD INSTITUTIONAL AREA, LODHI ROAD, PRAGATI VIHAR, NEW DELHI - 110 003 at 10.30 A.M. ON **FRIDAY, THE 28TH DAY OF SEPTEMBER, 2007.**

Proxy's Name _____

Proxy's Signature _____

Member's Signature _____

NOTE :

1. Member/Proxy wishing to attend the meeting must present this card duly filled in at the Entrance of the Venue.
2. No Gift/Coupons or equivalent will be given to members who are present in the meeting.
3. For convenience of members, person other than member/proxy will not be allowed inside the Auditorium.



VLS FINANCE LTD.

C-489, Defence Colony, New Delhi-110 024

FORM OF PROXY

I/We _____

of _____ being a member/members of

VLS FINANCE LIMITED hereby appoint _____

of _____ or failing him _____

of _____ or failing him _____

of _____ as my/our proxy to vote for me/us and on my/our behalf

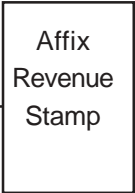
at the 20th Annual General Meeting of the Company to be held on Friday, the 28th Day of September, 2007 at 10.30 A.M. and at any adjournment thereof.

Dated this _____ day of _____ 2007

Reg. Folio/DP ID & CL ID	No. of Shares
--------------------------	---------------

FOR OFFICE USE ONLY

Proxy No.



Member's Signature _____

NOTE :

1. The form should be signed across the stamp as per specimen signature registered with the Company.
2. The Proxy Form must be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for holding the meeting.
3. A Proxy need not be a Member.
4. In case of jointholding, all the jointholders must sign the proxy form