

(C)
Shareholding of above Directors as on 31/03/2008

S. No.	Name of Directors	No. of Shares held in Company	Percentage
1.	Shri Somesh Mehrotra	404106	1.0514
2.	Shri N. C. Sundararajan	3000	0.0075
3.	Shri B. M. Oza	Nil	Nil
4.	Shri Rakesh Babbar	Nil	Nil

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

ITEM NO. 6

Shri Rakesh Babbar was appointed as director by the Board to fill the casual vacancy in terms of Article No. 86 of Articles of Association of the Company on 31st January, 2007, caused due to resignation of Shri K. K. Soni 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 K. K. Soni would have held office. Shri Rakesh Babbar is a well known personality in amusement industry with over 10 years of rich managerial experience in running amusement parks in 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 his intention to propose the resolution for appointment of Shri Rakesh Babbar as Director of the Company at the forthcoming Annual General Meeting. Your Directors recommend appointment of Shri Rakesh Babbar as Director of Company. Shri Rakesh Babbar does not hold any shares in the Company.

None of the Directors except Shri Rakesh Babbar is concerned or interested in the resolution.

By Order of the Board
For VLS Finance Ltd.

Place: New Delhi
Date : 29/07/2008

H. Consul
Company Secretary

DIRECTORS' REPORT TO THE MEMBERS

Your Directors are pleased to present the Twenty first Annual Report of the Company together with the audited statement of accounts for the year ended 31st March, 2008.

1. Financial Results

	(Rs. in Lakhs)	
	For the year ended 31 st March 2008	For the year ended 31 st March 2007
Gross Receipts	175158.21	229427.06
Profit before Interest & Depreciation	1717.80	1093.44
Less: Interest & Finance Charges	0.08	0.10
Profit before depreciation	1717.72	1093.34
Less: Depreciation	47.41	51.11
Profit before Tax	1670.31	1042.23
Less: Provision for Taxation	161.26	136.94
Profit after Tax	1509.05	905.29
Surplus b/fd. from previous year	109.96	13.77
Previous year adjustments/other adjustment	34.26	(0.65)
Available for Appropriation	1653.27	918.41
Appropriations:		
To General Reserve	1000.00	600.00
To Statutory Reserve (under RBI Act, 1934)	301.81	208.45
Total Appropriations	1301.81	808.45
Surplus c/f	351.46	109.96

2. Management Discussion and Analysis

Financial Review

During the period under review, the gross receipts have declined to Rs. 175158.21 lacs as compared to gross receipts of the previous year of Rs. 229427.06 lacs. However, the profit after tax of Rs. 1509.05 lacs has improved as compared to profit after tax of Rs.905.29 lacs of the previous year.

Industry Structure and Development

The Indian economy, one of the fastest growing of the world, grew by a healthy 8.7% during the year 2007-08. However, owing to the global scenario, it is expected to decline in 2008-09. The expected growth is 7.5%. The global financial markets remained volatile during 2007-08 as the crisis in the US sub-prime mortgage market and other credit markets deepened and spilled over to other world markets. The Indian financial markets which remained largely stable during 2007-08, also witnessed volatility, especially beginning from the second week of January 2008 in tandem with trends in major international equity markets. 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

The NBFC sector in which your Company operates, however, 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 comprising of loans, lease, hire purchase etc. 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.

Your Company retains the status as a debt-free Company. It has been consistently following a conservative investment policy over the years, maintaining a reasonably high level of cash and cash equivalents which enable the Company to not only eliminate short and medium term liquidity risks but also undertake capital expenditure for scaling up operations at a short notice. This approach leads to a larger shareholder value in the long term and is consistent with our vision of growth.

Opportunities and Threats

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 Rakesh Babbar was appointed as Director on 31/01/2007 to fill the casual vacancy caused by the resignation of Shri K. K. Soni. In terms of section 262 of the Companies Act, 1956 the term of Shri Rakesh Babbar will be upto the date of the ensuing Annual General Meeting. The Company has received notice from a member intending to propose the appointment of Shri Rakesh Babbar as Director. Accordingly, the proposal for appointment of Shri Rakesh Babbar as Director is included in the notice convening 21st Annual General Meeting of the Company alongwith relevant explanatory statement.

Shri Somesh Mehrotra, Shri N. C. Sundararajan and Shri B. M. Oza, Directors would retire by rotation at the forthcoming Annual General Meeting and all, being eligible, offer themselves for reappointment. 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.

The Board had 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, which was approved by members in the 20th Annual General Meeting of the Company held on 28/9/2007.

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, 2008, 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, 2008 on a 'going concern' basis.

6. Corporate Governance and Compliance Certificate

The Corporate Governance philosophy of your Company is to comply with not only the statutory requirements, but also voluntarily formulate and adhere to a set of strong Corporate Governance practices. We at VLS, believe that sound Corporate Governance is critical to enhance and retain investors' trust. The responsibility for this lies with the Board of Directors and the Management of the Company. The driving forces of Corporate Governance at VLS are its core values, which are : belief in people, entrepreneurship, innovation and pursuit of excellence. The Company's goal is to find creative and productive ways of keeping its stakeholders, such as investors, customers and associates informed, while fulfilling the role of a responsible corporate, committed to best practices.

The Board and the Company Management strive hard to serve the interests of all stakeholders including shareholders, Government and the society at large in the best possible manner. In addition to being compliant with statutory provisions of clause 49 of the Listing Agreement, your Company has put in place some non-mandatory recommendations including Remuneration Committee. Significantly, 8 out of 12 directors on the Board continue to be independent Directors.

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. Concurring to 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 R&D related activity. Details of foreign exchange earnings and outgo are given below:

Foreign Exchange earnings	:	Nil
Foreign Exchange outgo	:	Rs.1,41,191/-

The shares of the Company are presently listed at The Bombay Stock Exchange Ltd. Mumbai, The National Stock Exchange of India Ltd. Mumbai, The Calcutta Stock Exchange Association Ltd., Kolkata and The Madras Stock Exchange Ltd., Chennai.

The Company has paid the Annual Listing fees for the year 2008-2009 to all the aforesaid Stock Exchanges. The delisting confirmation is yet to be received from The Calcutta Stock Exchange Association Ltd. and The Madras Stock Exchange Limited. The Registered Office of the Company has been shifted from C-489, Defence Colony, New Delhi-110024 to 2nd floor, 13, Sant Nagar, East of Kailash, New Delhi-110065 with effect from 12th June, 2008 pursuant to Board's decision to this effect on 30th May, 2008.

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 current year.

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 27. 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. 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. |

15. 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 : 29/07/2008	Managing Director	Director

Annexure-1

REPORT ON CORPORATE GOVERNANCE

Our Mission:

To be one of the top ranking NBFCs 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:

Your Company is committed to good corporate governance. 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. Your Company respects the right of shareholders to the information on performance of the Company and endeavors to provide detailed information on various issues concerning its business and financial performance.

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 2007-08	Whether attended AGM held on 28.09.2007	No. of Directorships in other Public Limited Companies	No. of Committee positions held in other Public Limited Companies	
						Chairman	Member
1)	Shri Ajit Kumar (Chairman)	Non-Executive, Independent	3	NO	-	-	-
2)	Shri T. B. Gupta (Executive Vice-Chairman)	Executive, Non-Independent	4	YES	4	-	2
3)	Shri S. K. Agarwal (Managing Director)	Executive, Non-Independent	4	YES	4	1	-
4)	Shri Somesh Mehrotra	Non-Executive, Promoter	3	NO	1	-	-
5)	Shri N. C. Sundararajan	Non-Executive, Independent	3	NO	-	-	-
6)	Shri A. K. Puri	Non-Executive, Independent	4	NO	-	-	-
7)	Shri M. G. Diwan	Non-Executive, Independent	3	NO	6	1	2
8)	Dr. S. Ramesh	Non-Executive, Independent	4	YES	3	-	3
9)	Shri B. M. Oza	Non-Executive, Independent	3	NO	-	-	-
10)	Shri M. P. Mehrotra	Non-Executive, Promoter	3	NO	8	2	-
11)	Shri Gian Vijeshwar	Non-Executive, Independent	0	NO	6	4	-
12)	Shri Rakesh Babbar	Non-Executive, Independent	1	NO	6	1	3

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 31/03/2008, 4 (Four) Board Meetings were held with at least one meeting in every quarter on 20/06/2007, 18/07/2007, 12/10/2007 and 30/01/2008.
- 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 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 along with 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 31.03.2008:

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	3,61,608	1,19,044	NIL	NIL	4,80,652
3)	Shri S.K. Agarwal	11,08,000	3,64,797	NIL	NIL	14,72,797
4)	Shri Somesh Mehrotra	N.A.	N.A.	27,000	N.A.	27,000
5)	Shri B.M. Oza	N.A.	N.A.	51,000	N.A.	51,000
6)	Dr. S. Ramesh	N.A.	N.A.	58,000	N.A.	58,000
7)	Shri A.K. Puri	N.A.	N.A.	56,000	N.A.	56,000
8)	Shri N.C. Sundararajan	N.A.	N.A.	34,000	N.A.	34,000
9)	Shri M.G. Diwan	N.A.	N.A.	20,000	N.A.	20,000
10)	Shri M. P. Mehrotra	N.A.	N.A.	32,000	N.A.	32,000
11)	Shri Gian Vjeshwar	N.A.	N.A.	0	N.A.	0
12)	Shri Rakesh Babbar	N.A.	N.A.	7,000	N.A.	7,000

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 31.03.2008. 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 31/03/2008.	
Date: 29/07/2008 Place: New Delhi	S. K. Agarwal Managing Director

g) Disclosures regarding appointment or re-appointment of Directors

Shri Somesh Mehrotra, Shri N. C. Sundararajan and Shri B. M. Oza will retire by rotation at the forthcoming Annual General Meeting and being eligible have offered themselves for reappointment. Shri Rakesh Babbar who was appointed on 31/01/2007 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

The Audit Committee consisted of Dr. S. Ramesh (Chairman of the Committee) with 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 Accountant 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 has 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 31/03/2008, 4 (Four) Audit Committee Meetings were held on 19/06/2007, 17/07/2007, 11/10/2007 and 29/01/2008. The summary of attendance of members is as under:

Name	Shri A.K. Puri	Shri N. C. Sundararajan	Shri B.M. Oza (upto. 20/06/2007)	Shri M.P. Mehrotra (w.e.f. 20/06/07)	Dr. S Ramesh
Attendance in Four Meetings	4	3	1	2	4

3. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

a) Composition and terms of reference

The Committee consists of Shri B.M. Oza as 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. There was no change in the constitution of the committee during the year under review.

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, 13 (Thirteen) meetings of Shareholders/ Investors Grievance Committee were held on 30/04/2007, 30/05/2007, 19/06/2007, 19/07/2007, 25/08/2007, 20/09/2007, 24/10/2007, 20/11/2007, 10/12/2007, 29/12/2007, 28/01/2008, 29/02/2008 and 29/03/2008.

The summary of meetings attended by members of Committee is as under.

Name	Shri B.M. Oza	Shri Somesh Mehrotra	Shri T. B. Gupta	Shri S. K. Agarwal
Attendance in 13 meetings	12	0	11	13

c) Shareholders Complaints

The Company had received 20 complaints during the financial year ended 31st March, 2008. 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	5	5
Non-receipt of shares after transfer	5	5
Non-receipt of Annual Report	6	6
Non-receipt of Bonus Shares	2	2
Non-receipt of Name change sticker	0	0
Non-receipt of Endorsement Sticker	0	0
Loss of shares/for duplicate shares	1	1
Non-receipt of share certificate after Rejection of Demat request	1	1
Total	20	20

** 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, 2007	September 28, 2007	10.30 a.m.	Sri Sathya Sai International Centre Auditorium, Lodhi Road Institutional Area, Lodhi Road, Pragati Vihar, New Delhi-110003.
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.

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

- In the AGM held on 28.9.2007, no agenda item was required to be approved by special resolution.
- 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.

c) Postal ballots

During the year under review, no item was proposed for approval of members through Postal Ballot. In the ensuing Annual General Meeting also no item is proposed to be passed 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:

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. 61/2003 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. The Company had been advised that in order to settle the issue, the Company may approach SEBI for a consent order in the matter. The requisite application was made by the Company vide application dated 10th June, 2008 which is under process at the end of SEBI.

c) Legal Proceedings

There are certain pending cases relating to disputes between investors over title to equity shares of the Company, 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 01/04/2008 comprised Shri B.M. Oza - Chairman of the Committee with Shri Somesh Mehrotra, Dr. S. Ramesh, Shri Rakesh Babbar and Shri A. K. Puri as Members. 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 two meeting of remuneration committee was held on 19/06/2007 and 17/07/2007 for deciding the remuneration package of Managing Director and Executive Vice- Chairman. All the recommendations made by the committee were accepted by the Board without any modification.
- iii) The periodic results were not sent to any shareholder. However, they had been published in newspapers as prescribed in listing agreement. They are also available on website sebidifir.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. The said results are also made available simultaneously on the 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 sebidifir.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. The documents filed by the Company with Registrar of Companies can be inspected at MCA's website namely www.mca.gov.in and the Company identification number (CIN) of Company is L65910DL1986PLC023129.
- 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	:	Tuesday, 30th September, 2008 at 3.00 PM
- 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 23-09-2008 to 30-09-2008 (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.

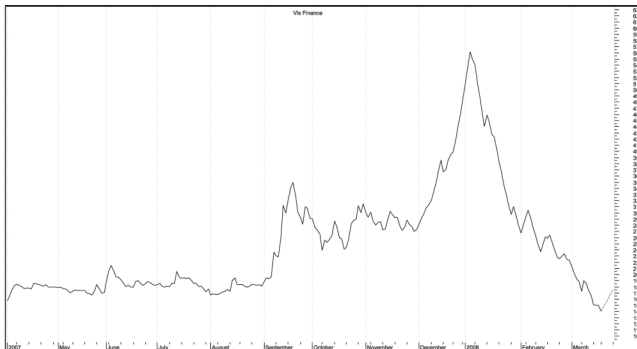
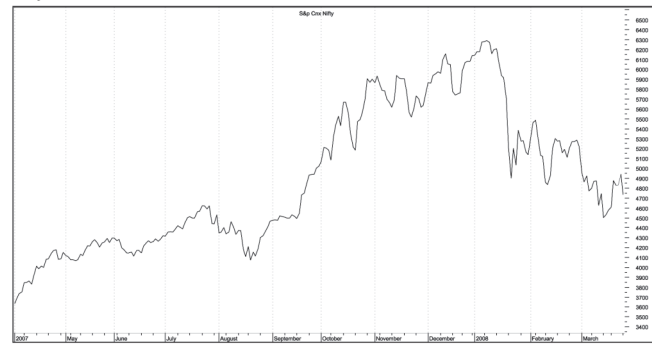
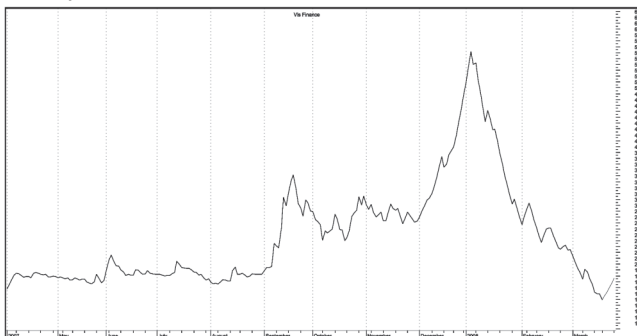
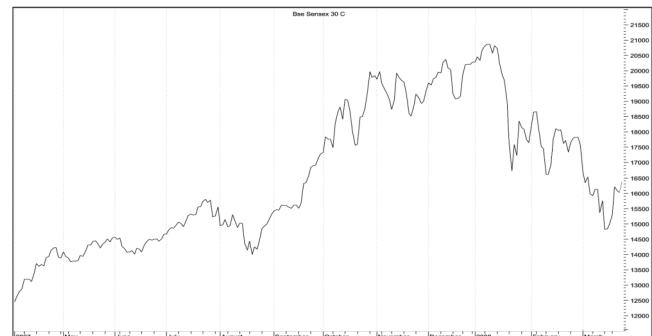
The annual listing fee has been paid to all the Stock Exchanges as mentioned above up to the year 2008-2009. However, de-listing confirmation is yet to be received from the Calcutta Stock Exchange Association Ltd. and the Madras Stock Exchange Ltd.

c) Stock Market data

(Source: Metastock)

Monthly highs, lows and trading volume for the Financial Year 2007-2008:

Months	NSE			BSE		
	High Rs.	Low Rs.	Volume Nos.	High Rs.	Low Rs.	Volume Nos.
Apr-07	19.25	15.45	635071	19.45	15.30	672391
May-07	18.85	16.40	560823	19.60	16.30	610087
Jun-07	22.80	16.80	1228051	22.80	16.90	1229227
Jul-07	21.95	17.00	1199620	22.45	17.15	1334339
Aug-07	20.55	15.70	1141386	20.50	16.35	1417622
Sep-07	36.10	18.30	11303571	36.00	18.15	12290361
Oct-07	32.00	21.65	4868957	32.40	21.90	6391280
Nov-07	32.75	26.50	2285614	33.10	26.65	2829572
Dec-07	48.50	27.10	3838364	48.60	27.00	5509177
Jan-08	59.05	28.10	4899571	59.00	28.05	6454631
Feb-08	31.45	21.75	993320	31.45	21.80	1061233
Mar-08	22.20	13.60	1212142	22.65	13.35	1175263
Total			34166490			40975183

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. 01/04/2008 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., (the "Registrar") at B-106, Sector -2, Noida U.P. 201301 (Phone Nos. 0120 - 4015880, 4015886). 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, 2008

Slab of share holding	No. of shareholders	%age	Nominal value of shares held in (Rs.)	%age
1-500	15267	51.0448	34934240.00	8.7786
501-1000	11228	37.5405	73574020.00	18.4883
1001-2000	1988	6.6468	28783570.00	7.2330
2001-3000	538	1.7988	14021250.00	3.5234
3001-4000	200	0.6687	7271500.00	1.8272
4001-5000	192	0.6419	9123700.00	2.2927
5001-10000	288	0.9629	21132920.00	5.3104
10001 and above	208	0.6954	209108800.00	52.5465
Total	29909	100.0000	397950000.00	100.0000

According to categories of shareholders as on March 31, 2008

Serial No.	Categories	No. of shares	Amount In Rs.	Percentage of shareholding
1	Promoters, Directors and Relatives	14900593	149005930.00	37.4434
2	Financial Institution and Banks	9900	99000.00	0.0249
3	Mutual Fund	100	1000.00	0.0003
4	FIs	300	3000.00	0.0008
5	Corporate Bodies	3976389	39763890.00	9.9922
6	Clearing Members	358750	3587500.00	0.9015
7	Indian Public	20449693	204496930.00	51.3876
8	Trust	3000	30000.00	0.0075
9	NRI/OCBs/FN	96275	962750.00	0.2419
	Grand Total	39795000	397950000.00	100.0000

g) Dematerialisation of Shares and liquidity

86.70% of the total share capital of Company was held in dematerialized form as on 31/03/2008. 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 outstanding as on 31/03/2008.

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 was duly submitted to the Stock Exchanges where the securities of the Company are listed at the end of each quarter, within prescribed time.

j) Financial Calendar (Tentative)

Quarter ending	June 30, 2008	End of July, 2008
Quarter ending	September 30, 2008	End of October, 2008
Quarter ending	December 31, 2008	End of January, 2009
Year ending	March 31, 2009 #	End of May, 2009
Annual General Meeting for the year ended March 31, 2008		30th September, 2008

For the quarter ending 31/03/2009 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 with stock exchanges, as per financial results of the period under review, i.e. Financial Year 2007-08.

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, 2008, 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.

Place: New Delhi

Date: 29/07/2008

For and on behalf of
AGIWAL & ASSOCIATES
Chartered Accountants

(P.C. Agiwal)
(Partner)

Membership No. 80475

Office: 3830, Lal Kothii, 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 2008 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:

- 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 accounts;
- 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;
- On the basis of written representations received from the directors as on 31st March 2008, and taken on record by the board of directors, we report that none of the directors is disqualified as on 31st March 2008 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 2008 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: 30th May, 2008

(P.C.Agiwal)

Partner
(M.NO. 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 2008

- (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 31.03.2008 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 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 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 to Rs. 5,00,000/- (Rs. Five Lacs only) or more in respect of each party have been made during the period 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 31.03.2008.
- (b) According to the records and information and explanations given to us, there is no outstanding of any disputed statutory dues as on 31.03.2008.
- (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 does not owe any 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: 30th May, 2008

(P.C.Agiwal)

Partner
(M.NO. No. 80475)

BALANCE SHEET AS AT 31st MARCH, 2008
(Amount in Rupees)

	Sch. No.	As at 31st March, 2008	As at 31st March, 2007
I. SOURCES OF FUNDS			
1. Shareholders' Funds			
a) Capital	1	39,91,72,250	39,91,72,250
b) Reserves & Surplus	2	138,29,31,229	123,20,36,292
2. Loan Funds			
Unsecured Loans	3	1,33,06,588	1,33,06,588
Total Sources		179,54,10,067	164,45,15,130
II. APPLICATION OF FUNDS			
3. Fixed Assets			
a) Gross Block	4	133,37,46,333	137,83,55,071
b) Less: Depreciation		122,25,77,677	127,80,51,568
c) Net Block		11,11,68,656	10,03,03,503
4. Investments (At cost)			
	5	100,20,98,946	61,56,40,040
5. A. Current Assets, Loans & Advances			
a) Share stock in trade	6	2,45,60,905	3,33,74,044
b) Stock on Hire	7	6,13,390	8,80,281
c) Sundry Debtors	8	1,15,77,676	10,31,678
d) Cash & Bank Balances	9	1,09,56,234	70,69,185
e) Other Current Assets	10	40,86,40,040	29,64,23,531
f) Loans and Advances	11	23,71,83,171	57,87,28,172
		69,35,31,416	91,75,06,891
B. Less: Current Liabilities & Provisions			
a) Liabilities	12	88,57,985	26,53,832
b) Provisions	13	3,96,91,742	2,26,07,226
		4,85,49,727	2,52,61,058
Net Current Assets		64,49,81,689	89,22,45,833
6. Deferred Tax Assets			
		3,71,60,776	3,63,25,754
Total Deployments		179,54,10,067	164,45,15,130
Significant Accounting Policies and Notes on Accounts	19		

As per our report of even date
For Agiwal & Associates

Chartered Accountants
P.C. Agiwal
Partner

For and on behalf of the Board

May 30th, 2008
New Delhi

S.K. Agarwal
Managing Director

Tej Bhan Gupta
Executive Vice-Chairman

B.M. Oza
Director

H. Consul
Company Secretary

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2008
(Amount in Rupees)

	Sch. No.	For the year ended 31st March, 2008	For the year ended 31st March, 2007
INCOME			
Sale of Shares/Securities/Commodities		17,33,86,87,176	22,83,95,19,405
Income from Operations	14	11,67,24,679	4,41,51,601
Income from Investments		6,77,28,016	3,54,65,853
Other Income		14,94,516	14,94,699
Increase/(Decrease) in stock of shares	18	(8,813,139)	2,20,74,310
Total (A)		17,51,58,21,248	22,94,27,05,868
EXPENDITURE			
Purchase of Shares/Securities/Commodities		17,32,13,31,302	22,81,14,52,657
Interest & Finance Charges	15	7,767	9,765
Administrative & Other Expenses	16	2,73,45,571	2,30,62,725
Employees' Cost	17	91,36,685	63,33,670
Depreciation	4	47,40,657	51,11,267
Total (B)		17,36,25,61,982	22,84,59,70,084
PROFIT BEFORE ADJUSTMENTS		15,32,59,266	9,67,35,784
Add : Bad Debts Recovery		25,00,000	80,20,189
Add : Provision for diminution in value of Investments written back		1,00,00,000	0
Add/(Less): Excess provision for Non Performing Assets written back (Net)		12,71,593	(5,32,675)
PROFIT BEFORE TAX		16,70,30,859	10,42,23,298
Less: Provision for Taxation:			
Current Tax-MAT		1,66,55,511	1,12,14,537
Deferred Tax		(835,022)	22,04,318
Fringe Benefit Tax		3,05,000	2,75,552
PROFIT AFTER TAX		15,09,05,370	9,05,28,891
Add: Surplus b/fd. from previous year		1,09,95,766	13,76,935
Statutory Reserve - Excess provision written back		34,36,416	0
Prior year adjustments		(10,433)	(65,400)
PROFIT AVAILABLE FOR APPROPRIATIONS		16,53,27,119	9,18,40,426
APPROPRIATED TO:			
Transfer to General Reserve		10,00,00,000	6,00,00,000
Statutory Reserve u/s 45 IC of the RBI Act, 1934		3,01,81,074	2,08,44,660
SURPLUS CARRIED TO BALANCE SHEET		3,51,46,045	1,09,95,766
EARNING PER SHARE (Refer Note No:12 in Schedule 19)			
Basic and Diluted Earning per Share (Rs.)		3.79	2.27
Face Value per Share (Rs.)		10.00	10.00
Significant Accounting Policies and Notes on Accounts	19		

As per our report of even date
For Agiwal & Associates

Chartered Accountants
P.C. Agiwal
Partner

For and on behalf of the Board

May 30th, 2008
New Delhi

S.K. Agarwal
Managing Director

Tej Bhan Gupta
Executive Vice-Chairman

B.M. Oza
Director

H. Consul
Company Secretary

SCHEDULE 5 : INVESTMENTS (Long Term) Contd...					
PARTICULARS	FACE VALUE	QUANTITY		AMOUNT (In Rs.)	
		AS AT 31.03.2008	AS AT 31.03.2007	AS AT 31.03.2008	AS AT 31.03.2007
JAYASWAL NECO INDUSTRIES LTD	10	20,000	0	12,39,958	0
ODUH SUGAR MILLS LTD	10	5,665	3,000	5,10,423	3,69,258
ONGC LTD	10	200	0	2,51,080	0
ORISSA SPONGE IRON & STEEL LTD	10	7,000	0	40,27,692	0
PARSNATH DEVELOPERS LTD	10	0	200	0	96,107
PETRONET LNG LTD	10	7,000	7,000	4,03,455	3,95,057
PENINSULA LAND LTD	2	500	0	57,546	0
PRAKASH INDUSTRIES LTD	10	1,000	0	81,710	0
PRECISION PIPES & PROFILES COMPANY LTD	10	852	0	1,27,800	0
PVR LTD	10	200	0	62,340	0
RELAXO FOOTWEAR LTD	5	12,00,776	12,00,776	3,47,86,395	3,47,86,395
RELIANCE PETROLEUM LTD	10	1,000	12,400	2,10,520	9,45,652
RELIANCE COMMUNICATIONS LTD	5	0	1,600	0	6,46,325
RELIANCE INDUSTRIES LTD	10	0	4,200	0	56,11,411
RELIANCE NATURAL RESOURCES LTD	5	0	2,000	0	56,860
SOFTSOL INDIA LTD	10	4,695	9,000	10,08,361	17,35,896
SWARAJ MAZDA LTD	10	300	500	89,232	1,55,364
SHANTI GEAR LTD	1	500	2,000	37,301	1,43,556
SYNGENTA INDIA LTD	5	0	200	0	89,126
STEEL STRIPS & WHEELS LTD	10	1,000	0	1,68,042	0
SHIPPING CORPORATION OF INDIA LTD	10	400	0	85,918	0
SHRI-VANI OIL & GAS EXPLORATION SERVICES LTD	10	200	0	1,12,098	0
SIEMENS LTD	2	100	0	72,803	0
TATA TELE SERVICES (MAHARASTRA) LTD	10	0	7,000	0	1,70,266
TCI INDUSTRIES LTD	10	20,688	24,060	6,95,306	7,23,311
TRANSCORP INT'L LTD	10	0	31,691	0	7,58,999
TISCO LTD	10	0	400	0	1,74,859
TATA CHEMICALS LTD	10	500	0	1,83,922	0
UNIVERSAL CABLE LTD	10	0	9,288	0	8,96,946
UNITECH LTD	2	1,800	0	6,89,042	0
WIPRO LTD	2	300	200	1,28,321	1,23,808
VBC FERRO ALLOYS LTD	10	0	1,000	0	1,27,080
VISU INTERNATIONAL LTD	10	0	2,000	0	41,440
VSNL LTD	10	0	3,000	0	13,07,700
VISHAL EXPORTS OVERSEAS LTD	1	10,000	0	45,300	0
VIPUL LTD	2	5,000	0	12,68,555	0
VISA STEEL LTD	10	695	0	43,563	0
WARREN TEA LTD	10	2,000	0	2,26,920	0
WELSPUN GUJARAT STAHL ROHREN LTD	5	0	200	0	21,728
YES BANK LTD	10	0	500	0	72,442
SUB-TOTAL (A-2)				8,04,33,319	8,81,19,813
B. N PREFERENCE SHARES					
Un-quoted & Fully Paid					
Fusebase Eltoro Pvt Ltd	100	12,500	12,500	12,50,000	12,50,000
SUB-TOTAL B				12,50,000	12,50,000
C. IN EQUITY SHARES OF SUBSIDIARIES					
Un-quoted & Fully Paid-up					
VLS Securities Ltd.	10	55,00,000	55,00,000	5,50,00,000	5,50,00,000
VLS Investments Ltd.	10	50,020	50,020	5,00,200	5,00,200
VLS Asset Management Ltd.	10	70,100	70,100	7,01,000	7,01,000
VLS Investments Inc., Delaware, U.S.A.	At Par	100	100	39,970	43,590
SUB-TOTAL C				5,62,41,170	5,62,44,790
D. 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 D				6,91,04,000	6,91,04,000
TOTAL (A1+A2+B+C+D)				114,54,48,946	76,89,90,040
Less: Provision for diminution in value of Investments				15,00,00,000	16,00,00,000
				99,54,48,946	60,89,90,040
I. Aggregate value of quoted investments				At Cost 8,04,33,319	8,81,19,813
				Market Value 21,03,39,397	22,54,21,650
II. Aggregate value of un-quoted investments - In Subsidiaries				At Cost 5,62,41,170	5,62,44,790
- Others				At Cost 100,87,74,457	62,46,25,437
E. INVESTMENT IN IMMOVABLE PROPERTIES:-				66,50,000	66,50,000
				66,50,000	66,50,000
GRAND TOTAL (A+B+C+D+E)				100,20,98,946	61,56,40,040
(+) 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 on 31.03.2008		As on 31.03.2007	
	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	1
INTERCRAFT LTD	29,000	1	29,000	1
KOTHARI PRODUCTS LTD	10	3,903	10	3,903
SOUTH ASIAN ENTERPRISES LTD	17,11,289	2,45,56,997	17,11,289	3,33,70,136
SWEDE INDIA LTD	200	1	200	1
Total	20,26,199	2,45,60,905	20,26,199	3,33,74,044

(Amount in Rupees)

As at 31st March, 2008 As at 31st March, 2007

SCHEDULE 7 STOCK ON HIRE

Disbursed Value less capital repayments matured (Secured)	7,32,579	8,80,281
Less: Provision for Non-performing Assets	1,19,189	0
Total	6,13,390	8,80,281

SCHEDULE 8 DEBTORS

a) Instalments Receivable (Unsecured) Considered Doubtful		
1. Due for more than six months	68,69,212	67,21,510
2. Others	0	0
Sub-total	68,69,212	67,21,510
Less: Provision for Non-performing Assets	68,69,212	66,69,994
Total (a)	0	51,516
b) Dues from share Brokers Considered Good		
1. Due for more than six months	0	0
2. Others	1,15,77,676	9,80,162
Total (b)	1,15,77,676	9,80,162
Total (a+b)	1,15,77,676	10,31,678

SCHEDULE 9 CASH & BANK BALANCES

a) Cash on Hand	15,35,098	6,86,106
b) Balances with scheduled banks		
1. In Current Accounts	32,36,871	52,12,863
2. In Deposit Accounts	61,84,265	11,70,216
Total (a+b)	1,09,56,234	70,69,185

SCHEDULE 10 OTHER CURRENT ASSETS

a) Interest Accrued but not due	4,164	8,349
b) Security Deposits	2,85,524	3,35,727
c) Margin Money with Share Brokers	33,42,00,000	21,98,00,000
d) Other Receivable	5,97,494	2,25,00,000
Less: Provision for Non-performing Assets	5,00,000	27,00,000
	97,494	1,98,00,000
e) Advance Tax Paid	7,40,52,858	5,64,79,455
Total (a+b+c+d+e)	40,86,40,040	29,64,23,531

SCHEDULE 11 LOANS AND ADVANCES

<i>(Unsecured, considered good unless otherwise specified)</i>		
a) Short term Loans and Advances	11,40,33,054	11,42,67,044
Less: Provision for Non-performing Assets	3,40,81,701	3,40,81,701
	7,99,51,353	8,01,85,343
b) Loans to subsidiaries	9,15,511	9,15,511
c) Receivables from subsidiaries	56,27,494	59,91,341
d) Advances Recoverable in cash or in kind or for value to be received	15,67,93,964	49,71,31,128
Less: Provision for Non-performing Assets	61,05,151	54,95,151
	15,06,88,813	49,16,35,977
Total (a+b+c+d)	23,71,83,171	57,87,28,172

SCHEDULE 12 LIABILITIES

a) Creditors for Expenses		
i) Total Outstanding dues of small scale industrial undertakings	0	0
ii) Total outstanding dues of creditors other than small scale industrial undertakings	13,06,480	23,08,577
b) Other Liabilities	75,00,000	1,25,000
c) Payable to Share Brokers	51,505	2,20,255
Total (a+b+c)	88,57,985	26,53,832

SCHEDULE 13 PROVISIONS

a) Provision for Taxation :-		
Balance B/fd	2,17,29,744	1,05,15,207
Add: Provision for the year	1,66,55,511	1,12,14,537
	3,83,85,255	2,17,29,744
b) Provision for Fringe Benefit Tax :-		
Balance B/fd	5,85,559	3,10,007
Add: Provision for the year	3,05,000	2,75,552
	8,90,559	5,85,559
c) Provision for Leave Encashment :-		
Balance B/fd	2,91,923	2,20,696
Add: Provision for the year	1,24,005	71,227
	4,15,928	2,91,923
Total (a+b+c)	3,96,91,742	2,26,07,226

SCHEDULES TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON 31st March, 2008

	For the Year ended on 31st March, 2008	For the Year ended on 31st March, 2007
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SCHEDULE 14 INCOME FROM OPERATIONS

Income from Hire Purchase Financing	0	64,639
Income from other Credit Operations	11,67,24,679	4,40,86,962
Total	11,67,24,679	4,41,51,601

SCHEDULE 15 INTEREST & FINANCE CHARGES

Bank / Finance Charges	7,767	9,765
Total	7,767	9,765

SCHEDULE 16 ADMINISTRATIVE & OTHER EXPENSES

Advertisement & Business Promotion	14,43,058	5,84,330
Consultancy, Legal & Service Charges	1,23,03,319	88,44,956
Communication Expenses	10,63,113	9,30,690
Electricity & Water Charges	4,30,853	5,04,832
Insurance	42,811	54,313
Office Expenses	14,03,690	11,99,993
Securities Transaction Tax	32,90,847	37,90,756
Shares Transaction Charges	1,53,512	1,52,410
Travelling Expenses & Conveyance	14,92,918	15,13,690
Rates & Taxes	10,03,529	13,57,444
Rent	89,000	2,45,000
Repairs & Maintenance		
—Building	1,61,284	1,22,115
—Others	16,66,123	19,33,476
Miscellaneous Expenses	13,59,911	11,39,822
Auditors' Remuneration		
a) Audit Fees	1,12,443	91,424
b) For Other Services		
—For Tax audit	44,944	45,712
—For certification	1,18,508	1,02,306
—Out of pocket expenses	30,643	27,781
Internal Auditors' Remuneration		
—Fees	50,000	40,000
—Out of pocket expenses	8,000	8,000
Directors' Sitting Fees	3,12,000	2,31,000
Loss on account of Foreign Exchange rate difference	4,95,829	1,41,079
Loss on sale/transfer of Fixed Assets	2,69,236	1,596
Total	2,73,45,571	2,30,62,725

SCHEDULE 17 EMPLOYEES' COST

Salaries	75,91,505	53,78,346
Staff Amenities	4,43,298	4,52,998
Employer's Contribution to PF, ESI, Gratuity Fund etc.	11,01,882	5,02,326
Total	91,36,685	63,33,670

SCHEDULE 18-INCREASE/(DECREASE) IN STOCK OF SHARES

Closing Stock of Shares	2,45,60,905	3,33,74,044
Less: Opening Stock of Shares	3,33,74,044	1,12,99,734
Net Increase/(Decrease)in Stock of Shares	(8,813,139)	2,20,74,310

SCHEDULE: 19 Significant Accounting Policies and Notes on Accounts for the year ended on 31st March 2008
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

- Defined Contribution Plans
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.
- Defined Benefit Plans
Leave Encashment - Provision for unavailed leave benefit payable to employees as per the scheme of the Company is made on the basis of actuarial valuation.
- Short Term Employees Benefits
Short Term Employees Benefits are charged off at the undiscounted amount in the year in which the related service is rendered.

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. Deferred Tax Assets in respect of brought forward losses/unabsorbed depreciation is recognized based on income tax returns filed by the Company.

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 year end 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. 1,416/- (Previous Year Rs.1,516/-).
 - Bank Deposits include fixed deposits of Rs. 11,84,265/- (Previous Year - Rs.11,07,726/-) 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 01.04.2007		Purchases		Sales		Closing Stock in trade as on 31.03.2008	
	Qty.°	Value Rs.	Qty.°	Value Rs.	Qty.°	Value Rs.	Qty.°	Value Rs.
Shares	2026199	33374044	17358058	16728452669	17358058	16742386990	2026199	24560905
(Previous year)	2112099	11299734	23705838	22811452657	23791738	22839519405	2026199	33374044
Commodities	Nil	Nil	48028	592878634	48028	596300196	Nil	Nil
(Previous year)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

* Quantity of Shares is in nos. and of Commodities is in lots.

6. Income from investments include:

	Current Year (Rs.)	Previous Year (Rs.)
Dividend Income (Gross)	24,90,359	40,67,660
Interest on Debentures and Bonds (Gross)	12,000	12,000
Tax Deducted at Source	Nil	Nil

- Interest Receipts (Gross) Rs.6,39,52,156/- (Inclusive of interest of Rs.9,79,464/- on Fixed Deposits and of Rs.4,95,29,924/- on margin money with share brokers and other interest received of Rs.1,34,42,768/-) (Previous Year Rs. 3,48,07,996/-, inclusive of interest of Rs.4,57,823/- on Fixed Deposits and Rs.2,57,04,718/- on margin money with share brokers and other interest received of Rs.86,45,455/-) grouped under Income from Operations includes Tax Deducted at Source amounting to Rs.1,44,65,469/- (Previous Year Rs. 82,26,185/-).

- 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.

9. 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:-

(Amount in Rs.)

Particulars	Subsidiaries	Associates	Key Managerial Personnel	Others
Purchase of Securities	18,07,14,435 (Previous year. Rs. 5,50,45,484)	45,00,000 (Previous year. Rs. Nil)		
Sale of Securities	23,74,13,663 (Previous year. Rs. 23,84,90,399)			
Rent and other Charges received	2,40,000 (Previous year. Rs. 3,60,000)			
Rent and other charges paid	5,08,144 (Previous year. Rs.4,66,870)			89,000 (Previous year. Rs. 2,40,000)
Remuneration to Managing Director and Executive Vice-Chairman		19,53,449 (Previous year. Rs. 13,18,257)		
Due from Subsidiaries (outstanding balance as on 31.03.2008)	65,43,005 (Previous year. Rs. 69,06,852)			

- Deferred Tax Assets of Rs. 3,71,60,776/- (Previous Year Rs. 3,63,25,754/-) are net of deferred tax liabilities of Rs. 3,54,67,086/- (Previous year Rs.1,80,57,535/-). 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. 3,54,67,086/- (P.Y. Rs.1,80,57,535)
Accumulated Losses	Rs. 7,24,86,488/- (P.Y. Rs. 5,42,84,794)	Rs. Nil (P.Y. Rs. Nil)
Leave Encashment	Rs. 1,41,374/- (P.Y. Rs.98,495)	Rs. Nil (P.Y. Rs. Nil)
Total	Rs. 7,26,27,862/- (P.Y. Rs. 5,43,83,289)	Rs. 3,54,67,086/- (P.Y. Rs. 1,80,57,535)

11. Managerial Remuneration

Particulars	Paid to Shri T.B. Gupta	Paid to Shri S.K. Agarwal
Remuneration	Rs.3,61,608/- (Previous Year - Rs.3,21,432/-)	Rs.11,08,000/- (Previous Year - Rs. 5,40,000/-)
Perquisites	Rs.1,19,044/- (Previous Year - Rs.94,537/-)	Rs.3,64,797/- (Previous Year - Rs. 3,62,288/-)

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 2008	31 st March, 2007
Basic and Diluted		
Total Shares Outstanding	3,97,95,000	3,97,95,000
Profit after Taxes	Rs. 15,09,05,370	Rs. 9,05,28,891
EPS	Rs. 3.79	Rs. 2.27

13. Expenditure in Foreign Exchange: – Foreign Travel Expenses Rs.85,567/- (Previous year Rs.99,826) and Other Rs.55,624/- (Previous Year Nil).
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.25,00,000/- is net off bad debts written off of Rs. Nil/- (Previous Year : Recovery of Bad Debts of Rs.80,20,189/- is net off bad debts written off of Rs. 17,52,000/-)
16. The Company being a Non-Banking Financial Company is mainly engaged in finance business including dealings through Stock and Commodity Exchanges. As all activities of the Company are covered under finance business; 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. On the basis of information made available to the Company of such registration, there is no amount outstanding to such parties at the year end.
18. Total Income from Operations shown above includes Rs.5,27,72,523/- from sale of one of the properties which was earlier given on lease.
19. Outstanding derivatives contracts at the year end are of Rs.15,33,190/-. The loss on these derivatives have been provided for.
20. **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]

(Rs. In lakhs)

Particulars		Amount	
Liabilities side:		Outstanding	Overdue
(1) Loans and advances availed by the NBFCS inclusive of interest accrued thereon but not paid:	(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]:		2,773.70	
(a) Secured		—	
(b) Unsecured		2,773.70	
(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		245.61	
(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		804.33	
(b) Preference		—	
(ii) Debentures and Bonds		—	
(iii) Units of mutual funds		—	
(iv) Government Securities		—	
(v) Others		—	
2. Unquoted :			
(i) Shares : (a) Equity		9,384.20	
(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		562.41	

(5) Borrower group-wise classification of assets financed as in (2) and (3) above			
Category	Amount net of provisions		
	Secured	Unsecured	Total
1. Related Parties			
(a) Subsidiaries	—	65.43	65.43
(b) Companies in the same group	—	—	—
(c) Other related parties	—	—	—
2. Other than related parties	6.13	2,438.22	2,444.35
Total	6.13	2,503.65	2,509.78

(6) Investor group-wise classification of all investments(current and long term) in shares and securities (both quoted and unquoted) :			
Category	Market Value/ Break-up or fair value or NAV	Book Value (Net of Provisions)	
1. Related Parties			
(a) Subsidiaries	510.95	562.41	
(b) Companies in the same group	0.00	0.00	
(c) Other related parties	245.57	245.57	
2. Other than related parties	9,715.60	9,392.11	
Total	10,472.12	10,200.09	

(7) Other information		
Particulars		Amount
(i) Gross Non-Performing Assets		
(a) Related parties		0.00
(b) Other than related parties		527.79
(ii) Net Non-Performing Assets		
(a) Related parties		0.00
(b) Other than related parties		51.04
(iii) Assets acquired in satisfaction of debt		66.50

21 Disclosure required under Accounting Standard 15 - Employee Benefits.

- (a) Gratuity (being administered by a Trust) is computed as 15 days salary, for every completed year of service or part thereof in excess of 6 months and is payable on retirement/termination/resignation. The benefit vests on the employee completing 5 years of service. The Gratuity plan for the Company is a defined contribution plan where annual contributions as demanded by the insurer are deposited. The amount recognised as expenses for this defined contribution plan in the financial statement is Rs. 4,35,567/- which includes Rs.1,23,398/- towards contribution for key managerial personnel.
- (b) The liability of Leave Encashment benefit is provided for on actuarial valuation using Projected Unit Credit method which hitherto was provided for on accrual basis. Due to this change in the policy, the provision on account of leave encashment benefit has been reduced by Rs.29,554/-. The disclosure as required under AS 15 regarding the Company's Leave encashment benefit plan is as follows:-

(In Rupees)

As at March 31, 2008	
Change in present value of obligation	
Present value of obligation as at the beginning of the year	0
Current service cost	75,467
Interest cost	0
Actuarial (gain) / loss	3,44,676
Benefits paid	(4,215)
Present value of obligation as at the end of the year	4,15,928
Change in plan assets	
Plan assets at the beginning of the year	Not Applicable
Expected return on plan assets	
Contribution by the Company	
Benefits paid	
Actuarial (gain) / loss	
Plan assets at the end of the year	
Liability recognised in the financial statement	
Cost for the year	
Current service cost	75,467
Interest cost	
Return on plan assets	
Actuarial (gain) / loss	3,44,676
Net cost	4,20,143
Constitution of plan assets	Not Applicable
Other than equity, debt, property and bank a/c Funded with LIC	
Main actuarial assumptions	
Discount rate	8.00%
Rate of increase in compensation levels	7.00%

The estimates of future salary increase considered in actuarial valuation has been made after taking into account the inflation, seniority, promotions and other relevant factors on long term basis.

- 22 In respect of office premise acquired during the year for which possession has already been taken by the Company, the registration formalities are yet to take place.
- 23 Previous year figures have been regrouped /rearranged wherever necessary.
- 24 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	S.K. Agarwal Managing Director	Tej Bhan Gupta Exe. Vice Chairman	B.M. Oza Director
May 30th, 2008 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	31.03.2008

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	1795410	Total Assets	1795410
Sources of Funds:			
Paid up Capital	399172	Reserves & Surplus	1382931
Secured Loans	0	Unsecured Loans	13307
Application of Funds:			
Net Fixed Assets	111169	Investments	1002099
Net Current Assets	644982	Misc. Expenditure	Nil
Deferred Tax Assets	37160	Accumulated Losses	Nil

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

Turnover	17529593	Total Expenditure	17362562
Profit/Loss Before Tax	167031	Profit/Loss after Tax	150905
Earning per Share (Rs.)	3.79	Dividend Rate	Nil

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

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

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st March, 2008

Rs. Lacs

PARTICULARS	For the Year ended 31.03.2008	For the Year ended 31.03.2007
A CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax and Extraordinary Items	1670.31	1042.23
Add Interest & Finance Charges	0.08	0.10
Depreciation	47.41	51.11
Provision for Leave encashment	1.24	0.71
	1719.04	1094.15
Less Income from Investments	677.28	354.66
Income from sale of property	527.72	0.00
Provision for diminution in value of investments	100.00	0.00
Provision for Non Performing Assets	12.72	(5.33)
	1317.72	349.33
Operating Profit before Working Capital Changes	401.32	744.82
Changes in Working Capital		
Trade & Other Receivables	2205.80	(2928.29)
Inventories	88.13	(220.74)
Trade & Other Payables	62.04	(50.56)
Cash generated from operations	2757.29	(2454.77)
Less:		
Interest Paid	0.08	0.10
Cash flow before extraordinary items	2757.21	(2454.87)
Extraordinary Items	0.00	0.00
Net Cash Flow from Operating Activities (A)	2757.21	(2454.87)
B CASH FLOW FROM INVESTING ACTIVITIES		
Net Deployment in Fixed Assets	368.97	(5.03)
Net proceeds from investments	(3764.59)	2109.47
Income from Investments	677.28	354.66
Net Cash used in Investing Activities (B)	(2718.34)	2459.10
C CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Long Term Borrowings	0.00	1.25
Net Cash Flow from Financing Activities (C)	0.00	1.25
Net Increase/ (Decrease) in Cash & Cash Equivalents (A+B+C)	38.87	5.48
Cash & Cash Equivalents (Opening)	70.69	65.21
Cash & Cash Equivalents (Closing)	109.56	70.69

Note : Cash & Cash Equivalents (Closing) includes deposits with banks amounting to Rs. 11.84 lacs (Previous Year Rs. 11.08 lacs), which are pledged with them as security for overdraft facility.

As per our report of even date

For Agiwal & Associates
Chartered Accountants

P.C. Agiwal
Partner
May 30th, 2008
New Delhi

For and on behalf of the Board
S.K. Agarwal
Managing Director
Tej Bhan Gupta
Executive Vice Chairman
B.M. Oza
Director
H. Consul
Company Secretary

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	31.03.2008	31.03.2008	31.03.2008
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 31.3.2008	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 31.3.2008	Net Profit Rs. 17,755	Net Profit Rs. 10,76,699	Net Loss Rs. 1,023
ii) For the previous Financial Years	Net Profit Rs. 10,889	Net Loss Rs. 96,990	Net Loss Rs. 2,155
b) Dealt within the accounts of VLS Finance Ltd.			
i) For the subsidiary's Financial Year ended on 31.3.2008	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	31.12.2007
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 31.12.2007	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 31.12.07	US\$ 149
ii) For the Previous Financial Years	US\$ 614
b) Dealt within the accounts of VLS Finance Ltd.	
i) For the subsidiary's Financial Year ended on 31.12.07	Nil
ii) For the previous financial year	Nil

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	: 01.01.2007 to 31.12.2007
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

S.K. Agarwal
Managing Director
Tej Bhan Gupta
Exe. Vice Chairman
B.M. Oza
Director
H. Consul
Company Secretary

May 30th, 2008
New Delhi

VLS SECURITIES LIMITED
DIRECTORS' REPORT

To

The Members of **VLS SECURITIES LIMITED**

Your Directors are pleased to present the 14th Annual Report of your Company together with the Balance Sheet as at 31st March, 2008 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.210.26 crores as against Rs.147.29 crores in last year. The profit before tax was Rs. 11,22,779/- as compared to Rs.1,02,116/- in last year.

The Company earned a post tax net profit of Rs.10,76,699/- for the year under review as against Rs.97,452/- in last year.

Dividend

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

Operations

Your Company earned brokerage of Rs. 5.75 lakhs during the year under review, as compared to Rs. 4.45 lakhs earned during the previous year. The Company is making 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 during the first three quarters of the year under review, largely maintained its buoyant performance. The BSE sensex rose to touch 21000 mark creating history. However, the meltdown during January, 2008, radically changed the scenario with the index plummeting by over 6000 points. Since then, the volatility in the market regardless of upturn in the index, has made investors tread cautiously. But, with the Government taking initiative to infuse investor confidence in the stock market, the conditions in the stock market are expected to stabilize leading to greater participation by the foreign institutional investors (FIIs) and domestic retail investors.

Keeping in view the current market scenario, the Merchant Banking Division of the Company is continuing to explore 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 P.K. Sharan and Shri R.K.Goswami - Directors shall be retiring by rotation at the ensuing Annual General Meeting and being eligible have offered themselves for re-appointment. Your Directors recommend their re-appointment.

Audit Committee

During the year, 4 meetings of the Audit Committee were held on 18-06-2007, 29-09-2007, 26-12-2007 and 29-03-2008. 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 2008, the applicable accounting standards have been followed;
- 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, 2008 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 2008-2009. 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, there are no disclosures in regard which are required to be made in this report, in terms of the aforesaid regulations.

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.

The Registered Office of the Company will be shifted from C-489, Defence Colony, New Delhi-110024 to 13, Sant Nagar, 2nd Floor, Raja Dheer Sen Marg, New Delhi-110065 w.e.f. Thursday, June 12, 2008

consequent upon the approval of the Board of Directors of the Company vide its resolution dated 26.05.08 in this regard.

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
Date : 26/05/2008

S.K. Agarwal
Managing Director

K.K. Soni
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, 2008 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 2008, and taken on record by the Board of directors, we report that none of the directors is disqualified as on 31st March 2008 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 2008 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 AGI WAL & ASSOCIATES
Chartered Accountants
(V.K. Gupta)

Place: New Delhi
Date: 26th May, 2008

Partner
Membership No. 81979

**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 2008**

- The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - 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.
 - 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.
- This para is not applicable as the Company has not acquired any security under the stock-in-trade account during the year under review.
 - In view of (a) above, this para in relation to procedures of physical verification of stock-in-trade is not applicable to the Company.
 - Since the Company did not have any inventory during the year under review, this para is not applicable to it.
- 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.
 - 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.
- 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 31-03-2008.
- (b) According to the records and information and explanations given to us, there is no outstanding of any disputed statutory dues as on 31.03.2008.
- (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.
- (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 AGIWAŁ & ASSOCIATES
Chartered Accountants

(V.K. Gupta)

Partner

Membership No. 81979

Place: New Delhi
Date: 26th May, 2008

BALANCE SHEET AS AT 31st MARCH 2008

				(Amount in Rs.)	
		Sch. No.	As at March 31, 2008	As at March 31, 2007	
I. SOURCES OF FUNDS					
1. Shareholders' funds					
Share Capital					
	1		5,50,00,000	5,50,00,000	
TOTAL					
			5,50,00,000	5,50,00,000	
II. APPLICATION OF FUNDS					
1. Fixed Assets					
a) Gross Block					
	2		41,81,209	41,81,209	
b) Less : Depreciation					
			40,17,950	39,43,033	
c) Net Block					
			1,63,259	2,38,176	
2. Investments (At cost)					
	3		1,50,83,254	1,50,83,254	
3. Current assets, loans & Advances					
a) Sundry Debtors					
	4		3,245	1,281	
b) Cash and Bank Balances					
	5		30,95,089	15,47,474	
c) Loans and Advances					
	6		3,44,11,755	3,40,08,419	
			3,75,10,089	3,55,57,174	
<i>Less: Current Liabilities & Provisions</i>					
a) Current Liabilities					
	7		10,64,894	3,88,870	
b) Provisions					
	8		3,41,792	2,19,597	
<i>Net Current Assets</i>					
			3,61,03,403	3,49,48,707	
4. Deferred Tax Asset					
			36,497	6,077	
5. Miscellaneous expenditure (To the extent not written off or adjusted)					
	9		-	33,500	
6. Debit balance in Profit & loss account					
			36,13,587	46,90,286	
			5,50,00,000	5,50,00,000	

Significant Accounting Policies and Notes to Accounts

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 : 26.05.2008

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

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2008

(Amount in Rs.)

		Sch. No.	For the year ended 31/03/2008	For the year ended 31/03/2007
INCOME				
Sale of shares - F&O				
			210,25,69,307	147,29,06,704
Income from brokerage				
			5,75,025	4,45,766
Interest Income (Gross)				
			27,08,273	18,94,616
Other Income				
	10		4,37,126	4,05,681
		Total	210,62,89,731	147,56,52,767
EXPENDITURE				
Purchase of shares - F&O				
			210,04,97,690	147,13,17,943
Operating expenses				
	11		7,16,273	5,06,093
Employees Cost				
	12		24,83,269	22,95,898
Administrative & Other expenses				
	13		13,61,304	11,95,718
Loss on sale of investments (Net)				
			-	88,177
Depreciation				
	2		74,916	1,13,322
Miscellaneous Expenditure Written Off				
			33,500	33,500
		Total	210,51,66,952	147,55,50,651
			11,22,779	1,02,116

PROFIT BEFORE TAX

Less: Provision for Taxation:

Current Tax		34,500	-
Deferred Tax		(30,420)	(25,733)
Fringe Benefit Tax		42,000	30,397

PROFIT AFTER TAX

Surplus / (Deficit) B/Fd from Previous Year		(4,690,286)	(4,787,732)
Profit/(Loss) available for Appropriation		(3,613,587)	(4,690,286)
Surplus / (Deficit) carried to Balance Sheet		(3,613,587)	(4,690,286)

EARNING PER SHARE (Refer Note No. k in Schedule 14)

Basic and Diluted Earning per Share (Rs.)		0.20	0.02
Face Value per Share (Rs.)		10	10

Significant Accounting Policies and Notes to Accounts

As per our report of even date

For Agiwal & Associates

For and on behalf of the Board

Chartered Accountants

V.K. Gupta
Partner
Membership No. 81979

S.K. Agarwal
Managing Director

K.K.Soni
Director

T.B. Gupta
Director

Place : New Delhi

Date : 26.05.2008

SCHEDULES TO BALANCE SHEET

(Amount in Rs.)

		Sch. No.	As at 31-Mar-08	As at 31-Mar-07
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
			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-07	Additions during the year	As at 31-Mar-08	Up to 1-Apr-07	For the Year	Up to 31-Mar-08	As at 31-Mar-08	As at 31-Mar-07
Computers	37,93,879	0	37,93,879	36,35,629	63,300	36,98,930	94,949	1,58,250
Office Equipments	2,88,205	0	2,88,205	2,18,851	9,647	2,28,498	59,707	69,354
Furniture & Fixtures	71,112	0	71,112	61,345	1,768	63,113	7,999	9,767
Vehicles	28,013	0	28,013	27,208	201	27,409	604	805
Total	41,81,209	0	41,81,209	39,43,033	74,916	40,17,950	1,63,259	2,38,176
Previous Year	41,48,941	32,268	41,81,209	38,29,711	1,13,322	39,43,033	2,38,176	3,19,230

3) INVESTMENTS (LONG TERM)

Particulars	Quantity		Value	
	As on 1-Apr-07 (Nos.)	As on 31-Mar-2008 (Nos.)	As at 31-Mar-2008 (Rs.)	As at 31-Mar-2007 (Rs.)
QUOTED INVESTMENTS				
Fully Paid up (unless otherwise stated)			Face Value (in Rs.)	

A) IN EQUITY SHARES

i) Relaxo Footwear Ltd.	5	5,20,000	5,20,000	1,50,80,000	1,50,80,000
ii) D Pharma Ltd.	10	200	200	1	1
iii) Punjab Wireless Systems Ltd.	10	500	500	1	1

B) OTHERS

UTI Master Plus 91	10	200	200	3,252	3,252
		5,20,900	5,20,900	1,50,83,254	1,50,83,254

NOTE: Aggregate value of quoted investments

Book Value (Rs.):	1,50,83,254	1,50,83,254
Market Value (Rs.):	2,09,15,118	1,73,54,414

SCHEDULES TO BALANCE SHEET (Contd...)

Sch. No.	(Amount in Rs.)	
	As at 31-Mar-08	As at 31-Mar-07
4 SUNDRY DEBTORS		
(Unsecured and considered good unless otherwise stated)		
i) Debts outstanding for a period exceeding six months	-	-
ii) Other Debts	3,245	1,281
	<u>3,245</u>	<u>1,281</u>
5 CASH AND BANK BALANCES		
Cash in Hand (As certified by the management)	15,306	7,180
Broker's stamps in hand	21,572	3,288
Balances with Scheduled Banks		
i) In current accounts	13,58,211	13,37,006
ii) In Fixed deposit accounts	17,00,000	2,00,000
	<u>30,95,089</u>	<u>15,47,474</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	24,191	20,352
iii) Advance Income Tax/TDS/FBT	15,10,359	9,15,559
iv) Interest accrued but not due	41,595	67,429
v) Margin money with Share brokers	2,50,00,000	2,50,00,000
vi) Service Tax receivable	10,956	-
vii) Other receivables	1,24,654	3,05,079
	<u>3,44,11,755</u>	<u>3,40,08,419</u>
7 CURRENT LIABILITIES		
i) Sundry Creditors (Due to SSI- Nil)	9,69,588	2,82,625
ii) Other Liabilities	95,306	1,06,245
	<u>10,64,894</u>	<u>3,88,870</u>
8 PROVISIONS		
i) Provision for FBT	1,06,969	64,969
ii) Provision for Leave encashment	2,00,323	1,54,628
ii) Provision for Taxation	34,500	-
	<u>3,41,792</u>	<u>2,19,597</u>
9 MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
Shares Issue Expenses	33,500	67,000
Less: Written Off to Profit & Loss A/c	33,500	33,500
	<u>0</u>	<u>33,500</u>

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT

Sch. No.	(Amount in Rs.)	
	For the year ended 31-Mar-08	For the year ended 31-Mar-07
10 OTHER INCOME		
Dividend Income	3,90,000	3,92,250
Income from Consultancy	44,547	-
Misc. Income	2,579	13,431
	<u>4,37,126</u>	<u>4,05,681</u>
11 OPERATING EXPENDITURE		
SEBI Fees	-	25,000
NSE Capital Market subscription	1,00,000	-
V-Sat Charges	1,10,301	1,10,000
Transaction and other NSE Charges	37,193	22,845
Service Tax	74,621	72,206
Securities Transaction Tax	3,22,442	2,28,613
Brokers Stamp Duty	71,716	47,429
	<u>7,16,273</u>	<u>5,06,093</u>
12 EMPLOYEES' COST		
Salaries & Allowances	21,24,905	19,84,364
Staff Welfare	745	1,486
Employer's Contribution to PF, ESI, Gratuity Fund etc.	3,57,619	3,10,048
	<u>24,83,269</u>	<u>22,95,898</u>
13 ADMINISTRATIVE AND OTHER EXPENSES		
Rent	60,000	1,80,000
Rates & Taxes	60,090	36,054
Electricity Charges	1,20,000	1,20,000
Office Maintenance	60,000	60,000
Legal and other Consultancy Charges	1,23,500	1,20,500
Repair & Maintenance	6,466	7,099
Travelling and Conveyance	3,31,533	2,52,820
Insurance	30,430	29,106
Miscellaneous Expenses	17,130	24,917
Business Promotion	1,55,123	83,937
News Papers, Books & Periodicals	1,42,152	76,252
Communication Expenses	1,43,667	1,16,536
Printing & Stationery	30,741	11,213
Internal Audit fee	20,000	21,836
Directors Sitting Fee	7,000	8,000
Auditors Remuneration		
- Statutory Audit fees	16,854	16,836
- Tax audit fees	5,618	5,612
- Certification fees	11,000	5,000
- Out of pocket expenses	20,000	20,000
	<u>13,61,304</u>	<u>11,95,718</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
i) Defined Contribution Plans

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.

ii) Defined Benefit Plans

Leave Encashment- Provision for unavailed leave benefit payable to employees as per the scheme of the Company is made on the basis of actuarial valuation.

iii) Short Term Employees Benefits

Short Term Employees Benefits are charged off at the undiscounted amount in the year in which the related service is rendered.

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. Further, there was no outstanding position in derivatives at the year end.

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.

i) Disclosure required under Accounting Standard 15 - Employee Benefits

a) Gratuity (being administered by a Trust) is computed as 15 days salary, for every completed year of service or part thereof in excess of 6 months and is payable on retirement/termination/resignation. The benefit vests on the employee completing 5 years of service. The Gratuity plan for the Company is a defined contribution plan where annual contributions as demanded by the insurer are deposited.

The amount recognised as expenses for this defined contribution plan in the financial statement is Rs.89,288/- which includes Rs. Nil towards contribution for key managerial personnel.

b) The liability of Leave Encashment benefit is provided for an actuarial valuation using Projected Unit Credit method which hitherto was provided for on accrual basis. Due to this change in the policy, the provision on account of leave encashment benefit has been reduced by Rs.21,358/-. The disclosure as required under AS 15 regarding the Company's Leave encashment benefit plan is as follows:-

	(in Rupees) As at March 31, 2008
Change in present value of obligation	
Present value of obligation as at the beginning of the year	0
Current service cost	15,102
Interest cost	0
Actuarial (gain) / loss	1,85,221
Benefits paid	0
Present value of obligation as at the end of the year	2,00,323
Change in plan assets	Not Applicable
Plan assets at the beginning of the year	
Expected return on plan assets	
Contribution by the Company	
Benefits paid	
Actuarial (gain) / loss	
Plan assets at the end of the year	
Liability recognised in the financial statement	
Cost for the year	
Current service cost	15,102
Interest cost	
Return on plan assets	
Actuarial (gain) / loss	1,85,221
Net cost	2,00,323
Constitution of plan assets	Not Applicable
Other than equity, debt, property and bank a/c Funded with LIC	
Main actuarial assumptions	
Discount rate	8.00%
Rate of increase in compensation levels	7.00%

The estimates of future salary increase considered in actuarial valuation has been made after taking into account the inflation, seniority, promotions and other relevant factors on long term basis.

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

b) Interest income includes Rs.27,08,273/- (Previous Year - Rs.18,33,339/-) on fixed deposits and Rs. Nil (Previous Year - Rs. 61,277/-) on income tax refund. Interest income on fixed deposits includes tax deducted at source of Rs. 5,54,873/- (Previous Year - TDS of Rs. 4,11,401/-).

c) Other income includes dividend income of Rs.3,90,000/- (Previous Year -Rs.3,92,250/-) The tax deducted at source during the year on said income is Rs. NIL (Previous Year - Rs. NIL).

d) Deferred Tax

	As at 01.04.2007	Current Year Charge/ (Credit)	As at 31.03.2008
a) Deferred Tax Liability on account of:			
Depreciation	46,481	(14,888)	31,593
Total (a)	46,481	(14,888)	31,593
b) Deferred Tax Assets on account of:			
Employee Benefits	52,558	15,532	68,090
Total (b)	52,558	15,532	68,090
Total (b-a)	6,077	30,420	36,497

e) Details of purchases and sales during the year:

Category	Opening Stock		Purchases		Sales		Closing Stock	
	Quantity No.	Value (Rs.)	Quantity No.	Value (Rs.)	Quantity No.	Value (Rs.)	Quantity No.	Value (Rs.)
Current year (F&O)	Nil	Nil	20,80,071	2,10,04,97,690	20,80,071	2,10,25,69,307	Nil	Nil
Previous Year (F&O)	Nil	Nil	14,92,951	1,47,13,17,943	14,92,951	1,47,29,06,704	Nil	Nil

- f) There is no amount due and payable to any enterprises covered under the Micro, Small and Medium Enterprises Development Act, 2006, at the end of the financial Year.
- g) **Managerial Remuneration**
No amount has been paid towards remuneration, perquisites or any other benefits to Shri S.K. Agarwal, the Managing Director, during the year.
- h) **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	
	31.03.08	31.03.07	31.03.08	31.03.07
Brokerage earned	3,35,051/-	2,36,899/-	3,35,051/-	2,36,899/-
Reimbursement amount claimed	5,08,144/-	4,66,870/-	5,08,144/-	4,66,870/-
Rent and other charges paid	2,40,000/-	3,60,000/-	2,40,000/-	3,60,000/-
Payable to Holding Company at the year end	1,95,290/-	2,02,758/-	1,95,290/-	2,02,758/-

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

i) Calculation of Earning per share

Particulars	Equivalent No. of Shares	
	Year ended 31 st March 2008	Year ended 31 st March 2007
Basic and diluted		
Total Shares outstanding	55,00,000	55,00,000
Profits after taxes	Rs.10,76,699/-	Rs.97,452/-
EPS (In Rs.)	0.20	0.02

- j) **Previous Years** figures have been re-grouped and re-classified wherever considered necessary.
- k) **All figures** have been rounded off to nearest rupee.
- l) **Schedules 1-14** form an integral part of the Accounts.

As per our report of even date

For Agiwal & Associates Chartered Accountants V.K. Gupta Partner Membership No. 81979 Place : New Delhi Date : 26.05.2008	For and on behalf of the Board <table border="0"> <tr> <td style="width: 33%;">S.K. Agarwal Managing Director</td> <td style="width: 33%;">K.K.Soni Director</td> <td style="width: 33%;">T.B. Gupta Director</td> </tr> </table>	S.K. Agarwal Managing Director	K.K.Soni Director	T.B. Gupta Director
S.K. Agarwal Managing Director	K.K.Soni Director	T.B. Gupta Director		

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details			
Registration number	62123	State Code	55
CIN	U74899DL1994PLC062123		
Balance Sheet Date	31-03-2008		
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	163
Reserves & Surplus	Nil	Investments	15,083
Secured Loans	Nil	Net Current Assets	36,103
Unsecured Loans	Nil	Accumulated Losses	3,614
		Deferred Tax Assets	36
IV. Performance of Company (Amount in Rs. Thousands except otherwise stated)		Miscellaneous Expenditure	0
Turnover	21,06,290	Total Expenditure	21,05,167
Profit/Loss Before Tax	1,123	Profit/Loss after Tax	1,077
Earning per Share (Rs.)	0.20	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 2008

	(Amount in Rs.)	
	Year Ended 31-Mar-2008	Year ended 31-Mar-2007
A. Cash flow from operating activities		
Net Profit before tax and extra-ordinary items	11,22,779	1,02,116
Adjustments for:-		
Add: Depreciation	74,916	1,13,322
Loss on sale of investments	-	88,177
Provision for leave encashment	45,696	23,837
Miscellaneous Expenditure written off	33,500	33,500
Operating profit before working capital changes	12,76,891	3,60,952
Adjustments for changes in Working Capital		
Trade Debtors and other sundry receivables	(4,05,300)	(19,71,535)
Inventory/transfer to Investment A/c	-	-
Trade Creditors and other Payables	6,76,024	1,55,359
Cash generated from operations	15,47,615	(14,55,224)
NET CASH FLOW FROM OPERATING ACTIVITIES (I)	15,47,615	(14,55,224)
B. Cash flow from investing activities		
Net Deployment in Fixed Assets	-	(32,268)
Net deployment in investments	-	2,96,760
Interest received	-	-
Net profit/(loss) on sale of investments	-	(88,177)
NET CASH USED IN INVESTING ACTIVITIES (II)	-	1,76,315
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)	15,47,615	(12,78,909)
CASH & CASH EQUIVALENTS- OPENING BALANCE	15,47,474	28,26,383
CASH & CASH EQUIVALENTS- CLOSING BALANCE	30,95,089	15,47,474

As per our report of even date

For Agiwal & Associates Chartered Accountants V.K. Gupta Partner Membership No. 81979 Place : New Delhi Date : 26.05.2008	For and on behalf of the Board <table border="0"> <tr> <td style="width: 33%;">S.K. Agarwal Managing Director</td> <td style="width: 33%;">K.K.Soni Director</td> <td style="width: 33%;">T.B. Gupta Director</td> </tr> </table>	S.K. Agarwal Managing Director	K.K.Soni Director	T.B. Gupta Director
S.K. Agarwal Managing Director	K.K.Soni Director	T.B. Gupta Director		

VLS INVESTMENTS LTD
DIRECTORS' REPORT TO THE MEMBERS

The Directors are pleased to present the 17th Annual Report of your Company, together with the audited Balance Sheet and the Profit and Loss Account for the year ended 31.03.2008.

FINANCIAL RESULTS

The Company has posted a net profit of Rs. 17,755/-. 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 Anurag Bhatnagar, 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, 2008, the applicable accounting standards have been followed;
- 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, 2008 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 Director	Anurag Bhatnagar Director
Date : 20/05/2008		

AUDITORS' REPORT

To,
The Members
VLS Investments Ltd.
Kanpur.

We have audited the attached Balance Sheet of VLS Investments Ltd. as at 31st March 2008 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;
 - 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 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 2008, and taken on record by the board of directors, we report that none of the directors is disqualified as on 31st March 2008 from being appointed as a director in terms of clause (g) of subsection (1) of section 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 2008 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: 20th May, 2008

**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, 2008**

- (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 31.03.2008 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 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.
- (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 investor education and protection fund, income-tax, wealth tax and any other statutory dues with the appropriate authorities. There was no outstanding against any undisputed statutory dues as on 31.03.2008.
- (b) There was no outstanding of any disputed statutory dues as on 31.03.2008.
- (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: 20th May, 2008

BALANCE SHEET AS ON 31ST MARCH, 2008

(Amount in Rupees)

	Schedule No.	As At 31.03.2008	As At 31.03.2007
I. SOURCES OF FUNDS			
<i>Shareholders' Funds</i>			
a) Share Capital	1	500200	500200
b) Reserves & Surplus	2	32369	14614
TOTAL		532569	514814
II. APPLICATION OF FUNDS			
<i>(A) Current Assets, Loans & Advances:</i>			
a) Cash & Bank Balances	3	535268	516823
b) Loans & Advances	4	21725	13726
c) Other Current Assets	5	8239	6483
		565232	537032
<i>(B) Less: Current Liabilities & Provisions:</i>			
a) Liabilities	6	14618	12112
B) Provisions	7	18045	10106
Net Current Assets (A-B)		532569	514814
TOTAL		532569	514814
Significant Accounting Policies and Notes on Accounts			
	8		

As per our report of even date

For **Agiwal & Associates**

For and on behalf of the Board

Chartered Accountants

V.K. Gupta
Partner
20th May, 2008
New Delhi

Tej Bhan Gupta
Director

S.K. Agarwal
Director

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON 31ST MARCH, 2008

(Amount in Rupees)

	Year Ended 31.03.2008	Year Ended 31.03.2007
INCOME		
Interest Income on Fixed Deposit with Bank(Gross)	38832	29639
Total (A)	38832	29639
EXPENDITURE:		
Filing Charges	1020	1000
Auditor's Remuneration	5618	5612
Bank Charges	Nil	113
Accounting Charges	6000	6000
Certification Charges	500	500
Total (B)	13138	13225
Profit for the year (A-B)	25694	16414
Less: Provision for taxation	7939	5525
Profit after Tax	17755	10889
Balance as per previous year Balance Sheet	14614	3725
Surplus carried to Balance Sheet	32369	14614
Earning per Share		
Basic and Diluted Earning per Share (Rs.)	0.35	0.22
Face Value per Share(Rs.)	10.00	10.00
Significant Accounting Policies and Notes on Accounts - Schedule 8		
As per our report of even date		
For Agiwal & Associates		
Chartered Accountants		
V.K. Gupta	Tej Bhan Gupta	S.K. Agarwal
Partner	Director	Director
20 th May, 2008		
New Delhi		

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2008

(Amount in Rupees)

	As at 31.03.2008	As at 31.03.2007
SCHEDULE 1 - SHARE CAPITAL		
AUTHORISED		
500000 Equity Shares of Rs.10/- each	5000000	500000
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	14614	3725
Add: Profit for the year	17755	10889
TOTAL	32369	14614
SCHEDULE 3 - CASH & BANK BALANCES		
a) Bank of Baroda - Current Account	11995	22627
b) Bank of Baroda - Fixed Deposit Account	523273	494196
TOTAL	535268	516823



SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2008 (Contd...)

(Amount in Rupees)

	As at 31.03.2008	As at 31.03.2007
SCHEDULE 4 - LOANS & ADVANCES		
Advance Income Tax/TDS	21725	13726
TOTAL	21725	13726
SCHEDULE 5 - OTHER CURRENT ASSETS		
Interest Accrued on FD with Bank (Net of TDS)	8239	6483
TOTAL	8239	6483
SCHEDULE 6 - CURRENT LIABILITIES		
Expenses payable	14618	12112
TOTAL	14618	12112
SCHEDULE 7 - PROVISIONS		
Provision for taxation	18045	10106
TOTAL	18045	10106

SCHEDULE 8 - SIGNIFICANT 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 2007-2008.
- 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.
Summary of transactions with the related parties is as follows :

	Holding Company
Other Charges	1,020
(Previous year	Nil)
- There are no deferred tax assets/liabilities during the year.
- Interest Income on Fixed Deposits includes tax deducted at source of Rs.7,999/-(Previous year Rs.6,651/-).
- Previous year figures have been regrouped/rearranged wherever necessary to facilitate comparison.
- Schedule 1 to 8 form an integral part of the Balance Sheet and the Profit and Loss Account.

As per our report of even date

For **Agawal & Associates**
Chartered Accountants
V.K. Gupta
Partner
20th May, 2008
New Delhi

For and on behalf of the Board

Tej Bhan Gupta
Director

S.K. Agarwal
Director

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration details:			
Registration No.	12963	State Code	20
CIN - U67120UP1991PTC012963		Balance Sheet date	31-03-2008
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	: 532	Total Assets	: 532
Sources of funds		Application of funds	
Paid-up Capital	: 500	Net Fixed Assets	: Nil
Reserves & Surplus	: 32	Investments	: Nil
Secured Loans	: -	Net Current Assets	: 532
Unsecured Loans	: -	Miscellaneous Expenditure	: Nil
		Accumulated Losses	: Nil
IV. Performance of Company (Amount in Rs.'000)			
Turnover	: 39	Total Expenditure	: 13
Profit/(Loss) before tax	: 26	Profit/(Loss) after tax	: 18
Earnings per share in Rs	: 0.35	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 13th Annual Report of your Company together with the Balance Sheet as at 31st March, 2008 and Profit and Loss Account for the year ended on that date.

Financial Results

The Company has incurred a loss of Rs. 1,023/- on account of administrative expenses incurred. No income was generated during the year under review. 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 an 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 making all efforts to identify suitable activity for operation keeping in view the means available. Accordingly the Company is being viewed as a going concern and the accounts have been prepared on the basis of 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 K. K. Soni, and Shri Anurag Bhatnagar - Directors shall be retiring by rotation at the ensuing Annual General Meeting and being eligible have offered themselves for reappointment. Your Directors recommend their reappointment in order to have their 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, 2008, the applicable accounting standards have been followed.
- 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, 2008 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 Registered Office of the Company shall be shifted from C-489 Defence Colony, New Delhi-110024 to Building No.13, Raja Dheer Sen Marg, 2nd Floor, Sant Nagar, New Delhi-110065 with effect from 12th June, 2008 pursuant to Board's decision to this effect on 23rd May, 2008. 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
Date : 23.05.2008
K. K. Soni
Director
Anurag Bhatnagar
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, 2008, and the annexed Profit & Loss Account and Cash Flow Statement 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, 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, 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, 2008 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, 2008; 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
Membership Number:-10412

Place: New Delhi
Date: 23-05-08

BALANCE SHEET AS AT 31st March, 2008

(Amount in Rs.)

	Sch. No.	As At March 31, 2008	As At March 31, 2007
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	9,15,871
TOTAL		16,22,871	16,22,871
II. APPLICATION OF FUNDS			
1. Current assets, loans & Advances			
a) Cash and Bank Balances	3	19,524	20,547
Less: Current Liabilities & Provisions			
a) Current Liabilities	4	5,431	5,431
Net Current Assets		14,093	15,116
2. Profit & Loss Account		16,08,778	16,07,755
TOTAL		16,22,871	16,22,871

NOTES ON ACCOUNTS

As our report of even date for V. Sankar Aiyar & Co. (Chartered Accountants) For and on behalf of the Board

V. Rethinam S.C. Agarwal S.K. Agarwal
Partner Director Director
M. No. 10412

Date : May 23, 2008
Place : New Delhi

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON 31st March, 2008

(Amount in Rs.)

	Sch. No.	As on 31-Mar-08	As on 31-Mar-07
INCOME			
Total		-	-
EXPENDITURE			
Administrative & Other expenses	5	1,023	2,155
Total		1,023	2,155
Loss for the year		(1,023)	(2,155)
Add: Loss B/F		(1,607,755)	-1605600
Balance carried to balance sheet		(1,608,778)	(1,607,755)

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 S.C. Agarwal S.K. Agarwal
Partner Director Director
M. No. 10412

Date : May 23, 2008
Place : New Delhi

SCHEDULES TO BALANCE SHEET AS AT 31st March, 2008

(Amount in Rs.)

	As at 31/03/2008	As at 31/03/2007
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 Shares 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. 9,155,11)	915,511	915,511
From Directors	360	360
	915,871	915,871
3 CURRENT ASSETS, LOANS & ADVANCES		
Balance with Scheduled Bank in Current A/c	19,524	20,547
	19,524	20,547
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, 2008

(Amount in Rs.)

	For the year ended 31-03-2008	For the year ended 31-03-2007
5 ADMINISTRATIVE AND OTHER EXPENSES		
Filing Charges	1,020	1,530
Audit Fee	-	-
Bank Charges	3	125
Legal Fee	-	500
	1,023	2,155

SCHEDULE 6 – NOTES ON ACCOUNTS

1. Significant accounting policies:

- General**
The accompanying financial statements have been prepared on the historical cost convention and confirm to the statutory provisions and practices prevailing in the country.
- Method of Accounting**
The company is following accrual basis of accounting.
- Deferred Tax Liability/ Deferred Tax Asset**
There is no deferred tax assets/liability of the company during the year.
- 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, 2008	As on 31 st March, 2007
Holding Company	Opening Balance	9,15,511	9,05,511
	Loan Received	Nil	10,000
	Closing Balance	9,15,511	9,15,511

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

S. No.	Particulars	Year Ended 31 st March 2008	Year Ended 31 st March 2007
1.	Net Profit/(Loss) after Tax	(1,023)	(2,155)
2.	Weighted Average number of Equity Shares	70,700	70,700
3.	Face value per Share	10	10
4.	Basic & Diluted Earning Per Share	(0.014)	(0.03)

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 per our report of even date for V. Sankar Aiyar & Co. (Chartered Accountants) For and on behalf of the Board

V. Rethinam S.K. Agarwal S.C. Agarwal
Partner Director Director
Date : May 23, 2008
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	31-03-2008		
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	14	Misc. Expenditure	-
Accumulated Losses	1,609		

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

Turnover	0	Total Expenditure	1
Profit/Loss Before Tax	-1	Profit/Loss after Tax	-1
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 per our report of even date
for V. Sankar Aiyar & Co.
 (Chartered Accountants)

For and on behalf of the Board

V. Rethinam	S.K. Agarwal	S.C. Agarwal
M. No. 10412	Director	Director
Partner		

Date : May 23, 2008
 Place : New Delhi

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st March, 2008

	Year Ended 31/03/2008	Year ended 31/03/2007
A. Cash Flow from operating activities		
Net Profit before Tax	(1023)	(2155)
Adjustment for :-		
Operating Profit before working capital changes	(1023)	(2155)
Increase / (Decrease) in trade payables & Others	0	-
Cash Generated from Operations	(1023)	(2155)
<i>Net Cash From Operating Activities</i>	(1023)	(2155)
B. Cash Flow from investing activities		
Net Profit/Loss on sale of Investments	0	0
<i>Net Cash From Investing Activities</i>	0	0
C. Cash Flow From Financing activities		
Proceeds from borrowings	0	10000
<i>Net Cash From Financing Activities</i>	0	10000
Net increase/(Decrease) in Cash & Cash Equivalents (A+B+C)	(1023)	7845
D. Cash & Cash Equivalents at the beginning of the Year	20547	12702
E. Cash & Cash Equivalents at the end of the year	19524	20547
Increase in Cash & Cash Equivalents (D-E)	(1023)	7845

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

For & on behalf of Board of Directors

(V. Rethinam)	S.C. Agarwal	S.K. Agarwal
M. No. 10412	Director	Director
Partner		

Date : May 23, 2008
 Place : New Delhi

VLS INVESTMENTS INC.

DIRECTORS' REPORT TO THE MEMBERS

Your Directors present the 4th Annual Report of your Company, together with the audited Balance Sheet and the Profit and Loss Account for the year ended on 31.12.2007.

FINANCIAL RESULTS

During the year under review, a net profit of 149 USD was recorded. There was a surplus of 1034USD brought forward from the previous year and thus the profit available for appropriation aggregated to 1183 USD. 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.

The Company could not liquidate any of the investments during the year under review and thus no remittance was made to VLS Finance Ltd., the holding company. However, all efforts are being made to liquidate the investments at the earlier as advised by the holding Company.

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	S. K. Agarwal	Rajesh Jhalani
Date : 10/03/2008	Director	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, 2007 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, 2007, 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.

Place: New Delhi
 Dated: 10th March, 2008

A. Mehta	A. Mehta
Certified Public Accountant	Certified Public Accountant

Balance Sheet as at December 31, 2007 (expressed in USD)

	Notes	2007	2006
Assets:			
Current Assets:			
Financial Assets (Shares/Securities)	3	128,525	128,525
Cash at Bank		10,369	10,081
Formation Expenses	2	39	79
(To the extent not written off/adjusted)			
		<u>138,933</u>	<u>138,685</u>
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	135,952
Accrued expenses		798	698
Total Current Liabilities		<u>136,750</u>	<u>136,650</u>
Accumulated Profit		1,183	1,034
		<u>138,933</u>	<u>138,685</u>

Date : 10th March, 2008
 Place : New Delhi

For and on behalf of Board

S.K. Agarwal	Rajesh Jhalani
Director	Director

A. Mehta
 Certified Public Accountant

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

Profit and Loss Account for the year ended December 31, 2007 (expressed in USD)

	Notes	2007	2006
Revenues:			
Interest Income		340	953
		<u>340</u>	<u>953</u>
Expenses:			
Bank Interest		-	56
Formation Expenses written off		40	40
Audit charges		100	100
Federal Tax		51	143
		<u>191</u>	<u>339</u>
Profit/(Loss) for the year		149	614
Add: Brought forward Profit		1,034	420
Profit/(Loss) available for appropriation		<u>1,183</u>	<u>1,034</u>

For and on behalf of Board

Date : 10th March, 2008	S.K. Agarwal	Rajesh Jhalani
Place : New Delhi	Director	Director

A. Mehta
 Certified Public Accountant

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

Notes to the annual accounts December 31, 2007
(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 01.01.2007 to 31.12.2007.

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 the reported 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)	
	2007	2006
Wirex Communication Inc. (1200 shares)	128,525	128,525
	<u>128,525</u>	<u>128,525</u>

4. Subscribed capital

The subscribed capital is US\$ 1,000 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)	
	2007	2006
Amount due to VLS Finance Ltd., the holding company	135,952	135,952
	<u>135,952</u>	<u>135,952</u>

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

Date : 10th March, 2008

Place : New Delhi

For and on behalf of 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, 2008 and VLS Investments Inc., Delaware, U.S.A. as at 31st December, 2007 along with its unaudited financial statement for the period from 01.01.2008 to 31.03.2008, 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, 2008 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, 2008 whose financial statement reflect total assets of Rs. 55,53,831/- as at 31st March, 2008 and total revenues of Rs.10,392/- 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 2008;
- 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

(P.C.Agiwal)

Partner

(M.No. – 80475)

Place: New Delhi
Date: 30th May 2008

CONSOLIDATED BALANCE SHEET AS AT 31st MARCH, 2008

	Sch. No.	(Amount in Rs.)	
		As at 31st March, 2008	As at 31st March, 2007
I. SOURCES OF FUNDS			
1. a) Capital	1	39,91,72,250	39,91,72,250
b) Reserves & Surplus	2	137,78,04,934	122,58,16,986
2. Minority Interests			
a) Capital		6,000	6,000
b) Reserves & Surplus			
Opening		(13,645)	(13,627)
Add: For the Year		(9)	(18)
		<u>(13,654)</u>	<u>(13,645)</u>
3. Loan Funds			
Unsecured Loans	3	1,33,06,948	1,33,06,948
		<u>179,02,76,478</u>	<u>163,82,88,539</u>
Total Sources			
		<u>179,02,76,478</u>	<u>163,82,88,539</u>
II. APPLICATION OF FUNDS			
4. Fixed Assets			
a) Gross Block	4	133,79,27,550	138,25,36,288
b) Less: Depreciation		122,65,95,635	128,19,94,610
c) Net Block		11,13,31,915	10,05,41,678
5. Investments (At cost)	5	96,60,78,174	58,00,80,910
6. A. Current Assets, Loans & Advances			
a) Share stock in trade	6	2,45,60,905	3,33,74,044
b) Stock on Hire	7	6,13,390	8,80,281
c) Sundry Debtors	8	1,15,80,921	10,32,959
d) Cash & Bank Balances	9	1,50,21,243	95,97,121
e) Other Current Assets	10	44,29,21,958	32,99,90,898
f) Loans and Advances	11	23,07,99,967	57,21,46,751
		<u>72,54,98,384</u>	<u>94,70,22,054</u>
B. Less: Current Liabilities & Provisions			
a) Liabilities	12	97,79,534	28,87,949
b) Provisions	13	4,00,51,579	2,28,36,929
		<u>4,98,31,113</u>	<u>2,57,24,878</u>
Net Current Assets		<u>67,56,67,271</u>	<u>92,12,97,176</u>
7. Deferred Tax Assets		3,71,97,273	3,63,31,831
8. Miscellaneous Expenditure (To the extent not written-off or adjusted)	14	1,845	36,944
Total Deployments		<u>179,02,76,478</u>	<u>163,82,88,539</u>
Significant Accounting Policies and Notes on Accounts	20		

As per our report of even date

For Agiwal & Associates

Chartered Accountants

For and on behalf of the Board

P.C. Agiwal
Partner

S.K. Agarwal
Managing Director

Tej Bhan Gupta
Executive Vice-Chariman

B.M. Oza
Director

H.Consul
Company Secretary

May 30th, 2008
New Delhi


CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2008		(Amount in Rs.)	
	Sch. No.	For the year ended on 31st March, 2008	For the year ended 31st March, 2007
INCOME			
Sale of Shares/Securities/Commodities		1944,12,56,483	2431,24,26,109
Income from Operations	15	11,95,57,724	4,62,26,507
Income from Investments		6,81,18,016	3,57,69,926
Other Income		14,81,642	13,28,130
Increase/(Decrease) in stock of shares	19	(8,813,139)	2,20,74,310
Total (A)		1962,16,00,726	2441,78,24,982
EXPENDITURE			
Purchase of Shares/Securities/Commodities		1942,18,28,992	2428,27,70,600
Interest & Finance Charges	16	7,770	10,003
Administrative & Other Expenses	17	2,88,87,033	2,42,95,486
Employees' Cost	18	1,16,19,954	86,29,568
Depreciation	4	48,15,573	52,24,589
Miscellaneous Expenditure Written-off	14	35,099	35,197
Total (B)		1946,71,94,421	2432,09,65,443
PROFIT BEFORE ADJUSTMENTS			
		15,44,06,305	9,68,59,539
Add :Bad Debts Recovery		25,00,000	56,01,296
Provision for diminution in value of Investments written back		1,00,00,000	0
Provision for Non Performing Assets written back (Net)		12,71,593	18,86,218
PROFIT BEFORE TAX			
		16,81,77,898	10,43,47,053
Less: Provision for Taxation :			
Current Tax/MAT		1,66,97,950	1,12,20,062
Fringe Benefit Tax		3,47,000	3,05,949
(Add)/Less: Deferred Tax		(865,442)	21,78,585
PROFIT AFTER TAX			
		15,19,98,390	9,06,42,457
Less: Minority Interest		9	18
Deficit brought forward from previous year		1,23,85,886	2,21,18,265
Prior year adjustments		10,433	65,400
Add: Statutory Reserve -Excess Provision written back		34,36,416	0
PROFIT AVAILABLE FOR APPROPRIATIONS			
		14,30,38,478	6,84,58,774
APPROPRIATED TO:			
Statutory Reserve u/s 45 IC of the RBI Act, 1934		3,01,81,074	2,08,44,660
Transfer to General Reserve		10,00,00,000	6,00,00,000
SURPLUS/(DEFICIT) CARRIED TO BALANCE SHEET			
		1,28,57,404	(12,385,886)
EARNING PER SHARE (Refer Note No.10 in Schedule 20)			
Basic and Diluted Earning per Share (Rs.)		3.82	2.28
Face Value per Share (Rs.)		10.00	10.00
Significant Accounting Policies and Notes on Accounts			
As per our report of even date.			
For Agiwal & Associates			
Chartered Accountants		For and on behalf of the Board	
P.C. Agiwal			
Partner			
May 30th, 2008	S.K. Agarwal	Tej Bhan Gupta	B.M. Oza
New Delhi	Managing Director	Executive Vice-Chairman	Director
			H. Consul Company Secretary

SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 31st March, 2008

(Amount in Rs.)		
	As at 31st March, 2008	As at 31st March, 2007
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
	<u>39,91,72,250</u>	<u>39,91,72,250</u>
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	19,68,83,932	13,68,83,932	
Less: Transfer to Profit and Loss A/c	0	0	
	19,68,83,932	13,68,83,932	
Add : Transfer from Profit and Loss A/c	10,00,00,000	6,00,00,000	
Total (a)	<u>29,68,83,932</u>	<u>19,68,83,932</u>	
b) STATUTORY RESERVE			
As per last Balance Sheet	5,63,10,361	3,54,65,701	
Less Excess Provision of earlier years transferred to P/L account	34,36,416	0	
Add: Transfer from P/L account for the year	3,01,81,074	2,08,44,660	
Total (b)	<u>8,30,55,019</u>	<u>5,63,10,361</u>	
c) SECURITY PREMIUM ACCOUNT			
As per last Balance Sheet	96,78,46,235	96,78,46,235	
Total (c)	<u>96,78,46,235</u>	<u>96,78,46,235</u>	
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	(12,385,886)	(22,118,265)	
Less: Transfer to Profit & Loss Account	(12,385,886)	(22,118,265)	
	0	0	
Add: Transfer from Profit & Loss Account	(1,28,57,404)	(12,385,886)	
Total (d)	<u>(1,28,57,404)</u>	<u>(12,385,886)</u>	
e) CAPITAL RESERVE			
	1,71,62,344	1,71,62,344	
Grand Total (a) to (e)	<u>137,78,04,934</u>	<u>122,58,16,986</u>	
SCHEDULE 3 UNSECURED LOANS			
a) Adjustable deposits	1,33,06,588	1,33,06,588	
b) Loan from Directors	360	360	
Total (a+b)	<u>1,33,06,948</u>	<u>1,33,06,948</u>	



CONSOLIDATED FINANCIAL STATEMENTS

SCHEDULE TO CONSOLIDATED BALANCE SHEET AS AT 31st March, 2008 (Contd.)

SCHEDULE 6 SHARE STOCK IN TRADE

(At Cost or market price, whichever is lower) (Amount in Rs.)

Name of the Company	As on 31.03.2008		As on 31.03.2007	
	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	1
INTERCRAFT LTD	29,000	1	29,000	1
KOTHARI PRODUCTS LTD	10	3,903	10	3,903
SOUTH ASIAN ENTERPRISES LTD	17,11,289	2,45,56,997	17,11,289	3,33,70,136
SWEDE INDIA LTD	200	1	200	1
Total	20,26,199	2,45,60,905	20,26,199	3,33,74,044

(Amount in Rs.)

As at 31st March, 2008 As at 31st March, 2007

SCHEDULE 7 STOCK ON HIRE

Disbursed Value less capital repayments matured (Secured)	7,32,579	8,80,281
Less: Provision for Non-performing Assets	1,19,189	0
Total	6,13,390	8,80,281

SCHEDULE 8 SUNDRY DEBTORS

a) Instalments Receivable (Unsecured)		
Considered Good		
1. Due for more than six months	68,69,212	67,21,510
2. Others	0	0
	68,69,212	67,21,510
Less: Provision for Non-performing Assets	68,69,212	66,69,994
Total (a)	0	51,516
b) Dues from Share Brokers		
Considered Good		
1. Due for more than six months	0	0
2. Others	1,15,80,921	9,81,443
	1,15,80,921	9,81,443
Less: Provision for Non-performing Assets	0	0
Total (b)	1,15,80,921	9,81,443
Total (a+b)	1,15,80,921	10,32,959

SCHEDULE 9 CASH & BANK BALANCES

a) Cash on Hand	15,71,976	6,96,574
b) Balances with scheduled banks		
1. In Current Accounts	50,41,729	70,36,135
2. In Deposit Accounts	84,07,538	18,64,412
Total (a+b)	1,50,21,243	95,97,121

SCHEDULE 10 OTHER CURRENT ASSETS

a) Interest Accrued but not due	53,998	82,261
b) Security Deposits	79,85,524	80,35,727
c) Margin Money with share brokers	35,92,00,000	24,48,00,000
d) Other Receivable	5,97,494	2,23,64,170
Less: Provision for Non-performing Assets	5,00,000	27,00,000
	97,494	1,96,64,170
e) Advance Tax Paid	7,55,84,942	5,74,08,740
Total (a+b+c+d+e)	44,29,21,958	32,99,90,898

SCHEDULE 11 LOANS AND ADVANCES

(Unsecured, considered good unless otherwise specified)		
a) Short term Loans and Advances	11,41,57,708	11,45,72,123
Less: Provision for Non-performing Assets	3,40,81,701	3,40,81,701
	8,00,76,007	8,04,90,422
b) Advances Recoverable in cash or in kind or for value to be received	15,68,29,111	49,71,51,480
Less: Provision for Non-performing Assets	61,05,151	54,95,151
	15,07,23,960	49,16,56,329
Total (a+b)	23,07,99,967	57,21,46,751

SCHEDULES TO CONSOLIDATED PROFIT & LOSS ACCOUNT

(Amount in Rs.) for the year ended 31st March 2008 for the year ended 31st March 2007

SCHEDULE 12 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	13,58,425	23,56,582
b) Other Liabilities	83,69,604	3,11,112
c) Payable to Share Brokers	51,505	2,20,255
Total (a+b+c)	97,79,534	28,87,949

SCHEDULE 13 PROVISIONS

a) Provision for Taxation		
Balance B/fd	2,17,39,850	1,05,19,788
Add: Provision for the year	1,66,97,950	1,12,20,062
Total (a)	3,84,37,800	2,17,39,850
b) Provision for Fringe Benefit Tax		
Balance B/fd	6,50,528	3,44,579
Add: Provision for the year	3,47,000	3,05,949
Total (b)	9,97,528	6,50,528
c) Provision for Leave encashment		
Balance B/fd	4,46,551	3,51,487
Add: Provision for the year	1,69,700	95,064
Total (c)	6,16,251	4,46,551
Total (a+b+c)	4,00,51,579	2,28,36,929

SCHEDULES TO CONSOLIDATED PROFIT & LOSS ACCOUNT (Contd...)

SCHEDULE 14 MISCELLANEOUS EXPENDITURE

(To the extent not written off or adjusted)		
(a) Share Issue Expenses		
Balance B/fd.	33,500	67,000
Less: Written off to Profit & Loss Account	33,500	33,500
Total (a)	0	33,500
(b) Preliminary Expenses		
Balance B/fd.	3,444	5,141
Less: Written off to Profit & Loss Account	1,599	1,697
Total (b)	1,845	3,444
Total (a+b)	1,845	36,944

SCHEDULE 15 INCOME FROM OPERATIONS

Income from Hire Purchase Financing	0	64,639
Income from other Credit Operations	11,95,57,724	4,61,61,868
Total	11,95,57,724	4,62,26,507

SCHEDULE 16 INTEREST & FINANCE CHARGES

Bank / Finance Charges	7,770	10,003
Total	7,770	10,003

SCHEDULE 17 ADMINISTRATIVE & OTHER EXPENSES

Advertisement & Business Promotion	15,98,181	6,68,267
Consultancy, Legal & Service Charges	1,24,27,319	89,66,456
Communication Expenses	12,06,780	10,47,226
Electricity & Water Charges	5,50,853	6,24,832
Insurance	73,241	83,419
Office Expenses	15,76,583	12,87,458
Securities Transaction Tax	36,13,289	40,19,369
Shares Transaction Charges	2,63,813	2,62,410
Travelling Expenses & Conveyance	16,48,518	16,10,017
Rates & Taxes	11,41,839	14,70,762
Rent	89,000	2,45,000
Repairs & Maintenance		
—Building	1,61,284	1,22,115
—Others	19,08,522	21,57,068
Miscellaneous Expenses	13,83,041	10,00,739
Auditors' Remuneration		
a) Audit Fees	1,38,912	1,18,231
b) For Other Services		
—For Tax audit	50,562	51,324
—For certification	1,29,508	1,07,306
—Out of pocket expenses	50,643	47,781
Internal Auditors' Remuneration		
—Fees	70,000	61,836
—Out of pocket expenses	8,000	8,000
Directors' Sitting Fees	3,19,000	2,39,000
Loss on sale/transfer of fixed assets	2,69,236	1,596
SEBI Membership Fee	0	25,000
SEBI Turnover fee	0	0
NSE Capital Market Subscription	1,00,000	0
Transaction and Other NSE charges	37,193	22,845
Brokers Stamp Duty	71,716	47,429
Total	2,88,87,033	2,42,95,486

SCHEDULE 18 EMPLOYEES' COST

Salaries	97,16,410	73,62,710
Staff Amenities	4,44,043	4,54,484
Employer's Contribution to PF, ESI, Gratuity Fund etc.	14,59,501	8,12,374
Total	1,16,19,954	86,29,568

SCHEDULE 19 INCREASE/(DECREASE) IN STOCK OF SHARES

Closing Stock of Shares	2,45,60,905	3,33,74,044
Less: Opening Stock of Shares	3,33,74,044	1,12,99,734
Net Increase/(Decrease) in Stock of Shares	(8,813,139)	2,20,74,310

SCHEDULE: 20 Significant Accounting Policies and Consolidated Notes on Accounts for the year ended on 31st March 2008

I. SIGNIFICANT ACCOUNTING POLICIES: -

A. PRINCIPLES OF CONSOLIDATION

The financial statements relate to VLS Finance Ltd. (the Company) and its subsidiary companies. The consolidated 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 year end are dealt with in the profit and loss account.

CONSOLIDATED FINANCIAL STATEMENTS

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. 1,416/- (Previous Year Rs.1,516/-).
 - Brokers' Stamps of Rs. 21,572/- (Previous year Rs.3,288/-)
 - Bank Deposits include fixed deposits of Rs.11,84,265/- (Previous Year – Rs.11,07,726) 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 01.04.2007		Purchases		Sales		Closing Stock in trade as on 31.03.2008	
	Qty.*	Value Rs	Qty.*	Value Rs	Qty.*	Value Rs	Qty.*	Value Rs
Item Traded								
Shares	2026199	33374044	19438129	18828950359	19438129	18844956287	2026199	24560905
(Previous year)	2112099	11299734	25198789	24282770600	25284689	24312426109	2026199	33374044
Commodities	Nil	Nil	48028	592878634	48028	596300196	Nil	Nil
(Previous year)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

* Quantity of Shares is in nos. and of Commodities is in lots.

- 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.)
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
Purchase of Securities	45,00,000 (Previous Year :Nil)		
Rent Paid			89,000 (Previous year Rs. 2,40,000)
Remuneration to Managing Director and Executive Vice-Chairman		19,53,449 (Previous year Rs.13,18,257)	

- Deferred Tax Assets are net of deferred tax liabilities of Rs. 3,54,98,679/- (Previous year Rs.1,81,04,016/-). 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.3,54,98,679/- (Previous year Rs. 1,81,04,016)
Accumulated Losses	Rs. 7,24,86,488/- (Previous year Rs. 5,42,84,794)	Rs. Nil (Previous year Rs. Nil)
Leave Encashment	Rs. 2,09,464/- (Previous year Rs.1,51,053)	Rs. Nil (Previous year Rs. Nil)
Total	Rs. 7,26,95,952/- (Previous year Rs. 5,44,35,847)	Rs. 3,54,98,679/- (Previous year Rs. 1,81,04,016)

9. Managerial Remuneration

Particulars	Paid to Shri T.B. Gupta	Paid to Shri S.K. Agarwal
Remuneration	Rs.3,61,608 (Previous Year – Rs.3,21,432/-)	Rs11,08,000 (Previous Year – Rs. 5,40,000)
Perquisites	Rs.1,19,044 Previous Year – Rs.94,537/-)	Rs.3,64,797 Previous Year – Rs. 3,62,288)

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, 2008	31 st March, 2007
Basic and Diluted		
Total Shares Outstanding	3,97,95,000	3,97,95,000
Profit after Taxes	Rs. 15,19,98,390	Rs. 9,06,42,457
EPS	Rs. 3.82	Rs. 2.28

- The Company has made the provision for Taxation / MAT payable under the Income Tax Act, 1961 of Rs.1,66,97,950 (Previous year Rs. 1,12,20,062/-). Out of this Rs. 1,66,55,511 (Previous year Rs. 1,12,14,537) relates to VLS Finance Ltd.; Rs. 34,500 (Previous year Rs. Nil) relates to VLS Securities Ltd. and Rs 7,939 (Previous year Rs.5,525/-) relates to VLS Investments Ltd.
- The Holding Company being a Non-Banking Financial Company is mainly engaged in finance business including dealings through Stock and Commodity Exchanges. As all activities of the Company are covered under finance business; there are no separate segments for reporting as per the Accounting Standard AS-17 issued by The Institute of Chartered Accountants of India.
- Income from investments includes:

	Current Year (Rs.)	Previous Year (Rs.)
Dividend Income (Gross)	28,80,359	44,59,910
Interest on Debentures and Bonds (Gross)	12,000	12,000
Tax Deducted at Source	Nil	Nil

- Interest Receipts (Gross) of Rs.6,66,99,261/- (Previous Year Rs.3,67,32,251) grouped under Income from Operations includes Tax Deducted at Source of Rs. 1,50,28,341/- (Previous Year Rs. 86,44,237).
- Expenditure in Foreign Exchange:-Foreign Travel Expenses in respect to VLS Finance Ltd. Rs. 85,567/- (Previous year Rs. 99,826) and Other Rs.55,624/- (Previous Year Nil).
- Margin Money with Share Brokers shown under the Schedule 10: Other Current Assets – includes Rs. 2,50,00,000/- in respect to VLS Securities Ltd is given in the form of fixed deposits.
- Recovery of Bad Debts of Rs. 25,00,000/- (Previous year :Rs.56,01,296) is net of Bad Debts written off of Rs. Nil (Previous year :Rs.17,52,000) of VLS Finance Ltd and Rs. Nil (Previous year : Rs.24,18,893) of VLS Securities Ltd.
- 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 31.03.2008
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

- 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 31.12.2007 and unaudited financial statement for the period 01.01.2008 to 31.03.2008 have been considered.
- Disclosure under The Micro, Small and Medium Enterprises development Act, 2006 is applicable in respect of those parties which are registered under the Act. On the basis of information made available to the Company of such registration, there is no amount outstanding to such parties at the year end.
- Outstanding derivatives contracts in case of VLS Finance Ltd. at the year end are of Rs.15,33,190/-. The loss on these derivatives have been provided for.
- Total Income from operations shown above includes Rs.5,27,72,523/- from sale of one of the properties which was earlier given on lease.
- In respect of office premises acquired during the year for which possession has already been taken by VLS Finance Ltd. the registration formalities are yet to take place.
- Previous year figures have been regrouped/rearranged wherever necessary.
- Schedules from 1 to 20 form an integral part of accounts.

As per our report of even date

For Agiwal & Associates

Chartered Accountants

P.C. Agiwal

Partner

May 30th, 2008

New Delhi

For and on behalf of the Board

Tej Bhan Gupta

Exe. Vice-Chairman

H. Consul

Company Secretary

B.M. Oza

Director

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 31ST MARCH, 2008

Rs. lacs

PARTICULARS	For the Year ended 31.03.2008	For the Year ended 31.03.2007
A CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax and Extraordinary Items	1681.78	1043.47
Add		
Interest & Finance Charges	0.08	0.10
Depreciation	48.16	52.25
Provision for Leave encashment	1.70	0.95
Miscellaneous Expenditure written off	0.35	0.35
	1732.07	1097.12
Less Income from Investments	681.18	357.70
Income from sale of property	527.72	-
Provision for diminution in value of investments	100.00	-
Provision for Non Performing assets	12.72	18.86
	1,321.62	376.56
Operating Profit before Working Capital Changes	410.45	720.56
Changes in Working Capital		
Trade & Other Receivables	2,196.64	(2924.16)
Inventories	88.13	(220.74)
Trade & Other Payables	68.92	(49.96)
Cash generated from operations	2,764.14	(2474.30)
Less:		
Interest Paid	0.08	0.10
Cash flow before extraordinary items	2,764.06	(2474.40)
Extraordinary Items	0.00	0.00
Net Cash Flow from Operating Activities (A)	2,764.06	(2474.40)
B CASH FLOW FROM INVESTING ACTIVITIES		
Net Deployment in Fixed Assets	368.97	(5.35)
Net Proceeds from investments	(3759.97)	2113.75
Income from Investments	681.18	357.70
Net Cash used in Investing Activities (B)	(2709.82)	2466.10
C CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Long Term Borrowings	0.00	1.25
Net Cash Flow from Financing Activities (C)	0.00	1.25
Net Increase/ (Decrease) in Cash & Cash Equivalents (A+B+C)	54.24	(7.05)
Cash & Cash Equivalents (Opening)	95.97	103.02
Cash & Cash Equivalents (Closing)	150.21	95.97

Note : Cash & Cash Equivalents (Closing) includes deposits with banks amounting to Rs. 11.84 lacs (Previous year Rs. 11.08 Lacs), which are pledged with them as security for overdraft facility.

As per our report of even date

For Agiwal & Associates

Chartered Accountants

P.C. Agiwal

Partner

May 30th, 2008

New Delhi

For and on behalf of the Board

Tej Bhan Gupta

Executive Vice-Chairman

H. Consul

Company Secretary

B.M. Oza

Director

NOTICE

**21st 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 3.00 P.M.
on Tuesday,
the 30th day of September, 2008

SHARE TRANSFER & INVESTOR SERVICES

M/s RCMC Share Registry Pvt. Ltd.
Unit: VLS Finance Ltd.
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 Somesh Mehrotra	
Shri N.C. Sundararajan	
Shri M.G. Diwan	
Shri A.K. Puri	
Dr. S. Ramesh	
Shri B.M. Oza	
Shri Gian Vijeshwar	
Shri Rakesh Babbar	

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.

Members are requested to take note of new address of Registered Office of the Company as well as that of R&T agent for share transfer & investor related services.

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.

2nd Floor, 13, Sant Nagar, East of Kailash, New Delhi-110 065

ATTENDANCE CARD TWENTY FIRST ANNUAL GENERAL MEETING Tuesday, the 30th Day of September, 2008

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

I hereby record my presence at the 21st 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 03.00 P.M. ON **TUESDAY, the 30th DAY OF SEPTEMBER, 2008.**

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.

2nd Floor, 13, Sant Nagar, East of Kailash, New Delhi-110 065

FORM OF PROXY

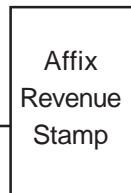
I/We _____
of _____ being a member/members of
VLS FINANCE LIMITED hereby appoint _____
of _____ or failing him _____
of _____ or failing him _____
of _____ as my/our proxy to vote for me/us and on my/our behalf
at the 21st Annual General Meeting of the Company to be held on Tuesday, the 30th Day of September, 2008 at
03.00 P.M. and at any adjournment thereof.

Dated this _____ day of _____ 2008.

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.