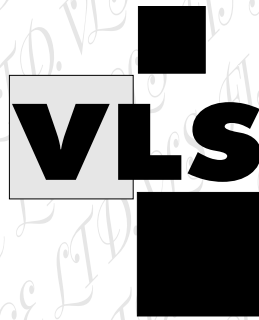


XXIII ANNUAL REPORT 2009-2010



VLS FINANCE LTD.

**Registered Office :
2nd Floor, 13, Sant Nagar,
East of Kailash, New Delhi-110 065
Phone : 011-46656666 Fax : 011-46656699**

NOTICE

**23rd ANNUAL GENERAL MEETING OF
MEMBERS OF THE COMPANY
WILL BE HELD AT**

The Auditorium, Sri Sathya Sai International Centre,
Institutional Area, Lodhi Road
Pragati Vihar, New Delhi - 110 003
**at 3.30 P.M.
on Tuesday,
the 21st day of September, 2010**

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 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 B.B. Tandon
Shri Gian Vijeshwar

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 present 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.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 23rd Annual General Meeting of the Members of **VLS FINANCE LTD.** will be held at The Auditorium, Sri Sathya Sai International Centre, Institutional Area, Lodhi Road, Pragati Vihar, New Delhi-110003, on Tuesday, 21st day of September, 2010 at 3:30 P.M. to transact the following business:-

ORDINARY BUSINESS:

- To receive, consider and adopt the audited Balance Sheet of the Company as at 31st March, 2010, the Profit & Loss Account for the year ended on that date and the consolidated Financial Statements for the said period together with the Report of Auditors and Directors thereon.
- To appoint a Director in place of Shri Ajit Kumar who retires by rotation and being eligible, offers himself for re-appointment.
- To appoint a Director in place of Shri B. M. Oza who retires by rotation and being eligible, offers himself for re-appointment.
- To appoint a Director in place of Dr. S. Ramesh who retires by rotation and being eligible, offers himself for re-appointment.
- To appoint the Auditors and to fix their remuneration and in this connection to consider and if thought fit, to pass following resolution, with or without modification(s), as an **Ordinary Resolution:**

"RESOLVED THAT pursuant to the provisions of Section 224 and other applicable provisions of the Companies Act, 1956 M/s. Agiwal & Associates, Chartered Accountants, (Firm's Regn. No.000181N) the present Statutory Auditors of the Company be and are hereby appointed as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting to the conclusion of next Annual General Meeting of the Company and at such remuneration as may be determined by the Board of Directors of the Company / Committee of the Board and that the remuneration may be paid on a progressive billing basis if so agreed between the Auditors and Audit Committee or such other officer of Company as may be authorised by the Audit Committee/ Board."

SPECIAL BUSINESS:

- Approval of Reappointment of Shri S. K. Agarwal as Managing Director.**

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

"RESOLVED THAT pursuant to the provisions of Section 316 and Section 269 read with schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and pursuant to Article No.108 of the Articles of Association of the Company, consent of the Company be and is hereby accorded for reappointment of Shri S. K. Agarwal who is also Managing Director of VLS Securities Ltd., as Managing Director of Company for a period of three years w.e.f. 21st August, 2010 (i.e. from 21/08/2010 to 20/08/2013) on such remuneration as set out in explanatory statement annexed to this notice and on such other terms and conditions as are expressed and contained in the agreement entered into for this purpose between the Company and the Managing Director.

RESOLVED FURTHER THAT the revision in remuneration of Shri S. K. Agarwal Managing Director effective from 1st April, 2010 be and is also hereby approved as set out in explanatory statement annexed to this notice.

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

- Approval of increase in authorised share capital of the Company.**

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

"RESOLVED THAT pursuant to Section 94(1)(a) and any other applicable provisions of the Companies Act, 1956 and Article No. 3 of the Articles of Association of the Company and such approvals as may be required for this purpose, the authorised share capital of the Company be and is hereby increased from the existing Rs. 50,00,00,000/- (Rupees Fifty Crores) to Rs. 150,00,00,000/- (Rupees One Hundred Fifty Crores) comprising of 15,00,00,000 (Fifteen Crores) Equity Shares of Rs. 10/- each.

RESOLVED FURTHER THAT the Clause V of the Memorandum of Association of the Company pertaining to the Capital be and is hereby altered by substituting in its place, the following as new Clause V: -
Clause V

The Authorised Share Capital of the Company is Rs. 150,00,00,000/- (Rupees One Hundred Fifty Crores) comprising of 15,00,00,000 (Fifteen Crores) Equity Shares of Rs. 10/- each."

- Approval for raising funds.**

To consider if thought fit to pass with or without modification the following as a **SPECIAL RESOLUTION:**

"RESOLVED THAT in accordance with the provisions of Section 81 (1 A) and other applicable provisions, if any, of the Companies Act, 1956, Foreign Exchange Management Act, 1999, Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 ('SEBI Regulations'), Listing Agreements entered into by the Company with the Stock Exchanges where the shares of the Company are listed, enabling provisions in the Memorandum and Articles of Association of the Company as also provisions of any other applicable laws, rules and regulations (including any amendments thereto or re-enactments thereof for the time being in force) and subject to such approvals, consents, permissions and sanctions of the Securities and Exchange Board of India (SEBI), Government of India (GOI), Reserve Bank of India (RBI) and all other appropriate and/or concerned authorities or bodies and subject to such conditions and modifications, as may be

prescribed by any of them in granting such approvals, consents, permissions and sanctions which may be agreed to by the Board of Directors of the Company ('Board') (which term shall be deemed to include any Committee which the Board may have constituted or hereafter constitute for the time being exercising the powers conferred on the Board by this resolution), the Board be and is hereby authorized to offer, issue and allot in one or more tranches, to Investors whether Indian or Foreign, including Foreign Institutions, Non-Resident Indians, Corporate Bodies, Mutual Funds, Banks, Insurance Companies, Pensions Funds, Individuals or otherwise, whether shareholders of the Company or not, through a public issue and/or on a private placement basis, foreign currency convertible bonds and/ or equity shares through depository receipts and/or bonds with share warrants attached including by way of Qualified Institutions Placement ('QIP'), to Qualified Institutional Buyers ('QIB') in terms of the SEBI Regulations through one or more placements of Equity Shares/Fully Convertible Debentures (FCDs)/Partly Convertible Debentures (PCDs)/Non-Convertible Debentures (NCDs) with warrants or any securities (other than warrants) which are convertible into or exchangeable with equity shares at a later date (hereinafter collectively referred to as "Securities") secured or unsecured so that the total amount raised through the Securities shall not exceed Rs. 100 crores, as the Board may determine and where necessary in consultation with the Lead Managers, Underwriters, Merchant Bankers, Guarantors, Financial and/ or Legal Advisors, Rating Agencies/Advisors, Depositories, Custodians, Principal Paying/Transfer/Conversion agents, Listing agents, Registrars, Trustees, Auditors, Stabilizing agents and all other Agencies/ Advisors.

RESOLVED FURTHER THAT for the purpose of giving effect to the above, the Board be and is hereby also authorised to determine the form, terms and timing of the issue(s), the class of investors to whom securities are to be allotted, number of Securities to be allotted in each tranche, issue price, face value, premium amount in issue/ conversion/ exercised redemption, rate of interest, redemption period, listings on one or more stock exchanges in India or abroad as the Board may in its absolute discretion deem fit and to make and accept any modifications in the proposals as may be required by the authorities involved in such issue(s) in India and/or abroad, to do all acts, deeds, matters and things and to settle any questions or difficulties that may arise in regard to the issue(s).

RESOLVED FURTHER THAT in case of QIP issue it shall be completed within 12 months from the date of this General Meeting.

RESOLVED FURTHER THAT in case of QIP issue the relevant date for determination of the floor price of the Equity Shares to be issued shall be -
i) in case of allotment of equity shares, the date of meeting in which the Board decides to open the proposed issue.

ii) in case of allotment of eligible convertible securities, either the date of the meeting in which the Board decides to open the issue of such convertible securities or the date on which the holders of such convertible securities become entitled to apply for the equity shares, as may be determined by the Board.

RESOLVED FURTHER THAT the Equity Shares so issued shall rank pari passu with the existing Equity Shares of the Company in all respects.

RESOLVED FURTHER THAT the Equity Shares to be offered and allotted shall be in dematerialized form.

RESOLVED FURTHER THAT for the purpose of giving effect to any offer, issue or allotment of Securities, the Board be and is hereby authorised on behalf of the Company to do all such acts, deeds, matters and things as it may, in absolute discretion, deem necessary or desirable for such purpose, including without limitation, the determination of the terms thereof, for entering into arrangements for managing, underwriting, marketing, listing and trading, to issue placement/offer documents and to sign all deeds, documents and writings and to pay any fees, commissions, remuneration, expenses relating thereto and with power on behalf of the Company to settle all questions, difficulties or doubts that may arise in regard to such offer(s) or issue(s) or allotment(s) as it may, in its absolute discretion, deem fit.

RESOLVED FURTHER THAT the Board be and is hereby authorised to appoint Lead Manager(s) in offerings of Securities and to remunerate them by way of commission, brokerage, fees or the like and also to enter into and execute all such arrangements, agreements, memoranda, documents, etc. with Lead Manager(s).

RESOLVED FURTHER THAT the Company do apply for listing of the new Equity Shares as may be issued with the Bombay Stock Exchange Limited and National Stock Exchange of India Limited or any other Stock Exchange(s).

RESOLVED FURTHER THAT the Company do apply to the National Securities Depository Limited and/or Central Depository Services (India) Limited for admission of the above said Equity Shares as and when issued.

RESOLVED FURTHER THAT the Board be and is hereby authorised to create necessary securities on such of the assets and properties (whether present or future) of the Company in respect of facilities obtained as above and to approve, accept, finalize and execute facilities, sanctions, undertakings, agreements, promissory notes, credit limits and any of the documents and papers in connection with availing of the above facilities.

RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of the powers herein conferred in such manner as they may deem fit."

By Order of the Board
For **VLS Finance Ltd.**
H. Consul
Company Secretary

Place: New Delhi
Date : 27/07/2010

NOTES: -

- A Member entitled to attend and vote is also entitled to appoint a proxy to attend and vote instead of himself/herself. The proxy need not be a member of the Company. The appointment of proxy in order to be effective must be lodged at the Registered Office of the Company not

less than 48 hours before the commencement of the meeting, in the form enclosed hereto, duly filled and authenticated. A proxy may not vote except on a poll.

2. The submission of form of proxy by a member does not preclude such member from attending and voting at the meeting. The proxy in such event shall not be eligible to attend the meeting. Only bonafide members of the Company whose names appear on the Register of Members/ Proxy holders, in possession of valid attendance slips duly filled and signed will be permitted to attend the meeting. The Company reserves its right to take all steps as may be deemed necessary to restrict non-members from attending the meeting.
3. In the case of joint holders, the vote of the senior shall be accepted to the exclusion of the vote of the other joint holders. Seniority shall be determined by the order in which the names stand in the Register of Members. Corporate Members intending to send their authorized representative are requested to send a duly certified copy of the Board Resolution authorizing their representatives to attend and vote at the Annual General Meeting.
4. The Register of Members of the Company shall remain closed from 14.09.2010 to 21.09.2010 (both days inclusive).
5. The Company has retained M/s RCMC Share Registry Pvt. Ltd., ("Registrar & Transfer Agent") at B-106, Sector -2, Noida, U.P. 201301 (Phone Nos. 0120 - 4015880, 4015886) w.e.f. 01/04/2003 for entire shareholder services. All correspondence, therefore, may be addressed to the said Registrar & Transfer Agent. However, for any further assistance in said matters, queries may be addressed to the Company Secretary at Registered Office at 2nd Floor, 13, Sant Nagar, East of Kailash, New Delhi-110065 Phone No. 46656666 (100 lines), Fax: 46656699. Dedicated Investor Services e-mail: hconsul@vlsfinance.com
6. SEBI vide circular ref. no. MRD/DoP/Cir-05/2009 dated May 20, 2009 has clarified that providing the PAN information will be mandatory for transactions in securities in physical form as well. Amongst others, all transactions involving transfer/ transmission/ transposition of shares in physical form of listed companies, whether off market or not, will require copy of PAN card of transferee(s) to be furnished to the Company/RTAs for transfer/ transmission/ transposition of shares. This is for information of all investors.
7. Members are requested to intimate the change in address, if any, to the Company's Registrar or the Company at its Registered Office for shares held in physical mode. Members can avail the facility of nomination in respect of shares held by them in physical form, in accordance with the provisions of Section 109A of the Companies Act, 1956. Members desiring to avail of this facility may send their nomination in prescribed form no. 2B duly filled in, to the Registrar & Transfer Agent of Company. Members holding shares in demat (Electronic) form are requested to notify any change in address, mandate/bank details/nominations to their respective Depository Participants. The changes effected by depository participants will automatically be reflected in Company's records upon updation of beneficiary owners list provided by Depositories.
8. The shares of the Company are traded in demat segment only w.e.f. 28th August, 2000 for all categories of investors. Members who still hold the shares of Company in physical form are advised to contact their depository participant for dematerialization of their holdings in their own interest. The ISIN No. allotted to Company is INE709A01018 for both the Depositories viz. The National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL).
9. All documents referred to in the accompanying Notice are open for inspection at the Registered Office of the Company on all days between 11.00 a.m. and 1.00 p.m. up to the date of the Annual General Meeting except on Saturdays, Sundays and other Holidays.
10. Member/Proxies are requested to bring their copies of the Annual Report to the meeting and the attendance slip duly filled in, for attending the meeting. As a measure of economy, copies of Annual Report will not be distributed at the Annual General Meeting.
11. The relevant explanatory statement pursuant to Section 173(2) of the Companies Act 1956, for Item No. 6, 7 and 8 of the notice is annexed hereto and forms part of this notice.
12. The Unpaid/unclaimed dividends up to 31/03/95 had been transferred to General Revenue Account of Central Government and can be claimed from the Central Government in prescribed form. Pursuant to Section 205A of the Companies Act, 1956 ("the Act") all unclaimed/unpaid dividends after 31/03/95 up to the financial year 1997-99 (18 months) has been credited to Investor Education & Protection Fund ("IEPF"). Please note that once unclaimed dividend is transferred to IEPF of the Central Government in accordance with the regulations, no claim shall lie against the Company or IEPF in respect thereof. No dividend is pending for transfer to IEPF in terms of the provisions of Section 205C of the Companies Act, 1956.

13. Information regarding Directors:

(A) Retiring by rotation and seeking re-appointment:

Sl. No.	Name of the Director	Date of Birth	Date of Appointment	Qualifications and Expertise in specific functional areas	List of Companies in which Directorship held as on 26/05/2010.	Chairman/ Member of the Committees of other companies as on 26/05/2010.	Whether qualified u/s 274(1)(g) of the Companies Act, 1956
1.	Shri Ajit Kumar IAS (Retd.)	27/01/1942	29/10/2003	M.A. (English) He has held various important positions in Government of India including that of Defence Secretary, Finance Secretary and Secretary, Ministry of Industries. He has vast experience in administration, planning and government affairs.	Singer India Ltd.	i) Audit Committee-Member ii) Remuneration Committee-Chairman	Yes

Sl. No.	Name of the Director	Date of Birth	Date of Appointment	Qualifications and Expertise in specific functional areas	List of Companies in which Directorship held as on 26/05/2010.	Chairman/ Member of the Committees of other companies as on 26/05/2010.	Whether qualified u/s 274(1)(g) of the Companies Act, 1956
2.	Shri B.M. Oza IFS (Retired)	28/08/1936	30/06/2001	M.A. (Economics) Diploma in Demographic Training. He is a distinguished Diplomat with over 44 years of experience in administration and international affairs.	NIL	NIL	Yes
3.	Dr. S. Ramesh IAS(Retd.)	28/10/1936	30/06/2001	M.A., M.P.A. (Harvard), Ph.d. He is former Secretary to the Govt. of U.P. having over 4 decades experience in administration, planning and govt. affairs.	1. South Asian Enterprises Ltd. 2. Uttarakhand Jal Vidyut Nigam Ltd., 3. Uttrakhand Power Corporation Ltd.	Audit Committee, Member Audit Committee, Chairman Audit Committee, Member	Yes

(C) Shareholding of above Directors as on 31/03/2010

S. No.	Name of Directors	No. of Shares held in Company	Percentage
1.	Shri Ajit Kumar	Nil	Nil
2.	Shri B. M. Oza	Nil	Nil
3.	Dr. S. Ramesh	Nil	Nil

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

ITEM NO.6

Shri S. K. Agarwal was reappointed as Managing Director of the Company w.e.f. 21st August, 2010 by the Board of Directors in its meeting held on 27/07/2010 on the terms and conditions as contained in agreement entered into between the Company and Shri S.K. Agarwal for this purpose on that date, subject to such approvals as may be required. Shri S.K. Agarwal is Commerce Graduate & Associate of Indian Institute of Bankers. He is former Banker having vast experience in the Banking and Financial Services.

Shri S. K. Agarwal, at the time of his reappointment as Managing Director of the Company, was also the Managing Director of VLS Securities Ltd., a wholly owned subsidiary of the Company. He continues to hold said position by virtue of his reappointment by the Board of Directors of VLS Securities Ltd. in its meeting held on 30/06/2010 for a further period of 3 years w.e.f. 01.07.2010. He is not drawing any remuneration from said subsidiary.

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

Shri S. K. Agarwal's appointment as Managing Director is being made in accordance with the conditions specified in Part 1 of Schedule XIII and the remuneration payable is within the ceiling laid down in Part II thereof and the requirements of Part III thereof are being complied with. The remuneration committee while recommending the remuneration package for the Managing Director also recommended that the same may be made effective from 01/04/2010. The Board concurring to the recommendation of remuneration committee, revised the remuneration of Shri S. K. Agarwal – Managing Director w.e.f. 01/04/2010 subject to approval of members.

The remuneration fixed for Shri S. K. Agarwal upon re-appointment as Managing Director effective from 01/04/2010 is as under:

a. Salary

Basic salary of Rs. 1,00,000 /-(Rupees One Lac Only) per month.

b. Perquisites

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

- i. HRA/ Leased Accommodation: Rs.30,000/- (Rupees Thirty Thousand only) per month.
- ii. Medical Reimbursement: Expenses incurred for the Managing Director and the family subject to a ceiling of Rs.15,000/- (Rupees Fifteen Thousand only) per annum.
- iii. Leave Travel Concession: For the Managing Director and his family incurred not exceeding Rs.48,000/- (Rupees Forty Eight Thousand only) per annum.
- iv. Reimbursement of expenses for Books and Periodicals upto Rs. 33,000/- (Rupees Thirty Three Thousand only) per annum.
- v. Reimbursement of secretarial services upto Rs. 1,20,000/- (Rupees One Lac Twenty Thousand only) per annum.
- vi. Provident Fund, Gratuity payable, entitlement & encashment of leave as per rules of the Company.
- vii. Facility of Chauffeur driven car for use on Company's business as per rules of the Company.
- viii. Facility of Telephones or provision of similar equipments/facilities for official purpose will be free & not to be considered as perquisites except that the charges for personal long distance calls will be billed by Company to Managing Director.
Explanation: 'Family' for the purpose of this clause means spouse & dependent children of the Managing Director.

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

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

The aforesaid appointment of Shri S. K. Agarwal as Managing Director on the terms and conditions as set out in the agreement entered into between Shri S. K. Agarwal and the Company as also the enhancement in his remuneration is subject to the approval of the members. The members may also authorize the Board to review the remuneration of Managing Director with in the ceiling prescribed under the Companies Act, 1956 as and when thought fit, with out further approval from members. The Board recommends the appointment of Shri S. K. Agarwal as Managing Director of the Company and revision in his remuneration as set out in item No. 6 of the Notice.

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

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

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

ITEM NO.7

Of late the global markets have started looking up again and there has been uptrend in Indian economy with its position growing stronger in world economics. It is perceived that this growth will bring out multifold growth in financial services sector and ample field will be available for players in this sector to expand and diversify their activities. Your company being fairly experienced in financial services contemplates to derive maximum benefit from such opportunities inter alia by expanding its area of operations. In view of the proposed enhancement in volume of activities, the Company may have to go in for augmentation of the Capital base to partly finance the proposed activities. Hence the authorised capital of the Company needs to be adequately increased to accommodate the proposed augmentation of the capital base. The proposed augmentation of capital will necessitate amendment to the Capital Clause of the Memorandum of Association of the Company.

The Board of Directors recommend passing of this resolution. None of the Directors is in any way concerned or interested in the proposed resolution except to the extent of his holding of equity shares in the Company.

ITEM NO.8

The Company, as a part of its future growth strategy aims to emerge as a focused and strong financial services Company. Growth in business would require a larger level of long term working capital. In addition to growing its financial services business, the Company plans to enter into and expand its presence in other ventures including taking advantage of International financial markets for financial activities.

It is expected that the internal generation of funds would partially finance this programme and capital/debt raising would be another source of funds. Accordingly, it is thought prudent for the Company to raise a part of the funding requirements for the said purposes as well as for such other corporate purposes as may be permitted under applicable laws through the issue of appropriate securities as defined in the resolution, in Indian or international markets.

It is, therefore, proposed to raise an amount not exceeding Rs. 100 crores, in one or more tranches, on such terms, in such manner, at such price or prices and at such time as may be considered appropriate by the Board, from the various categories of investors in the Indian or international markets as set out in the resolution.

The fund raising programme may be through a mix of equity / equity-linked instruments, as may be appropriate. Section 81 of the Companies Act, 1956, provides, inter alia, that whenever it is proposed to increase the subscribed capital of a company by allotment of further shares, such further shares shall be offered to the persons who on the date of the offer are holders of the equity shares of the company in proportion to the capital paid up on those shares at that date unless the shareholders in a general meeting decide otherwise by passing a special resolution to this effect. The Listing Agreement executed by the Company with the Stock Exchanges also provides that the Company shall, in the first instance, offer all Securities for subscription pro rata to the Shareholders unless the Shareholders in a general meeting decide otherwise. Members' approval is, therefore, sought for issuing any such instrument whether equity shares or securities linked to or convertible into equity shares of the Company as the Company may deem appropriate, to parties other than the existing shareholders, if required. Whilst no specific instrument has been identified at this stage, in the event the Company issues any equity linked instrument, the issue will be structured in such a manner that the additional share capital that may be issued would be within the enhanced authorised capital as proposed i.e. Rs. 150 crores. The equity shares, if any, allotted on issue, conversion of Securities or exercise of warrants shall rank in all respects pari passu with the existing Equity Shares of the Company.

The raising of the above resources through debts instruments would be well within the borrowing limit of Rs.500 crores over and above the aggregate of paid up capital and free reserves of the Company as approved by the Members at the Annual General Meeting of the Company held on 23/05/1995.

The Company may also opt for issue of securities through Qualified Institutions Placement. A Qualified Institutions Placement (QIP) of the shares of the Company would be less time consuming and more economical. Accordingly, the Company may issue securities by way of a QIP in terms of Chapter VIII of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 ('SEBI Regulations'). These securities will be allotted only to Qualified Institutional Buyers (QIBs) as per the SEBI Regulations and there will be no issue to retail individual investors and existing retail shareholders. The resolution proposed is an enabling resolution and the exact price, proportion and timing of the issue of the securities will be decided by the Board based on an analysis of the specific requirements after consulting all concerned. Therefore, the proposal seeks to confer upon Board the absolute discretion to determine the terms of issue in consultation with the Lead Managers to the Issue.

As per Chapter VIII of the SEBI Regulations, an issue of securities on QIP basis shall be made at a price not less than the average of the weekly high and low of the closing prices of the related shares quoted on the stock exchange during the two weeks preceding the "relevant date".

The "relevant date" for the above purpose shall be -

- i) in case of allotment of equity shares, the date of meeting in which the Board decides to open the proposed issue .
- ii) in case of allotment of eligible convertible securities, either the date of the meeting in which the Board decides to open the issue of such convertible securities or the date on which the holders of such convertible securities become entitled to apply for the equity shares, as may be determined by the Board.

The Stock Exchange for the said purpose shall be The Bombay Stock Exchange Limited / The National Stock Exchange of India Limited, depending upon where the trading volume of Company's scrip was higher during relevant period or any other criteria as may be specified in relevant regulations at that time.

In accordance with the SEBI Regulations, special resolution of shareholders under Section 81 (1 A) of the Companies Act, 1956 is required for a QIP Issue. In case of QIP Issuance the special resolution has a validity period of 12 months before which allotments under the authority of said resolutions should be completed.

The Board of Directors recommend passing of the Special Resolution. None of the Directors is in any way concerned or interested in the proposed resolution except to the extent of his holding of equity shares in the Company.

By Order of the Board
For **VLS Finance Ltd.**
H. Consul
Company Secretary

Place: New Delhi
Date :27/07/2010

DIRECTORS' REPORT TO THE MEMBERS

Your Directors are pleased to present the Twenty Third Annual Report of the Company together with the audited statement of accounts for the year ended 31st March, 2010.

	(Rs. in Lakhs)	
	For the year ended 31 st March 2010	For the year ended 31 st March 2009
1. Financial Results		
Gross Receipts	104937.78	63977.88
Profit before Interest & Depreciation	727.81	1010.61
Less: Interest & Finance Charges	4.92	0.07
Profit before depreciation	723.89	1010.54
Less: Depreciation	48.91	50.54
Profit before Tax	674.98	960.00
Less: Provision for Taxation	194.56	-14.74
Profit after Tax	480.32	974.74
Surplus b/fd. From previous year	1131.33	351.46
Previous year adjustments/other adjustment	31.91	0.08
Available for Appropriation	1643.56	1326.28
Appropriations:		
To General Reserve	0.00	0.00
To Statutory Reserve (under RBI Act, 1934)	96.06	194.95
Total Appropriations	96.06	194.95
Surplus c/f	1547.50	1131.33
2. Management Discussion and Analysis		
Financial Review		

During the period under review, the gross receipts have declined to Rs. 104937.78 lacs as compared to gross receipts of the previous year of Rs. 63977.88 lacs. The profit after tax of Rs.480.32 lacs has also declined as compared to profit after tax of Rs. 974.74 lacs of the previous year. The same have been because of shrinkage of arbitrage opportunities, the mainstay of your Company's operations for the last several years.

Industry Structure and Development

In the past year, the Indian as well as the global economy has witnessed a very high degree of uncertainty and volatility. While the year began on a reasonably optimistic note - particularly for the Indian economy - sentiment was completely reversed as the year drew to a close. Further, the global economy was hit by a severe credit crisis beginning 2008 which converted into a recession for many countries across the world. Indian economy was also affected by the same due to its global linkages. However, it recovered much faster than the global economy and the impact was also not as severe as that of developed countries.

The GDP growth for the Financial Year 2009-10 which again highlights the sharp and sudden change in the variables that affect and impact the economic environment. As the economy battled with high rates of inflation, liquidity crunch and a deteriorating global economic environment, among others, the outlook for growth considerably worsened.

The outlook for the global economy continues to remain bleak. IMF has estimated that world economic growth will fall to 0.5% in 2009, which is the lowest rate since World War II. The advanced economies are expected to contract by 2 per cent in 2009, while growth in emerging and developing economies is expected to slow sharply from over 6% in 2008 to just a little over 3% in 2009. The global economy is expected to experience gradual recovery in 2010, when growth is estimated at 3%, as the impact of expansionary fiscal and monetary policies starts to set in.

It is inevitable that the fortunes of the Indian economy are impacted by the growth prospects of the world economy as export demand continues

to fall, and external financing becomes progressively constrained. However, there are some inherent strengths in the Indian economy, which have spawned the idea of its 'decoupling' from the global economy. While it is debatable whether economies such as India will remain completely insulated from the negative growth prospects of the global economy, there are some factors that might play a mitigating role in the face of the spreading contagion. The presence of a large domestic population, along with the increase in its per capita income on the back of sustained economic growth over the past few years is expected to provide enough of a demand stimulus to ensure continued economic growth for India. Further, a strong saving and investment rate will contribute towards shortening the length and severity of the current slowdown, and also towards a faster revival, when the economic turnaround sets in.

It has become imperative for businesses to track the economic environment on an ongoing basis when changes come in such a dynamic fashion; when perceptions on where macroeconomic risks lie are so numerous and changing so often; when the immediate business environment becomes so closely linked with events that are largely beyond our immediate control. In Europe economic activity has declined sharply, driven mainly by the decline in consumption and exports. The Euro area too is in a severe and synchronised contraction. Countries such as Greece, Spain, Italy and Portugal continue to face severe financial crisis. Reflecting sharp demand contraction, consumer price inflation has reached near zero in several advanced countries, raising concerns about sustained deflation on the way forward. Therefore the Asian market were affected badly during the year under review. However, certain corrective steps taken by the European Union have tried to ensure financial stability but their efficacy and final outcome can only be ascertained over a period of time. The unemployment rate in the US has risen to 8.5 per cent, the highest since 1983. Unemployment rates in the Euro area, the UK and Japan too have increased significantly.

The performance of hitherto resilient economies in the emerging world like China and India have also suffered though not to the extent in U.S.A, Europe & Japan. However, it has also brought to forefront the fact that in the present era of globalization no country is insulated from a global economic crisis though the severity of impact may differ.

The NBFC sector faced significant stress on asset quality, liquidity and funding costs due to the global economic slowdown & its impact on the domestic economy. While all the NBFCs were affected, the impact varied according to the structural features of each NBFC. Asset-liability maturity (ALM) profiles, type of assets financed and origination / collection models followed were the primary differentiators within NBFCs. The support provided by the Reserve Bank of India (RBI) highlighted the explicit acceptance of the systemic importance of the sector. FY10 was marked by re-aligning of the liability profiles, tightening of lending norms coupled with closing down of many of the unsecured loan segments. On a structural basis, the sector is now more robust due to the lessons learned by NBFCs from this crisis. Profitability is expected to be lower than historical levels due to conservative ALM management, higher provisioning and avoidance of high yielding unsecured loan segments. However profits are at the same time expected to be much more stable & less susceptible to liquidity related pressures going forward. It has an overall positive outlook on the sector due to the better ALM position, focus on relatively safer asset classes and the demonstrated acceptance of the sector as systemically important by the regulator.

Outlook, Risks and Concerns

In the beginning of the current financial year, there was greater optimism about India's growth prospects that the strength of domestic demand, particularly investment, would enable India to achieve a real GDP growth of 8.5% in Financial Year 2009. While due consideration was given to the financial turmoil being witnessed in the developed economies, India was not expected to be seriously affected by the unfolding crisis. However, since Sep'08, the scale of crisis intensified and its knock-on effects were felt in the realty sector. Acute liquidity crunch and decelerated economic activity resulted in pronounced fall in investors' appetite for risk. Developing economies, particularly the ones who relied on exports and on global financial markets for their financing needs also got engulfed in the crisis. Risks to the global growth outlook were significant and tilted firmly towards downside. In such a scenario of changing dynamics of uncertainty and downside risks to the global economic growth, it was necessary to revise India's growth prospects. The cyclical downside risks to growth increased significantly during the last few months of 2008. Therefore, it was forecasted that the GDP growth would be downwards to 8.0% in Sep'08 and further to 6.8% in Feb'09. However, the Indian economy grew by 7.4% during 2009-10 as against 6.7% in 2008-09.

For the near-term growth prospects, it is believed that the economy would pick up in the medium to long term period. Consumption demand is expected to receive a boost once the lagged effects of the aggressive policy responses by the Government and the RBI start unfolding. Rise in

consumption demand will in turn provide some fillip to industrial production, going forward; however, savings rate will shrink primarily due to erosion in value of physical and financial assets of households and decrease in corporate profitability. The combined impact of lower domestic savings and deferred capital expenditure plans by companies owing to funding pressures will lead to moderation in investment rate in Financial Year 2010. The Indian economy is expected to grow by 8.5% in 2010-11 and 9% in 2011-12 as per the Prime Minister's Economic Advisory Council (PMEAC).

Disbursements by the banking sector as also the NBFC sector were clearly hit during the crisis. The sharp falls in disbursements in the third quarter of FY09 coincided with the peak of the global crisis. Primary reason for this fall was lack of supply of funds after the market liquidity dried up. Impact however differed depending on the capital structure of the company, with NBFCs having larger ALM mismatches and those which had more dependence on mutual funds for funding were affected more severely as mutual funds themselves faced redemption pressures on their short term schemes. To support the sector, RBI undertook several measures to improve the liquidity flow to the NBFC sector. This was a significant development as the regulator highlighted the systemic importance of the sector. RBI measures to improve liquidity of NBFCs were as follows:

1. The systemically important non-deposit taking non-banking financial companies (NBFCs-ND-SI) were permitted to raise short-term foreign currency borrowings.
2. Allowed banks to avail liquidity support under the LAF for the purpose of meeting the funding requirements of NBFCs through relaxation in the maintenance of SLR up to 1.5 per cent of their NDTL.
3. Risk weights on banks' exposures to claims on NBFCs-ND-SI were reduced to 100 per cent from 150 per cent.
4. Setting up of a special purpose vehicle (SPV) for addressing the temporary liquidity constraints of systemically important non-deposit taking non-banking financial companies (NBFCs-ND-SI).
5. Deferring the higher Capital Adequacy Ratio (CAR) norms for NBFCs-ND-SI by 1 year.

The NBFC sector in which your Company operates, has been facing competitive pressures from Banks and Financial Institutions. The Company for the last few years has not been focusing on financing activities as part of its activities to generate revenues. As in earlier years, the Company's operations continued to be capital/commodity market centric during the year under review. Your Company has been making a judicious use of risk hedging tools such as derivatives and other risk neutral instruments for generating revenues in a risk neutral environment. Your Company will continue to explore opportunities in other 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 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 and RBI regulations. 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 Ajit Kumar, Shri B. M. Oza and Dr. S. Ramesh - Directors would retire by rotation at the forthcoming Annual General Meeting and all, being eligible, offer themselves for reappointment. The Board has re-appointed Shri S. K Agarwal as Managing Director of the Company for next 3 years w.e.f. 21/08/2010 subject to members' approval. To enable the Company to obtain their continued valuable direction, guidance and assistance in conduct of the affairs of your Company, it is recommended that their reappointment be approved.

5. Directors' Responsibility Statement

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

- that in the preparation of the annual accounts for the financial year ended 31st March, 2010, 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, 2010 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.

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.6,17,574/-

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 2010-2011 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.

10. Fixed Deposits

The Company has not 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 Resource

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 20. 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:

- Shri M. P. Mehrotra
- M. P. Mehrotra (HUF)
- Dr. (Mrs.) Sushma Mehrotra
- Shri Somesh Mehrotra
- Ms. Divya Mehrotra
- Mrs. Sadhana Mehrotra
- Ms. Daya Mehrotra
- Shri Ramji Mehrotra
- Mrs. Sushma Mehrotra
- VLS Capital Ltd.
- Gaurav Overseas Exports Pvt. Ltd.
- Needle Eye Plastic Industries Pvt. Ltd.
- Pragati Moulders Ltd.
- 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
Date : 27/07/ 2010

S. K. AGARWAL
Managing Director

M. P. MEHROTRA
Director

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 which ensures that the Company operates within the regulatory framework. 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 by aligning the interest of the Company with that of its shareholders and other stakeholders. 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 11 Directors all being non-executive, except the Managing Director. During the year under review, Shri Rakesh Babbar had resigned as Director of the Company w.e.f. 11/03/2010. The Board now consists of 2 (Two) Promoter Directors, 8 (Eight) Independent Directors and 1 (One) Non-Independent Director. With two third members being independent Directors, the present constitution of Board adequately 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.

The attendance record of Directors for the year ended on 31/03/2010 and other information about them as required under listing agreement is as follows:

S.No.	Name of the Director	Whether Promoter/Executive or Non-Executive/Independent	No. of Board Meetings attended during 2009-2010	Whether attended AGM held on 31.08.2009	No. of Directorships in other Public Limited Companies as on 26/05/2010	No. of Committee positions held in other Public Limited Companies	
						Chairman	Member
1)	Shri Ajit Kumar (Chairman)	Non-Executive, Independent	4	NO	1	-	1
2)	Shri S. K. Agarwal (Managing Director)	Executive, Non-Independent	4	YES	5	1	-
3)	Shri Somesh Mehrotra	Non-Executive, Promoter	0	NO	2	-	-
4)	Shri N. C. Sundararajan	Non-Executive, Independent	2	NO	-	-	-
5)	Shri A. K. Puri	Non-Executive, Independent	4	NO	-	-	-
6)	Shri M. G. Diwan	Non-Executive, Independent	2	NO	7	1	3
7)	Dr. S. Ramesh	Non-Executive, Independent	4	YES	3	1	2
8)	Shri B. M. Oza	Non-Executive, Independent	2	NO	-	-	-
9)	Shri M. P. Mehrotra	Non-Executive, Promoter	4	NO	14	3	1
10)	Shri Gian Vijeshwar	Non-Executive, Independent	0	NO	6	1	2
11)	Shri Rakesh Babbar*	Non-Executive, Independent	0	NO	N.A.	N.A.	N.A.
12)	Shri B. B. Tandon	Non-Executive, Independent	4	NO	14	1	6

* Resigned w.e.f. 11/03/2010

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 31/03/2010, 4 (Four) Board Meetings were held with at least one meeting in every quarter on 28/05/2009, 18/07/2009, 28/10/2009 and 28/01/2010.
- 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 alongwith the Quarterly and Annual Accounts for the year under review as required under Clause 41 & Clause 49 respectively of the Listing Agreement.

e) Details of remuneration paid to the Directors during the year ended on 31.03.2010:

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.	40,000	N.A.	40,000
2)	Shri S.K. Agarwal	11,97,000	3,04,217	0	N.A.	15,01,217
3)	Shri Somesh Mehrotra	N.A.	N.A.	0	N.A.	0
4)	Shri B.M. Oza	N.A.	N.A.	40,000	N.A.	40,000
5)	Dr. S. Ramesh	N.A.	N.A.	80,000	N.A.	80,000
6)	Shri A.K. Puri	N.A.	N.A.	80,000	N.A.	80,000
7)	Shri N.C. Sundararajan	N.A.	N.A.	40,000	N.A.	40,000
8)	Shri M.G. Diwan	N.A.	N.A.	20,000	N.A.	20,000
9)	Shri M. P. Mehrotra	N.A.	N.A.	80,000	N.A.	80,000
10)	Shri Gian Vijeshwar	N.A.	N.A.	0	N.A.	0
11)	Shri Rakesh Babbar*	N.A.	N.A.	0	N.A.	0
12)	Shri B. B. Tandon	N.A.	N.A.	94000	N.A.	94000

* Resigned w.e.f. 11/03/2010

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 285, 4,04,106 and 3,000 equity shares of the Company respectively as on 31.03.2010. 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 Managing Director is 3 years 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 31/03/2010.

Date: 27/07/2010
Place: New Delhi

S. K. Agarwal
Managing Director

g) Disclosures regarding appointment or re-appointment of Directors

Shri Ajit Kumar, Shri B. M. Oza and Dr. S. Ramesh will retire by rotation at the forthcoming Annual General Meeting and being eligible, have offered themselves for reappointment. The relevant information about these Directors has been furnished in notice convening the ensuing Annual General Meeting. Shri S. K. Agarwal was re-appointed as Managing Director of the Company w.e.f. 21st August, 2010 by the Board of Directors in its meeting held on 27/07/2010 for a period of 3 years i.e. up to 20th August, 2013, approval whereof is sought from members in the ensuing Annual General Meeting.

2. AUDIT COMMITTEE

a) Composition

As on 01/04/2010 the Audit Committee consisted of Dr. S. Ramesh (Chairman of the Committee) with Shri N. C. Sundararajan, Shri A.K. Puri, Shri B. B. Tandon and Shri M. P. Mehrotra as members. 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. Dr. S. Ramesh and Shri B. B. Tandon are retired Civil Services officers. 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 other Executives are also invited to committee's 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 31/03/2010, 4 (Four) Audit Committee Meetings were held on 27/05/2009, 17/07/2009, 28/10/2009 and 28/01/2010. The summary of attendance of members is as under:

Name	Shri A.K. Puri	Shri N. C. Sundararajan	Shri B.B. Tandon	Shri M.P. Mehrotra	Dr. S. Ramesh
Attendance in Four Meetings	4	2	3	4	4

3. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

a) Composition and terms of reference

The Committee consisted of Shri B.M. Oza as Chairman with Shri B. B. Tandon and Shri S. K. Agarwal as members. Apart from approval of share transfer and related aspects the Committee is vested with the requisite powers and authority to specifically look into the redressal of the shareholders and investor's grievances. The Company Secretary is the Compliance Officer and Secretary of the Committee.

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

b) Meetings and attendance

During the year under review, 12 (Twelve) meetings of Shareholders/ Investors Grievance Committee were held on 24/04/2009, 23/05/2009, 26/06/2009, 31/07/2009, 31/08/2009, 25/09/2009, 28/10/2009, 28/11/2009, 28/12/2009, 28/01/2010, 26/02/2010 and 25/03/2010.

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

Name	Shri B.M. Oza	Shri S. K. Agarwal	Shri B. B. Tandon
Attendance in 12 meetings	10	12	12

c) Shareholders Complaints

The Company had received 16 complaints during the financial year ended 31st March, 2010. 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	0	0
Non-receipt of shares after transfer/transmission	1	1
Non-receipt of Annual Report	9	9
Non-receipt of Bonus Shares	2	2
Non-receipt of Name change sticker	0	0
Loss of shares/for duplicate shares	1	1
Non- receipt of share certificate after Rejection of Demat request	3	3
Total	16	16

** 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, 2009	August 31, 2009	3.30 p.m.	Sri Sathya Sai International Centre Auditorium, Lodhi Road Institutional Area, Lodhi Road, Pragati Vihar, New Delhi-110003.
March 31, 2008	September 30, 2008	3.00 p.m.	Sri Sathya Sai International Centre Auditorium, Lodhi Road Institutional Area, Lodhi Road, Pragati Vihar, New Delhi-110003.
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.

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

There was no proposal requiring approval of members through special resolution in the previous 3 Annual General Meetings of the Company viz. for the year 2006-2007, 2007-2008 and 2008-2009.

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 had appealed before the Hon'ble Supreme Court against decision of Hon'ble tribunal. In the mean time, the Company was 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 has been accepted by SEBI and the Company has paid Rs. 10,97,280/- towards settlement charges on 09/02/2010. Subsequently the Supreme Court on 16/07/2010 heard the matter and disposed off the case in terms of aforesaid settlement made according to SEBI's guidelines for consent order.

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 01/04/2009 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 constitution of committee was changed due to resignation of Shri Rakesh Babbar vide his letter dated 11/03/2010 as Director of the Company. Now the committee comprises Shri B.M. Oza – Chairman, Shri Somesh Mehrotra, Dr. S. Ramesh and Shri A. K. Puri as Members. 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 no meeting of remuneration committee was held.
- iii) The periodic results were not sent to any shareholders. However, they had been published in newspapers as prescribed in listing agreement. They are also available on company website namely www.vlsfinance.com. The results were also available on www.sebidifor.nic.in in terms of Clause 51 of the Listing Agreement which has been discontinued by SEBI w.e.f. 01/04/2010 and Clause 51 of the Listing Agreement has been deleted vide SEBI's circular no. CIR/CFD/DCR/3/2010 dated 19/04/2010. The periodic reporting is now being done on www.corpfilng.co.in in terms of clause 52 of the Listing Agreement.
- 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.
- vi) The Company has adhered to applicable directions of Reserve Bank of India (RBI) for Non Banking Finance Companies. In compliance of Reserve Bank of India's directions, during the year under review following committees were constituted:
 - a) Nomination Committee
Nomination Committee consists of Shri Ajit Kumar, Shri M. P. Mehrotra, Shri B. B. Tandon and Shri S. K. Agarwal – Managing Director inter-alia for administering such matters as may be required to be dealt with as per RBI directions from time to time including peer group evaluation of Board Members.
 - b) Asset Liability Management Committee
Asset Liability Management Committee consists of Shri A. K. Puri, Shri B. M. Oza - Directors and Shri S. K. Agarwal – Managing Director to handle all issues as prescribed under RBI directions from time to time and in particular to monitor the asset liability gap and to strategize action to mitigate the risk associated thereto.
 - c) Risk Management Committee
Risk Management Committee consists of Shri A. K. Puri, Shri B. M. Oza - Directors and Shri S. K. Agarwal – Managing Director inter-alia to manage integrated risk and such other matters as required under RBI directions from time to time.

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 was also available on website www.sebidifor.nic.in which has been discontinued by SEBI w.e.f. 01/04/2010. The periodic reporting is now being done on www.corpfilng.co.in. 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](http://www.mca.gov.in).
- 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, 21 st September, 2010 at 3.30 P.M.
- Venue	:	The Auditorium, Sri Sathya Sai International Centre, Institutional Area, Lodhi Road, Pragati Vihar, New Delhi-110003
- Financial Year	:	April to March
- Book Closure	:	From 14-09-2010 to 21-09-2010 (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 Bombay Stock Exchange Ltd., Mumbai. (Code: 511333)
2. National Stock Exchange of India Ltd., 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 2010-2011. However, de-listing confirmation is yet to be received from the Calcutta Stock Exchange Association Ltd. and the Madras Stock Exchange Ltd.

c) Stock Market data

Monthly highs, lows and trading volume for the Financial Year 2009-2010 :

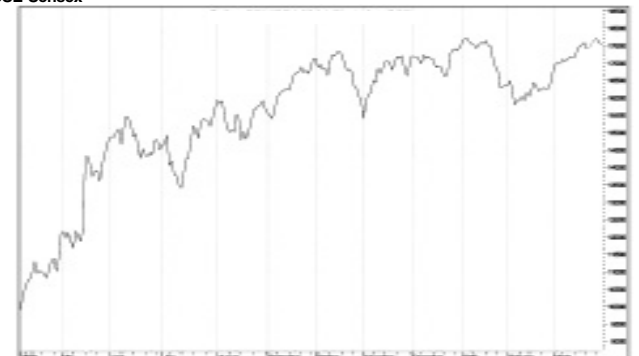
(Source: Metastock)

Months	NSE			BSE		
	High Rs.	Low Rs.	Volume Nos.	High Rs.	Low Rs.	Volume Nos.
Apr-09	10.00	6.15	394654	10.90	6.20	240325
May-09	15.35	7.40	827781	15.16	7.51	637897
Jun-09	17.80	11.65	760506	17.85	11.53	724185
Jul-09	13.00	8.30	359803	13.10	8.71	310985
Aug-09	13.60	10.55	920803	13.90	10.81	709923
Sep-09	16.90	12.00	1877498	16.89	12.00	1539360
Oct-09	15.60	11.00	559508	15.75	11.10	517845
Nov-09	14.15	10.60	611589	15.00	10.76	399112
Dec-09	14.40	12.00	1159448	14.90	12.05	920614
Jan-10	16.60	12.50	1398400	16.50	12.25	1451743
Feb-10	14.75	12.20	687504	14.75	12.11	479419
Mar-10	14.40	11.10	702893	13.80	11.00	504408
Total			10260387			8435816

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. 01/04/2010 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/TT/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., 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, 2010.

Slab of share holding	No. of shareholders	%age	Nominal value of shares held in (Rs.)	%age
1-500	14232	50.0422	33078630.00	8.3123
501-1000	10704	37.6371	70365920.00	17.6821
1001-2000	2091	7.3523	30540740.00	7.6745
2001-3000	543	1.9093	14136120.00	3.5522
3001-4000	197	0.6927	7124740.00	1.7904
4001-5000	184	0.6470	8725910.00	2.1927
5001-10000	291	1.0232	21300270.00	5.3525
10001 and above	198	0.6962	212677670.00	53.4433
Total	28440	100.0000	397950000.00	100.0000

According to categories of shareholders as on March 31, 2010

Serial No.	Categories	No. of shares	Amount In Rs.	Percentage of shareholding
1	Promoters, Directors and Relatives	15089893	150898930.00	37.9191
2	Financial Institution and Banks	9500	95000.00	0.0239
3	Mutual Fund	100	1000.00	0.0003
4	FIs	300	3000.00	0.0008
5	Corporate Bodies	3087558	30875580.00	7.7587
6	Clearing Members	460684	4606840.00	1.1576
7	Indian Public	21012252	210122520.00	52.8012
8	Trust	30000	300000.00	0.0754
9	NRI/OCBs/FN	104713	1047130.00	0.2631
	Grand Total	39795000	397950000.00	100.0000

g) Dematerialisation of Shares and liquidity

87.55% of the total share capital of Company was held in dematerialized form as on 31/03/2010. The shares of Company are actively traded in The Bombay Stock Exchange Ltd. and The National Stock Exchange Ltd. The shares of the Company are traded only in demat segment w.e.f. 28th August 2000.

h) There were no ADRs/ GDRs/ Warrants or other convertible instruments out standing as on 31/03/2010.

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, 2010	End of July, 2010
Quarter ending September 30, 2010	Mid of November, 2010
Quarter ending December 31, 2010	Mid of February, 2011
Year ending March 31, 2011 #	End of May, 2011
Annual General Meeting for the year ended March 31, 2010	21st September, 2010

For the quarter ending 31/03/2011 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 clause 49 of the listing agreement with Stock Exchanges, as per financial results of the period under review, i.e. Financial Year 2009-10.

l) Plant Location

Not applicable since the company is not into manufacturing or 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, 2010, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchange (s).

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the clause 49 of the Listing Agreement.

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

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

For and on behalf of

Agiwal & Associates

Chartered Accountants

(Firm Registration No: 000181N)

(P.C. Agiwal)

(Partner)

Membership No. 80475

Date: 27/07/2010

Place: New Delhi

Office: 3830, Lal Kothli, 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 2010 and also Profit and Loss Account of the Company for the year ended on that date annexed thereto and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2003 issued by the Department of Company Affairs in terms of section 227 (4A) of the Companies Act, 1956 we enclose in the annexure a statement on the matters specified in paragraph 4 & 5 of the said Order, to the extent applicable to the Company.
2. Further to our comments in the annexure referred to in paragraph one above we report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) In our opinion, proper books of accounts as required by law have been kept by the Company, so far as appears from our examination of those books;
 - c) The Balance Sheet, Profit & Loss Account and cash flow statement dealt with by this report are in agreement with the books of accounts;
 - d) In our opinion the Balance sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - e) On the basis of written representations received from the directors as on 31st March 2010, and taken on record by the board of directors, we report that none of the directors is disqualified as on 31st March 2010 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 2010 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
(Firm Registration No: 000181N)
(P.C. Agiwal)
Partner
(M. No. 80475)

Place: New Delhi
Date: 26th May, 2010

**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 2010**

- (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 31.03.2010 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 31.03.2010.
- (b) According to the records and information and explanations given to us, there is no outstanding of any disputed statutory dues as on 31.03.2010.
- (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 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.
- (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, the funds raised on short-term basis have not been used during the year for long-term investments.
- (xvi) 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.
- (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.

The Para Nos. 4 (xii), (xiii), (xix) and (xx) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

For Agiwal & Associates
Chartered Accountants
(Firm Registration No: 000181N)
(P.C. Agiwal)
Partner
(M. No.80475)

Place: New Delhi
Date: 26th May, 2010

BALANCE SHEET AS AT 31st March, 2010

(Amount in Rupees)

	Sch. No.	As at 31st Mar, 2010	As at 31st March, 2009
I. SOURCES OF FUNDS			
1. Shareholders' Funds			
a) Capital	1	39,91,72,250	39,91,72,250
b) Reserves & Surplus	2	153,16,36,316	148,04,13,187
2. Loan Funds			
Secured Loans	3	8,34,45,100	0
Unsecured Loans	4	1,31,81,588	1,31,81,588
Total Sources		<u>202,74,35,254</u>	<u>189,27,67,025</u>
II. APPLICATION OF FUNDS			
3. Fixed Assets			
a) Gross Block	5	131,49,23,854	131,40,95,023
b) Less: Depreciation		121,96,65,946	121,47,74,669
c) Net Block		9,52,57,908	9,93,20,354
4. Investments (At cost)	6	93,30,72,054	94,28,84,404
5. Deferred Tax Assets		3,20,64,522	4,03,12,561
6. A. Current Assets, Loans & Advances			
a) Share stock in trade	7	1,57,13,541	2,03,14,590
b) Sundry Debtors	8	35,53,11,276	1,55,01,646
c) Cash & Bank Balances	9	16,68,50,299	76,38,859
d) Other Current Assets	10	51,32,21,208	70,83,97,918
e) Loans and Advances	11	9,29,67,431	15,77,24,066
		114,40,63,755	90,95,77,079
B. Less: Current Liabilities & Provisions			
a) Liabilities	12	13,92,31,205	5,80,13,118
b) Provisions	13	3,77,91,780	4,13,14,255
		17,70,22,985	9,93,27,373
Net Current Assets (A-B)		<u>96,70,40,770</u>	<u>81,02,49,706</u>
Total Deployments		<u>202,74,35,254</u>	<u>189,27,67,025</u>
Significant Accounting Policies and Notes on Accounts 19			

As per our report of even date
For Agiwal & Associates
Chartered Accountants
(Firm Registration No: 000181N)

For and on behalf of the Board

P.C. Agiwal
Partner
M. No. 80475

May 26th, 2010
New Delhi

S.K. Agarwal
Managing Director

M.P. Mehrotra
Director

H. Consul
Company Secretary

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st March, 2010

(Amount in Rupees)

	Sch. No.	For the year ended 31st Mar, 2010	For the year ended 31st March, 2009
INCOME			
Sale of Shares/Securities/Commodities		1038,49,12,965	613,82,01,672
Income from Operations	14	6,81,62,628	4,16,56,649
Income from Investments		4,52,42,557	9,09,24,611
Other Income		60,662	13,12,51,789
Decrease in stock of shares	18	(4,601,049)	(4,246,315)
Total (A)		1049,37,77,763	639,77,88,406
EXPENDITURE			
Purchase of Shares/Securities/Commodities		1037,58,33,545	621,75,45,980
Interest & Finance Charges	15	4,92,692	7,108
Administrative & Other Expenses	16	3,69,88,579	3,35,27,273
Employees' Cost	17	79,93,273	97,12,718
Depreciation	5	48,91,277	50,54,165
Total (B)		1042,61,99,366	626,58,47,244
PROFIT BEFORE ADJUSTMENTS		6,75,78,397	13,19,41,162
Add/(-)Less: Bad Debts Recovery/(Written off) (Net)		0	(23,727,423)
Add/(-)Less: Excess provision written back / (Provision for diminution in the value of Assets) (Net)		(80,000)	(12,214,494)
PROFIT BEFORE TAX		6,74,98,397	9,59,99,245
Less: Provision for Taxation:			
Current Tax - MAT		1,12,18,588	12,99,796
Deferred Tax		82,48,039	(3,151,785)
Fringe Benefit Tax		0	3,77,000
PROFIT AFTER TAX		4,80,31,771	9,74,74,233
Add: Surplus b/fd. from previous year		11,31,33,156	3,51,46,045
Add: Adjustment of tax provisions of earlier years (Net)		31,96,683	0
Add/(Less): Prior year adjustments		(5,325)	7,725
PROFIT AVAILABLE FOR APPROPRIATIONS		16,43,56,285	13,26,28,003
APPROPRIATED TO:			
Statutory Reserve u/s 45 IC of the RBI Act, 1934		96,06,354	1,94,94,847
SURPLUS CARRIED TO BALANCE SHEET		15,47,49,931	11,31,33,156
EARNING PER SHARE (Refer Note No:12 in Schedule 19)			
Basic and Diluted Earning per Share (Rs.)		1.21	2.45
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
(Firm Registration No: 000181N)

For and on behalf of the Board

P.C. Agiwal
Partner
M. No. 80475
May 26th, 2010
New Delhi

S.K. Agarwal
Managing Director

M.P. Mehrotra
Director

H. Consul
Company Secretary

SCHEDULE : 6 INVESTMENTS (Long Term) Contd...					
PARTICULARS	FACE VALUE	QUANTITY		AMOUNT (In Rs.)	
		AS AT 31.03.2010	AS AT 31.03.2009	AS AT 31.03.2010	AS AT 31.03.2009
JMC PROJECTS LTD	10	0	250	0	65,857
JP ASSOCIATES LTD	2	750	0	1,15,943	0
JAYPEE HOTELS LTD	10	0	7,106	0	4,73,321
JK TYRE LTD	10	0	1,000	0	1,45,540
JINDAL STEEL & POWER LTD	1	25	0	16,971	0
LARSEN & TOUBRO LTD	2	0	200	0	1,40,467
MCLEOD RUSSEL LTD	5	0	500	0	43,418
NTPC LTD	10	250	500	48,000	1,34,577
MIRC ELECTRONICS LTD	1	0	9,400	0	5,01,960
MANGALORE CHEMICALS & FERTILIZERS LTD	10	0	40,714	0	16,48,456
MERCATOR LINES LTD	1	3,000	8,500	87,440	2,49,924
NHPC LTD	10	5,000	0	1,61,730	0
JAYASWAL NECO INDUSTRIES LTD	10	0	20,000	0	12,39,958
ODDH SUGAR MILLS LTD	10	0	6,000	0	5,26,533
ONGC LTD	10	0	300	0	3,44,728
ORRISA SPONGE LTD	10	2,936	7,000	16,13,828	40,27,692
PETRONET LNG LTD	10	0	7,000	0	4,03,455
PENINSULA LAND LTD	2	0	500	0	57,546
PARKASH INDUSTRIES LTD	10	0	1,000	0	81,710
PRECISION PIPES & PROFILES COM LTD	10	0	852	0	1,27,800
PRAJ INDUSTRIES LTD	2	0	5,000	0	7,34,754
RELAXO FOOTWEAR LTD	5	12,00,776	12,00,776	3,47,86,395	3,47,86,395
RELIANCE PETRO LTD	10	0	11,000	0	9,03,970
RELIANCE INDUSTRIES LTD	10	1,400	0	11,67,052	0
SOFTSOL INT'L (SSI) LTD	10	0	4,695	0	10,08,361
SWARAJ MAZDA LTD	10	0	300	0	89,232
SHANTHI GEARS LTD	1	0	500	0	37,301
STEEL STRIP LTD	10	0	1,000	0	1,68,042
SHIV-VANI OIL & GAS EXPLORATION LTD	10	0	200	0	1,12,098
SIEMENS LTD	2	0	150	0	34,212
STATE BANK OF INDIA	10	0	84	0	98,106
SEAMEC LTD	10	0	1,000	0	49,824
SATYAM COMPUTERS LTD	2	0	400	0	17,806
TCI INDUSTRIES LTD	10	14,246	20,688	7,13,300	6,95,306
TATA CHEMICALS LTD	10	0	500	0	74,248
UNITECH LTD	2	0	1,800	0	48,884
VIPUL LTD	1	0	5,000	0	12,68,557
SUB-TOTAL (A-2)				4,15,63,008	7,13,24,408
B. IN PREFERENCE SHARES Un-quoted & Fully Paid					
Pan Parag India Ltd - 6% Non Cumulative Redeemable Non Convertible (\$)	10	100	0	0	0
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	75,00,000	55,00,000	7,50,00,000	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	0	100	0	50,950
SUB-TOTAL C				7,62,01,200	5,62,52,150
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)				112,59,77,645	113,57,89,995
Less: Provision for diminution in value of Investments				20,00,00,000	20,00,00,000
TOTAL (D1)				92,59,77,645	93,57,89,995
I. Aggregate value of quoted investments			At Cost	4,15,63,008	7,13,24,408
			Market Value	30,92,31,465	9,32,22,979
II. Aggregate value of un-quoted investments			At Cost	7,62,01,200	5,62,52,150
- In Subsidiaries			At Cost	100,82,13,437	100,82,13,437
- Others					
E. INVESTMENT IN IMMOVABLE PROPERTIES:-				70,94,409	70,94,409
TOTAL (E)				70,94,409	70,94,409
GRAND TOTAL (D1+E)				93,30,72,054	94,28,84,404
(+) Bonus Shares received, hence cost of acquisition is NIL					
(\$ Preference shares received on allotment pursuant to the scheme of Arrangement between Kothari Products Ltd and Pan Parag India Ltd, hence cost of acquisition is NIL					

SCHEDULE 7 SHARE STOCK IN TRADE
(At Cost or market price, whichever is lower)

Name of the Company	As on 31.03.2010		As on 31.03.2009	
	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	1,585
SOUTH ASIAN ENTERPRISES LTD	17,11,289	1,57,09,633	17,11,289	2,03,13,000
SWEDE INDIA LTD	200	1	200	1
Total	20,26,199	1,57,13,541	20,26,199	2,03,14,590

(Amount in Rupees)

	As at 31st March, 2010	As at 31st March, 2009
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SCHEDULE 8 SUNDRY DEBTORS

a) Instalments Receivable (Unsecured)		
Considered Doubtful		
1. Due for more than six months	51,81,406	53,81,407
2. Others	0	0
Sub-total	51,81,406	53,81,407
Less: Provision for Non-performing Assets	51,81,406	53,81,407
Total (a)	0	0
b) Dues from share Brokers Considered Good		
1. Due for more than six months	0	0
2. Others	35,53,11,276	1,55,01,646
Total (b)	35,53,11,276	1,55,01,646
Total (a+b)	35,53,11,276	1,55,01,646

SCHEDULE 9 CASH & BANK BALANCES

a) Cash on Hand	9,61,645	8,20,592
b) Balances with scheduled banks		
1. In Current Accounts	3,93,654	15,46,990
2. In Deposit Accounts	16,54,95,000	52,71,277
Total (a+b)	16,68,50,299	76,38,859

SCHEDULE 10 OTHER CURRENT ASSETS

a) Interest Accrued but not due	70,87,584	64,73,508
b) Security Deposits with Govt Department	1,500	1,500
c) Security Deposits with Others	14,87,524	14,86,524
d) Margin Money with Share Brokers	42,20,99,000	61,33,00,000
e) Advance Tax Paid	8,25,45,600	8,71,36,386
Total (a+b+c+d+e)	51,32,21,208	70,83,97,918

SCHEDULE 11 LOANS AND ADVANCES
(Unsecured, considered good unless otherwise specified)

a) Short term Loans and Advances	8,16,91,414	8,24,79,500
Less: Provision for Non-performing Assets	10,00,000	20,00,000
	8,06,91,414	8,04,79,500
b) Loans to subsidiaries	9,15,511	9,15,511
c) Receivables from subsidiaries	2,86,455	34,00,227
d) Advances Recoverable in cash or in kind or for value to be received	1,48,62,391	7,54,37,168
Less: Provision for Non-performing Assets	37,88,340	25,08,340
	1,10,74,051	7,29,28,828
Total (a+b+c+d)	9,29,67,431	15,77,24,066

SCHEDULE 12 LIABILITIES

a) Creditors for Expenses		
i) Total Outstanding dues of Micro, Small and Medium Enterprises	0	0
ii) Total outstanding dues of creditors other than Micro, Small and Medium Enterprises	27,31,205	14,13,118
b) Other Liabilities	13,65,00,000	5,66,00,000
Total (a+b)	13,92,31,205	5,80,13,118

SCHEDULE 13 PROVISIONS

a) Provision for Taxation :-		
Balance B/fd	3,96,85,051	3,83,85,255
Add: Provision for the year	1,12,18,588	12,99,796
	5,09,03,639	3,96,85,051
Less: Provision written back	1,41,29,744	0
	3,67,73,895	3,96,85,051
b) Provision for Fringe Benefit Tax :-		
Balance B/fd	12,67,559	8,90,559
Add: Provision for the year	0	3,77,000
	12,67,559	12,67,559
Less: Provision written back	5,85,559	0
	6,82,000	12,67,559

c) Provision for Leave Encashment :-		
Balance B/fd	3,61,645	4,15,928
Less: Provision written back	25,760	54,283
	<u>3,35,885</u>	<u>3,61,645</u>
Total (a+b+c)	<u>3,77,91,780</u>	<u>4,13,14,255</u>

SCHEDULES TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st March, 2010

	(Amount In Rupees)	
	For the Year ended on 31st March, 2010	For the Year ended on 31st March, 2009
SCHEDULE 14 INCOME FROM OPERATIONS		
Income from other Credit Operations	6,81,62,628	4,16,56,649
Total	<u>6,81,62,628</u>	<u>4,16,56,649</u>

SCHEDULE 15 INTEREST & FINANCE CHARGES

Interest to Bank	4,85,661	0
Bank / Finance Charges	7,031	7,108
Total	<u>4,92,692</u>	<u>7,108</u>

SCHEDULE 16 ADMINISTRATIVE & OTHER EXPENSES

Advertisement & Business Promotion	16,74,740	10,53,012
Consultancy, Legal & Service Charges	1,45,05,039	89,53,475
Communication Expenses	9,56,085	9,30,821
Electricity & Water Charges	3,11,220	3,09,981
Insurance	15,178	28,253
Office Expenses	13,99,604	14,49,468
Securities Transaction Tax	13,22,862	13,20,366
Shares Transaction Charges	1,44,511	1,18,345
Travelling Expenses & Conveyance	33,43,382	37,90,390
Rates & Taxes	15,38,381	11,52,105
Rent	47,00,000	44,00,000
Repairs & Maintenance		
—Building	0	0
—Others	10,39,191	50,26,554
Miscellaneous Expenses	50,18,178	37,53,301
Auditors' Remuneration		
a) Audit Fees	1,10,300	1,10,300
b) For Other Services		
—For Tax audit	44,120	44,120
—For certification	1,15,500	1,20,500
—Out of pocket expenses	34,552	50,029
Internal Auditors' Remuneration		
—Fees	50,000	50,000
—Out of pocket expenses	8,000	8,000
Directors' Sitting Fees	4,74,000	4,78,000
Loss/(Profit) on account of Foreign Exchange rate difference	1,83,736	(10,980)
Loss on sale/written off of Fixed Assets	0	3,91,233
Total	<u>3,69,88,579</u>	<u>3,35,27,273</u>

SCHEDULE 17 EMPLOYEES' COST

Salaries	68,55,439	81,41,251
Staff Amenities	4,25,933	4,50,276
Employer's Contribution to PF, ESI, Gratuity Fund etc.	7,11,901	11,21,191
Total	<u>79,93,273</u>	<u>97,12,718</u>

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

Closing Stock of Shares	1,57,13,541	2,03,14,590
Less: Opening Stock of Shares	2,03,14,590	2,45,60,905
Decrease in Stock of Shares	<u>(4,601,049)</u>	<u>(4,246,315)</u>

SCHEDULE: 19 Significant Accounting Policies and Notes on Accounts for the year ended on 31st March 2010
I. SIGNIFICANT ACCOUNTING POLICIES:-
A. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements 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.
- Profit arising on commodities sale transaction entered into through commodities stock exchange is recognized in the books in the year

when the pay-out takes place. However, the sale is accounted for in the books at cost value on pay-in date as per contract. In the case of loss on such commodities sale transaction, the necessary provision equivalent to loss is made and charged to the Profit & Loss Account in the year of sale.

C. FIXED ASSET

- 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 4 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.1,416/-).
 - Bank Deposits include fixed deposits of Rs. 10,56,00,000/- (Previous Year – Rs.12,71,277/-) 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 01.04.2009		Purchases		Sales		Closing Stock in trade as on 31.03.2010	
	Qty.‘	Value Rs.	Qty.‘	Value Rs.	Qty.‘	Value Rs.	Qty.‘	Value Rs.
Item Traded								
Shares	2026199	20314590	8638377	8416681052	8638377	8412147116	2026199	15713541
(Previous year)	2026199	24560905	25332133	4303337095	25332133	4216906366	2026199	20314590
Commodities	Nil	Nil	53624	1959152493	53624	1972765849	Nil	Nil
(Previous year)	Nil	Nil	53028	1914208885	53028	1921295306	Nil	Nil

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

- Income from investments include:

	Current Year (Rs.)	Previous Year (Rs.)
Dividend Income (Gross)	15,41,530	8,40,95,796
Interest on Debentures and Bonds (Gross)	12,000	12,000
Tax Deducted at Source	Nil	Nil

- Interest Receipts (Gross) Rs.6,81,62,628/- (inclusive of interest of Rs.66,86,772/- on Fixed Deposits and of Rs.6,07,59,761/- on margin money with share brokers and other interest received of Rs.7,16,095/-) (Previous Year Rs. 4,16,56,649/-, inclusive of interest of Rs.2,25,546/- on Fixed Deposits and Rs.4,14,05,007/- on margin money with share brokers and other interest received of Rs.26,096/-) grouped under Income from Operations includes Tax Deducted at Source amounting to Rs.67,85,853/- (Previous Year Rs. 91,00,492/-).

- The term of lease agreements in respect of Leased Assets have expired and the assets continue in the possession of lessees. However, the said assets have been included in the block of fixed assets of the Company pending the transfer of titles.

- Related Party Disclosure

Followings are the related parties:-

Subsidiaries: - VLS Securities Ltd. (100%), VLS Investments Ltd. (100%), VLS Asset Management Ltd.(99.15%), VLS Investments Inc., Delaware, USA (100%).

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

Associates: - South Asian Enterprises Ltd.

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

(Amount in Rs.)

Particulars	Subsidiaries	Associates	Key Managerial Personnel	Others
Purchase of Securities	7,57,61,099 (Previous year. Rs. 1,18,66,078)			
Sale of Securities	11,49,43,218 (Previous year Rs.2,00,17,005)			
Rent and other Charges received	1,20,000 (Previous year. Rs. 1,20,000)			
Rent and other charges paid	15,86,272 (Previous year. Rs.15,96,195)	Nil (Previous year. Rs. 1,15,790)		
Remuneration to Managing Director and Executive Vice-Chairman			15,01,217 (Previous year. Rs. 17,78,806)	
Due from Subsidiaries (outstanding balance as on 31.03.2010)	12,01,966 (Previous year. Rs. 43,15,805)			

- Deferred Tax Assets of Rs. 3,20,64,522/- (Previous Year Rs. 4,03,12,561/-) are net of deferred tax liabilities of Rs. 3,09,33,716/- (Previous year Rs.3,22,96,850/-). 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. 3,09,33,716/- (P.Y. Rs.3,22,96,850)
Accumulated Losses	Rs. 6,28,84,071/- (P.Y. Rs. 7,24,86,488)	Rs. Nil (P.Y. Rs. Nil)
Leave Encashment	Rs. 1,14,167/- (P.Y. Rs.1,22,923)	Rs. Nil (P.Y. Rs. Nil)
Total	Rs. 6,29,98,238/- (P.Y. Rs. 7,26,09,411)	Rs. 3,09,33,716/- (P.Y. Rs.3,22,96,850)

11. Managerial Remuneration

Particulars	Paid to Shri T.B. Gupta	Paid to Shri S.K. Agarwal
Remuneration	Rs. Nil. (Previous Year – Rs. 2,02,189/-Part of the Year)	Rs. 11,97,000/- (Previous Year – Rs. 11,97,000/-)
Perquisites	Rs. Nil (Previous Year – Rs.73,540/-)	Rs. 3,04,217/- (Previous Year – Rs. 3,06,077/-)

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 2010	31 st March 2009
Basic and Diluted		
Total Shares Outstanding	3,97,95,000	3,97,95,000
Profit after Taxes	Rs. 4,80,31,771	Rs. 9,74,74,233
EPS	Rs. 1.21	Rs. 2.45

- Expenditure in Foreign Exchange: – Foreign Travel Expenses Rs. 6,17,574/- (Previous year Rs 12,28,397).

- 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.

- 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.

- Outstanding derivatives contracts at the year end are of Rs. Nil (Previous year Rs. 1,35,68,625/-). The loss on these derivatives have been provided for.

- The assets of VLS Investments Inc., Delaware, USA, a wholly owned subsidiary of the Company, have been realized and the cash in hand of US\$ 365 was utilized for meeting the dissolution expenses of the said subsidiary. The process of dissolution of the said subsidiary is in progress as no assets and liabilities of the same are left as on 31-03-2010.

18 (a) 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 outstanding	Amount Overdue
Liabilities side:		
(1) Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid:		
(a) Debentures : Secured	0.00	0.00
: Unsecured	0.00	0.00
(other than falling within the meaning of public deposits)		
(b) Deferred Credits	0.00	0.00
(c) Term Loans	0.00	0.00
(d) Inter-corporate loans and borrowing	0.00	0.00
(e) Commercial Paper	0.00	0.00
(f) Others : Adjustable Deposits	131.82	0.00
Overdraft facility from Bank	834.50	0.00
Assets side:		Amount Outstanding
(2) Break-up of Loans and Advances including bills receivables [other than those included in (4) below]:		
(a) Secured		0.00
(b) Unsecured		977.55
(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		0.00
(b) Operating lease		131.82
(ii) Stock on hire including hire charges under sundry debtors		
(a) Assets on hire		51.81
(b) Repossessed Assets		0.00
(iii) Other loans counting towards AFC activities		
(a) Loans where assets have been repossessed		0.00
(b) Loans other than (a) above		0.00
(4) Break-up of Investments :		
Current Investment:		
1. Quoted :		
(i) Shares : (a) Equity		157.14
: (b) Preference		0.00
(ii) Debentures and Bonds		0.00
(iii) Units of mutual funds		0.00
(iv) Government Securities		0.00
(v) Others		0.00
2. Unquoted :		
(i) Shares : (a) Equity		0.00
: (b) Preference		0.00
(ii) Debentures and Bonds		0.00
(iii) Units of mutual funds		0.00
(iv) Government Securities		0.00
(v) Others		0.00
Long Term investments :		
1. Quoted :		
(i) Shares : (a) Equity		415.63
: (b) Preference		0.00
(ii) Debentures and Bonds		0.00
(iii) Units of mutual funds		0.00
(iv) Government Securities		0.00
(v) Others		0.00
2. Unquoted :		
(i) Shares : (a) Equity		9,378.59
: (b) Preference		12.50
(ii) Debentures and Bonds		691.04
(iii) Units of mutual funds		0.00
(iv) Government Securities		0.00
(v) Others -in Equity Shares of Subsidiaries		762.01

(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	0.00	12.02	12.02
(b) Companies in the same group	0.00	0.00	0.00
(c) Other related parties	0.00	0.00	0.00
2. Other than related parties	0.00	1,049.47	1,049.47
Total	0.00	1,061.49	1,061.49

(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	737.03	762.01
(b) Companies in the same group	0.00	0.00
(c) Other related parties	157.10	157.10
2. Other than related parties	9,292.44	8,497.80
Total	10,186.57	9,416.91

(7) Other information

	Particulars	Amount
(i)	Gross Non-Performing Assets	
	(a) Related parties	0.00
	(b) Other than related parties	124.69
(ii)	Net Non-Performing Assets	
	(a) Related parties	0.00
	(b) Other than related parties	25.00
(iii)	Assets acquired in satisfaction of debt	66.50

Vide Notification No.DNBS.200/CGM(PK)-2008, dated August 1, 2008 amending Notification No.DNBS.193 DG(VL)-2007 dated Feb, 22,2007.

(b) CRAR

	Items	2009-2010	2008-2009
(i)	CRAR (%)	99.46	99.78
(ii)	CRAR - Tier I Capital (%)	99.46	99.78
(iii)	CRAR - Tier II Capital (%)	0.00	0.00

(c) Exposure to Real Estate Sector

Category	2009-2010	2008-2009
(a) Direct exposure		
(i) Residential Mortgages ---		
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (Individual housing loans up to Rs.15 lakh may be shown separately)	Nil	Nil
(ii) Commercial Real Estate ---		
Lending secured by mortgages on commercial real estates (office buildings, retail space, multipurpose commercial premises, multi-family residential buildings, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and constructions, etc). Exposure would also include non-fund based (NFB) limits;	Nil	Nil
(iii) Investments in Mortgage Backed Securities (MBS) and other securitised exposures ---		
(a) Residential,	Nil	Nil
(b) Commercial Real Estate,	Nil	Nil
(b) Indirect Exposure		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	Nil	Nil

(d) Asset Liability Management

Maturity pattern of certain items of assets and liabilities

(Rs. in crore)

	1 day to 30/31 days (One Month)	over one month to 2month	over 2 months upto 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
Liabilities									
Borrowings from banks	Nil	Nil	1.29	2.79	4.26	Nil	Nil	Nil	8.34
Market Borrowings	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Assets									
Advances	0.00	0.22	2.01	36.49	40.62	0.07	0.40	16.34	96.15
Investments	0.00	0.00	0.00	0.00	1.58	4.16	0.00	89.14	94.88

19 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. 1,22,494/- (Previous year: Rs.4,25,516/-) which includes Rs.23,408/- (Previous year: Rs.83,082/-) towards contribution for key managerial personnel.

(b) The liability of Leave Encashment benefit is provided for on actuarial valuation using Projected Unit Credit method. The disclosure as required under AS 15 regarding the Company's Leave encashment benefit plan is as follows:-

(in Rupees)

	As at March 31, 2010	As at March 31, 2009
Change in present value of obligation		
Present value of obligation as at the beginning of the year	3,61,645	4,15,928
Current service cost	38,640	26,478
Interest cost	28,852	29,035
Actuarial (gain) / loss	(93,252)	(109,796)
Benefits paid	0	0
Present value of obligation as at the end of the year	3,35,885	3,61,645
Change in plan assets	Not Applicable	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	38,640	26,478
Interest cost	28,852	29,035
Return on plan assets	0	0
Actuarial (gain) / loss	(93,252)	(109,796)
Net cost	3,35,885	3,61,645
Constitution of plan assets	Not Applicable	Not Applicable
Other than equity, debt, property and bank a/c Funded with LIC		
Main actuarial assumptions		
Discount rate	8.00%	7.00%
Rate of increase in compensation levels	5.00%	5.00%

Assumptions relating to future salary increases, attrition, interest rate for discount and overall expected rate of return on assets have been considered based on relevant economic factors such as inflation, market growth and other factors applicable to the period over which the obligation is expected to be settled.

20. Provision for Diminution in the value of Investment Rs. 80,000/- is net off of Rs.23,00,000/- being excess provision written back in the value of assets.(Previous year: Provision for Diminution in the value of Investment Rs.1,22,14,494/- is net off of Rs.3,77,85,506/- being excess provision written back in the value of assets).

21. In respect of office premise acquired earlier, for which possession has already been taken by the Company, the registration formalities are yet to take place.

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

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

As per our report of even date
For Agiwal & Associates
Chartered Accountants
(Firm Registration No: 000181N)

For and behalf of the Board

P.C. Agiwal
Partner
M. No. 80475

S.K. Agarwal
Managing Director

M.P.Mehrotra
Director

H.Consul
Company Secretary

May 26th, 2010
New Delhi

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

Registration	23129	State Code	55
CIN: L65910DL1986PLC023129		Balance Sheet Date	31.03.2010

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	2027435	Total Assets	2027435
Sources of Funds:			
Paid up Capital	399172	Reserves & Surplus	1531636
Secured Loans	83445	Unsecured Loans	13182
Application of Funds:			
Net Fixed Assets	95258	Investments	933072
Net Current Assets	967041	Misc. Expenditure	Nil
Deferred Tax Assets	32064	Accumulated Losses	Nil

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

Turnover	10493697	Total Expenditure	10426199
Profit/Loss Before Tax	67498	Profit/Loss after Tax	48032
Earning per Share (Rs.)	1.21	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 and Commodities through respective exchanges Investments Financial & Advisory Services

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st March, 2010

Rs. in Lacs

PARTICULARS	For the Year ended 31.03.2010	For the Year ended 31.03.2009
A CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax and Extraordinary Items	674.98	959.99
Add Interest & Finance Charges	4.93	0.07
Depreciation	48.91	50.54
Prior Year adjustments	(0.05)	0.08
	728.77	1010.68
Less Income from Investments	452.43	909.25
Operating Profit before Working Capital Changes	276.34	101.43
Changes in Working Capital		
Trade & Other Receivables	(809.11)	(2116.21)
Inventories	46.01	42.46
Trade & Other Payables	776.96	501.88
Cash generated from operations	290.20	(1470.44)
Less Income Tax Paid (Net of refund)	69.87	130.76
Interest Paid	4.93	0.07
Net Cash Flow from Operating Activities (A)	215.40	(1601.27)
B CASH FLOW FROM INVESTING ACTIVITIES		
Net proceeds from Fixed Assets	(8.29)	67.95
Net proceeds from investments	298.12	592.15
Investment in Subsidiaries	(200.00)	0.00
Income from Investments	452.43	909.25
Net Cash used in Investing Activities (B)	542.26	1569.35
C CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Long Term Borrowings	834.45	(1.25)
Net Cash Flow from Financing Activities (C)	834.45	(1.25)
Net Increase/ (Decrease) in Cash & Cash Equivalents (A+B+C)	1592.11	(33.17)
Cash & Cash Equivalents (Opening)	76.39	109.56
Cash & Cash Equivalents (Closing)	1668.50	76.39

Notes:-

- Cash & Cash Equivalents (Closing) includes deposits with banks amounting to Rs.1056.00 lacs (Previous Year Rs.12.71 lacs), which are pledged with them as security for overdraft facility.
- Previous year's figures have been regrouped/reclassified wherever applicable.

 As per our report of even date
 For Agiwal & Associates
 Chartered Accountants
 (Firm Registration No: 000181N)

For and behalf of the Board			
P.C. Agiwal	S.K. Agarwal	M.P.Mehrotra	H.Consul
Partner	Managing Director	Director	Company Secretary
May 26 th , 2010 New Delhi			

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	31.03.2010	31.03.2010	31.03.2010
3. i) No. of shares held by VLS Finance Ltd. and/or its nominees	50,020 equity shares of Rs.10/ each	75,00,000 equity shares Rs.10 each	70,100 equity shares of Rs.10 each
ii) Extent of Holding Company's interest in the subsidiary as on 31.3.2010	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 31.3.2010	Net Profit Rs. 21,849	Net Profit Rs. 17,12,348	Net Loss Rs. 1,014
ii) For the previous Financial Years	Net Profit Rs. 23,204	Net Profit Rs. 48,632	Net Loss Rs. 2,033
b) Dealt within the accounts of VLS Finance Ltd.			
i) For the subsidiary's Financial Year ended on 31.3.2010	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	31.12.2009
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 31.12.2009	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 31.12.09	US\$Loss (1703)
ii) For the Previous Financial Years	US\$ (115)
b) Dealt within the accounts of VLS Finance Ltd.	
i) For the subsidiary's Financial Year ended on 31.12.09	Nil
ii) For the previous financial year	Nil

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

- Name of Subsidiary : VLS Investments Inc., Delaware, U.S.A.
Relevant Financial year : 01/01/2009 to 31/12/2009
- The assets of VLS Investments Inc., Delaware, USA, a wholly owned subsidiary of the Company, have been realized and the cash in hand of US\$ 365 was utilized for meeting the dissolution expenses of the said subsidiary. The process of dissolution of the said subsidiary is in progress as no assets and liabilities of the same are left as on 31-03-2010.

For and behalf of the Board

S.K. Agarwal	M.P.Mehrotra	H.Consul
Managing Director	Director	Company Secretary

 May 26th, 2010
 New Delhi

VLS SECURITIES LIMITED
DIRECTORS' REPORT

To

The Members of **VLS SECURITIES LIMITED**

Your Directors are pleased to present the 16th Annual Report of your Company together with the Balance Sheet as at 31st March, 2010 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.93.36 lacs as against Rs.194.00 lacs in the previous year. The profit before tax was Rs.18.99 lacs as compared to Rs.1.09 Lacs in last year.

The Company earned a post tax profit of Rs.17.12 lacs for the year under review as against Rs. 0.49 lacs earned in the preceding year.

Dividend

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

Operations

Your Company earned brokerage of Rs. 5.42 lakhs during the year under review, as compared to Rs. 1.64 lakhs earned during the previous year. The Company is continuing its efforts to increase its retail broking business.

The Company commenced business during April 2009 in future and options segment of the National Stock Exchange of India Ltd. as trading member. The Company is actively doing business as a trading member of Currency Derivatives segment in MCX Stock Exchange Limited. Further, the Company had obtained certificate for operating Portfolio Management Services from SEBI effective from 21/05/2010. Now your Company is eligible to take up the business for portfolio management.

The Company's registration as Merchant Banker was renewed w.e.f. 08/03/2010 for three years. The management is carefully monitoring the market scenario to reach the right opportunities.

Future Outlook

The Indian Capital Market through out the year under review, largely maintained its up trend scenario under volatile trend. The volatility in the market regardless of intermittent uptrend in the index, largely made investors wary of active trading. However, the measures taken by the Government to reinstate confidence of investors in stock market may further improve the condition of stock markets.

Keeping in view the current market scenario, the Merchant Banking Division of the Company is continuing to explore possibilities of making inroads on consultancy and similar fee based services. The recently acquired memberships of F & O segment and currency derivative segment are also expected to further the revenue generations of the Company. The Company is also planning to provide Portfolio Management services to its clients which will also help to strengthening the revenue of the Company.

Directors

There was no change in the Board of Directors during the year under review. During the year, 4 Board meetings were held on 25/05/2009, 25/09/2009, 30/12/2009 and 26/03/2010 respectively.

The term of Shri S.K. Agarwal as Managing Director of the Company expired on 30.06.2010 and the Board has reappointed him as Managing Director for a further period of three years (i.e., from 01.07.2010 till 30.06.2013) in their meeting held on 30th June, 2010, subject to the approval of members. As per the terms & conditions of his appointment, as stipulated in the agreement entered into for this purpose with Shri S. K. Agarwal, no remuneration shall be paid to him for holding the office of Managing Director for the time being. However, the Managing director shall be entitled to reimbursement of actual expenses incurred for performance of his duties as per the company rules. Mr. Agarwal is also the Managing Director of VLS Finance Ltd., the holding Company and is drawing remuneration from that Company.

Your approval is sought for his reappointment as detailed in the Notice convening the meeting. The Board recommends his reappointment.

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

Further Issue of Share capital

Pursuant to the authorization given by the members of the Company in the Extra Ordinary General Meeting of the Company held on 24.09.2003 to offer, issue and allot 25,00,000 equity shares of Rs.10/- each aggregating to Rs. 2,50,00,000/- on private placement basis at any one time or from time to time to "VLS Finance Ltd.", the holding company; Earlier, in their meeting held on 31.03.2004, the Board had allotted 5,00,000 Equity Shares of Rs. 10/- each aggregating to Rs. 50,00,000 (Rupees Fifty Lakh only) to the Holding Company. Now the Share Allotment Committee of Directors had allotted remaining 20,00,000 Equity Shares of Rs. 10/- each aggregating to Rs. 2,00,00,000 (Rupees Two Crores only) to the Holding Company in their meeting held on 27.10.2009, to facilitate the business activities of the Company.

Audit Committee

During the year, 3 meetings of the Audit Committee were held on 25/05/2009, 30/12/2009 and 26/03/2010. 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 2010, 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, 2010 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 2010-2011. 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 held 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 MCX Stock Exchange Limited 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. There was no proposal during the year under review for buy back of shares by the Company.

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 MCX- Stock Exchange Ltd., the regulatory authorities, Clients, Bankers, Associates and Employees.

For and on behalf of the Board of Directors

Place : New Delhi

S.K. Agarwal

K.K. Soni

Date : 30/06/2010

Managing Director

Director

AUDITORS' REPORT

To

The Members
VLS Securities Ltd.
New Delhi

We have audited the attached Balance Sheet of VLS Securities Ltd. as at 31st March, 2010 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.

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 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 2010, and taken on record by the Board of directors, we report that none of the directors is disqualified as on 31st March 2010 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, proper books of account and records as specified in Rule 15 of the Securities Contracts (Regulation) Rules, 1957 have been kept in so far as it appears from our examination of such books.
 - The stock broker has complied with the requirements of the stock exchange in so far as they relate to maintenance of accounts and was regular in submitting the required accounting information to the stock exchange.
 - 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 2010 and,
 - In the case of the Profit and Loss account, of the profit of the Company for the year ended on that date.
 - In the case of cash flow statement, of the cash flows for the year ended on that date.

For Agiwal & Associates
Chartered Accountants
(Firm Registration No.000181N)
(V.K. Gupta)
Partner

Place: New Delhi
Date: 24th May 2010

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 2010

- 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 and currency derivatives. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- 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.
 - 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.
- 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.
 - In our opinion, the Company has an internal audit system, commensurate with the size and nature of its business.
 - 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.
 - 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 31-03-2010.
 - According to the records and information and explanations given to us, there is no outstanding of any disputed statutory dues as on 31.03.2010.
 - 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 and in the immediately preceding Financial Year.
 - 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.
 - The Company has maintained proper records for dealing and trading in shares, securities and currency derivatives, debentures and timely entries have been made therein. The shares, securities and currency derivatives, 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.
 - 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.
 - The Company has not raised any Term Loan during the year.
 - 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.
 - 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.
 - 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.
- The Para Nos. 4 (xi), (xiii), (xix) and (xx) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

For Agiwal & Associates
Chartered Accountants
(Firm Registration No.000181N)
(V.K. Gupta)
Partner

Place: New Delhi
Date: 24th May 2010

Membership No. 81979

BALANCE SHEET AS AT 31st MARCH 2010

(Amount in Rs.)			
	Sch. No.	As at March 31, 2010	As at March 31, 2009
I. SOURCES OF FUNDS			
1. Shareholders' funds			
Share Capital	1	7,50,00,000	5,50,00,000
		7,50,00,000	5,50,00,000
II. APPLICATION OF FUNDS			
1. Fixed Assets	2		
a) Gross Block		43,30,639	43,30,639
b) Less : Depreciation		41,64,436	40,78,492
c) Net Block		1,66,203	2,52,147
2. Investments (At cost)	3	1,50,83,505	1,50,83,505
3. Deferred Tax Asset		16,774	21,282
4. A. Current Assets, Loans & Advances			
a) Sundry Debtors	4	11,64,290	1,25,238
b) Cash and Bank Balances	5	1,12,57,935	29,11,970
c) Loans and Advances	6	4,66,52,115	3,50,78,202
		5,90,74,340	3,81,15,410
B. Current Liabilities & Provisions			
a) Current Liabilities	7	7,58,163	17,29,583
b) Provisions	8	4,37,997	3,08,144
		11,96,160	20,37,727
Net Current Assets (A-B)			
		5,78,78,180	3,60,77,683
5. Profit & Loss Account		18,55,338	35,85,383
		7,50,00,000	5,50,00,000
Significant Accounting Policies and Notes to Accounts	12		

As per our report of even date

For Agiwal & Associates
Chartered Accountants
(Firm Registration No. 000181N)

For and on behalf of the Board

V.K. Gupta
Partner
Membership No. 81979
Place : New Delhi
Date : 24/05/2010

S.K. Agarwal
Managing Director

K.K.Soni
Director

T.B. Gupta
Director

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

Sch. No.	(Amount in Rs.)		
	For the year ended March 31, 2010	For the year ended March 31, 2009	
INCOME			
Sale (Securities & Currency Derivatives)	41,47,551	1,61,69,832	
Income from brokerage	5,42,145	1,64,002	
Interest Income (Gross)	29,15,975	26,20,832	
Other Income	17,30,310	4,45,308	
Total	93,35,981	1,93,99,974	
EXPENDITURE			
Purchase (Securities & Currency Derivatives)	41,47,359	1,61,64,153	
Operating expenses	6,94,180	5,85,217	
Employees Cost	15,43,941	15,71,396	
Administrative & Other expenses	9,65,909	9,09,819	
Depreciation	85,944	60,542	
Total	74,37,333	1,92,91,127	
PROFIT BEFORE TAX	1,898,648	1,08,847	
Less: Provision for Taxation:			
Current Tax / Mat	181,792	--	
Deferred Tax	4,508	15,215	
Fringe Benefit Tax	-	45,000	
PROFIT AFTER TAX	1,712,348	48,632	
Less: Adjustment of tax provision of earlier year			
Surplus / (Deficit) B/Fd from Previous Year	(2,303)	(428)	
Profit / (Loss) available for Appropriation	(1,855,338)	(3,565,383)	
Surplus / (Deficit) carried to Balance Sheet	(1,855,338)	(3,565,383)	
EARNING PER SHARE (Refer Note No. j in Schedule 12)			
Basic and Diluted Earning per Share (Rs.)	0.29	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			
Chartered Accountants			
(Firm Registration No. 000181N)			
For and on behalf of the Board			
V.K. Gupta Partner	S.K. Agarwal Managing Director	K.K.Soni Director	T.B. Gupta Director
Membership No. 81979			
Place : New Delhi			
Date : 24/05/2010			

SCHEDULES TO BALANCE SHEET

Sch. No.	(Amount in Rs.)							
	As at March 31, 2010	As at March 31, 2009						
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*								
75,00,000 Equity shares of Rs.10/- each, fully paid up in cash	7,50,00,000	5,50,00,000						
(Previous Year 55,00,000 Equity shares of Rs. 10/- each, fully paid up in cash)	7,50,00,000	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-09	Additions during the year	As at 31-Mar-10	Up to 1-Apr-09	For the Year	Up to 31-Mar-10	As at 31-Mar-10	As at 31-Mar-09
Computers	38,39,309	0	38,39,309	37,40,793	39,406	37,80,199	59,110	98,516
Software	1,04,000	0	1,04,000	8,776	38,090	46,866	57,134	95,224
Office Equipments	2,88,205	0	2,88,205	2,36,803	7,150	2,43,953	44,252	51,402
Furniture & Fixtures	71,112	0	71,112	64,561	1,186	65,747	5,365	6,551
Vehicles	28,013	0	28,013	27,559	113	27,672	341	454
Total	43,30,639	0	43,30,639	40,78,492	85,944	41,64,436	1,66,203	2,52,147
Previous Year	41,81,209	1,49,430	43,30,639	40,17,950	60,542	40,78,492	2,52,147	1,63,259

3) INVESTMENTS (LONG TERM)

Particulars	Quantity			
	As on 1-Apr-2009 (Nos.)	As on 31-Mar-2010 (Nos.)	As at 31-Mar-2010 (Rs.)	As at 31-Mar-2009 (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
ii) D Pharma Ltd.	10	200	200	1
iii) Punjab Wireless Systems Ltd.	10	500	500	1
iv) Bank of Baroda.	10	1	1	251
B) OTHERS				
UTI Master Plus 91	10	200	200	3,252
		5,20,901	5,20,901	1,50,83,505
				1,50,83,505
				1,50,83,505

NOTE: Aggregate value of quoted investments

 Book Value (Rs.): 1,50,83,505 1,50,83,505
 Market Value (Rs.): 11,63,31,419 1,43,06,671

SCHEDULES TO BALANCE SHEET (Contd..)

Sch. No.	(Amount in Rs.)	
	As at March 31, 2010	As at March 31, 2009
4 SUNDRY DEBTORS		
(Unsecured and considered good unless otherwise stated)		
i) Debts outstanding for a period exceeding six months	-	-
ii) Other Debts	11,64,290	1,25,238
	11,64,290	1,25,238
5 CASH AND BANK BALANCES		
Cash in Hand (As certified by the management)	23,128	10,117
Broker's stamps in hand	11,302	11,008
Balances with Scheduled Banks		
i) In current accounts	11,23,505	11,90,845
ii) In Fixed deposit accounts	1,01,00,000	17,00,000
	1,12,57,935	29,11,970
6 LOANS AND ADVANCES		
(Unsecured, considered good)		
<i>Advances recoverable in cash or in kind or for value to be received or adjusted</i>		
i) Deposits with Stock Exchanges	77,00,000	77,00,000
ii) Pre-paid Expenses	47,035	1,76,193
iii) Advance Income Tax/TDS/FBT	19,36,055	18,32,843
iv) Interest accrued but not due	233,222	1,10,332
v) Margin money with Share brokers	3,58,99,000	2,51,00,000
vi) Service Tax receivable	3,332	25,687
vii) Income Tax Refund Receivable	4,83,395	-
viii) Other receivables	3,50,076	1,33,147
	4,66,52,115	3,50,78,202
7 CURRENT LIABILITIES		
i) Sundry Creditors	4,14,491	15,89,145
ii) Other Liabilities	3,43,672	1,40,438
	7,58,163	17,29,583
8 PROVISIONS		
i) Provision for FBT	87,000	1,17,397
ii) Provision for Leave encashment	1,34,705	1,56,247
iii) Provision for Taxation/ Mat	2,16,292	34,500
	4,37,997	3,08,144

SCHEDULES TO THE PROFIT AND LOSS ACCOUNT

Sch. No.	(Amount in Rs.)	
	For the year ended March 31, 2010	For the year ended March 31, 2009
9 OPERATING EXPENDITURE		
SEBI Fees	318,151	344,749
NSE Capital Market subscription	1,00,000	100,000
V-Sat Charges	1,00,000	1,08,699
Transaction and other NSE Charges	1,75,557	23,271
Service Tax	-	185
Securities Transaction Tax	472	961
Brokers Stamp Duty	-	7,352
	6,94,180	5,85,217
10 EMPLOYEES' COST		
Salaries & Allowances	12,93,256	13,26,638
Staff Welfare	363	753
Employer's Contribution to PF, ESI, Gratuity Fund etc.	2,50,322	2,44,005
	15,43,941	15,71,396
11 ADMINISTRATIVE AND OTHER EXPENSES		
Rent	60,000	60,000
Rates & Taxes	34,756	41,390
Electricity Charges	36,000	36,000
Office Maintenance	24,000	24,000
Legal and other Consultancy Charges	1,35,000	1,20,000
Repair & Maintenance	31,310	26,564
Travelling and Conveyance	2,90,231	2,56,584
Insurance	46,244	29,557
Miscellaneous Expenses	8,237	20,233
Business Promotion	79,168	77,399
News Papers, Books & Periodicals	47,431	56,616
Communication Expenses	69,765	60,515
Printing & Stationery	2,607	7,301
Internal Audit fee	40,000	20,000
Directors Sitting Fee	8,000	8,000
Auditors Remuneration		
- Statutory Audit fees	16,545	16,545
- Tax audit fees	5,515	5,515
- Certification fees	11,100	23,600
- Out of pocket expenses	20,000	20,000
	9,65,909	9,09,819

SCHEDULE 12: 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

- Fixed assets are stated at cost less accumulated depreciation.
- 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

- 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.

f) The Company deals in Securities & Currency 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

- Investments are classified into long - term investments and current investments.
- 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.
- The Company follows 'FIFO method' for calculating the cost of each investment sold by the Company for determining the profit/loss.

h) Taxation

- Provision for taxation is made on the basis of taxable profit in accordance with the Income Tax Act, 1961.
- Deferred tax resulting from timing difference between book and taxable profit is accounted for using the tax rates and law that have been enacted or substantively enacted as on the balance sheet date. The deferred tax asset is recognized only to the extent that there is a virtual certainty that there would be adequate future taxable income against which such deferred tax assets can be realized. The deferred tax liability is recognized on having a reasonable certainty for crystallization of the same.

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

b) Interest income includes Rs.28,43,981/- (Previous Year - Rs.25,88,779/-) on fixed deposits and Rs.71,994/- (Previous Year - Rs.32,053/-) on income tax refund. Interest income on fixed deposits includes tax deducted at source of Rs. 5,40,264/- (Previous Year - TDS of Rs. 5,92,746/-).

c) Other income includes dividend income of Rs.6,50,009/- (Previous Year -Rs. 3,90,400/-)

The tax deducted at source during the year on said income is Rs. NIL. (Previous Year - Rs. NIL)

d) Deferred Tax

	As at 01.04.2009	Current Year Charge/(Credit)	As at 31.03.2010
a) Deferred Tax Liability on account of:			
Depreciation	31,826	6,976	24,850
Total (a)	31,826	6,976	24,850
b) Deferred Tax Assets on account of:			
Employee Benefits	53,108	11,484	41,624
Total (b)	53,108	11,484	41,624
Total (b-a)	21,282	4,508	16,774

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	7,271	21,29,343.55	7,271	21,30,241	Nil	Nil
Previous Year (F&O)	Nil	Nil	74,000	56,33,443	74,000	56,49,635	Nil	Nil
Current year (Currency Derivatives)	Nil	Nil	42,000	20,18,015	42,000	20,17,310	Nil	Nil
Previous Year (Currency Derivatives)	Nil	Nil	2,15,000	1,05,30,710	2,15,000	1,05,20,197	Nil	Nil

*Quantity of shares is in nos and of currency derivatives is in \$.

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) 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. Nil- which includes Rs. Nil (Previous year Rs. Nil/-) towards contribution for key managerial personal.

b) The liability of Leave Encashment benefit is provided for on actuarial valuation using Projected Unit Credit method. The disclosure as required under AS 15 regarding the Company's Leave encashment benefit plan is as follows: -

	(in Rupees) As at March 31, 2010	(in Rupees) As at March 31, 2009
Change in present value of obligation		
Present value of obligation as at the beginning of the year		
Interest cost	12,466	13,984
Current service cost	10,143	11,108
Actuarial (gain) / loss	(44,151)	(69,168)
Benefits paid	0.00	0.00
Present value of obligation as at the end of the year	1,34,705	1,56,247
Change in plan assets	Not Applicable	Not Applicable
Plan assets at the beginning of the year	1,56,247	2,00,323
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	12,466	13,984
Current service cost	10,143	11,108
Interest cost		
Return on plan assets		
Actuarial (gain) / loss	(44,151)	(69,168)
Net cost	1,34,705	1,56,247
Constitution of plan assets	Not Applicable	Not Applicable
Other than equity, debt, property and bank a/c Funded with LIC		
Main actuarial assumptions		
Discount rate	8.00%	7.00%
Rate of increase in compensation levels	5.00%	5.00%

Assumptions relating to future salary increases, attrition, interest rate for discount and overall expected rate of return on assets have been considered based on relevant economic factors such as inflation, market growth and other factors applicable to the period over which the obligation is expected to be settled.

h) 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.

i) 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	
	31.03.10	31.03.09	31.03.10	31.03.09
Brokerage earned	1,53,979/-	26,767/-	1,53,979/-	26,767/-
Reimbursement amount claimed	15,86,272/-	15,96,195/-	15,86,272/-	15,96,195/-
Rent and other charges paid	1,20,000/-	1,20,000/-	1,20,000/-	1,20,000/-
Payable to Holding Company at the year end	2,86,455/-	8,52,727/-	2,86,455/-	8,52,727/-

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

j) Calculation of Earning per share

Particulars	Equivalent No. of Shares	Equivalent No. of Shares
	Year ended 31 st March 2010	Year ended 31 st March 2009
Basic and diluted		
Total Shares outstanding	75,00,000	55,00,000
Profits after taxes	Rs.17,12,348/-	Rs.48,632/-
EPS (In Rs.)	0.29	0.02

k) Previous Year's figures have been re-grouped and re-classified wherever considered necessary.

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

m) Schedules 1-12 form an integral part of the Accounts.

As per our report of even date

For Agiwal & Associates For and on behalf of the Board

Chartered Accountants

(Firm Registration No. 000181N)

V.K. Gupta

S.K. Agarwal

K.K.Soni

T.B. Gupta

Partner

Managing Director

Director

Director

Membership No. 81979

Place : New Delhi

Date : 24/05/2010

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details			
Registration number	62123	State Code	55
CIN	U74899DL1994PLC062123		
Balance Sheet Date	31-03-2010		
II. Capital raised during the Year (Amount in Rs. Thousands)			
Public Issue	Nil	Right Issue	Nil
Bonus Issue	Nil	Private Placement	20,000
III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)			
Total Liabilities	75,000	Total Assets	75,000
Sources of Funds:			
Paid up Capital	75,000	Net Fixed Assets	166
Reserves & Surplus	Nil	Investments	15,084
Secured Loans	Nil	Net Current Assets	57,878
Unsecured Loans	Nil	Accumulated Losses	1,855
		Deferred Tax Assets	17
Deferred Tax	Nil	Miscellaneous Expenditure	0
IV. Performance of Company (Amount in Rs. Thousands, except otherwise stated)			
Turnover	9,336	Total Expenditure	7,437
Profit/Loss Before Tax	1,899	Profit/Loss after Tax	1,712
Earning per Share (Rs.)	0.31	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 2010

(Amount in Rs.)

	Year Ended 31-Mar-2010	Year ended 31-Mar-2009
A. Cash flow from operating activities		
Net Profit before tax and extra-ordinary items	1,898,648	1,08,847
Adjustments for:-		
Add: Depreciation	85,944	60,542
Unspent Liabilities Written Back	77,091	(25,926)
Operating profit before working capital changes	2,061,683	1,43,463
Adjustments for changes in Working Capital		
Trade Debtors and Loan & Advances	(12,612,965)	(823,440)
Trade Creditors and other Payables	(1,102,752)	646,539
Cash generated from operations	(11,654,034)	(33,438)
NET CASH FLOW FROM OPERATING ACTIVITIES	(I) (11,654,034)	(33,438)
B. Cash flow from investing activities		
Deployment in Fixed Assets	-	(149,430)
Deployment in investments	-	(251)
NET CASH USED IN INVESTING ACTIVITIES	(II) -	(149,681)
C. Cash flow from financing activities		
Issue of equity share capital	20,000,000	-
NET CASH USED IN FINANCING ACTIVITIES	(III) 20,000,000	-
NET CHANGES IN CASH & CASH EQUIVALENTS (I)+(II)+(III)	8,345,966	(183,119)
CASH & CASH EQUIVALENTS- OPENING BALANCE	29,11,970	30,95,089
CASH & CASH EQUIVALENTS- CLOSING BALANCE	1,12,57,935	29,11,970

For Agiwal & Associates

For and on behalf of the Board

Chartered Accountants

(Firm Registration No. 000181N)

V.K. Gupta

S.K. Agarwal

K.K.Soni

T.B. Gupta

Partner

Managing Director

Director

Director

Membership No. 81979

Date : 24/05/2010

Place : New Delhi

VLS INVESTMENTS LTD

DIRECTORS' REPORT TO THE MEMBERS

The Directors are pleased to present the 19th Annual Report of your Company, together with the audited Balance Sheet and the Profit and Loss Account for the year ended 31.03.2010.

FINANCIAL RESULTS

The Company has posted a net profit of Rs. 21,849/-. This notional profit is due to interest income on fixed deposit with the bank. There was no business activity during the year under review.

DIVIDEND

No dividend is recommended for the year under review.

DIRECTORS

There was no change in the Board of Directors during the year under review. Shri S. K. Agarwal, Director, shall be retiring by rotation at the ensuing Annual General Meeting and being eligible has offered himself for re-appointment. Your Directors recommend his re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- that in the preparation of the annual accounts for the financial year ended 31st March, 2010, 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, 2010 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 not held 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

S. K. Agarwal

Date : 18/05/2010

Director

Director

AUDITORS' REPORT

To,

The Members

VLS Investments Ltd.

Kanpur.

We have audited the attached Balance Sheet of VLS Investments Ltd. as at 31st March 2010 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:

- a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. In our opinion, proper books of accounts as required by law have been kept by the Company, so far as appears from our examination of those books;
- c. The balance sheet 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 2010, and taken on record by the board of directors, we report that none of the directors is disqualified as on 31st March 2010 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 2010 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
(Firm Registration No: 000181N)
(V.K. Gupta)
Partner
M. No. 81979

Place: New Delhi
Date : 18th May, 2010

**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, 2010**

- (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 31.03.2010 and as such, no comments can be given under this clause.
- (iii) (a) The Company has not taken/granted any loans secured/unsecured from/to the Companies, Firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
(b) As the Company has not taken/granted loans from/to companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956, the clause related to rate of interest and other terms and conditions of loans taken and given by the Company, secured or unsecured, which are prima facie prejudicial to the interest of the Company is not applicable to the Company.
- (iv) In our opinion and according to the information and explanations given to us, the Company has an adequate internal control procedure commensurate with its size and nature of its business, for the purchase of fixed assets and for purchase/sale of securities. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- (v) (a) To the best of our knowledge and belief and according to information and explanations given to us, the company has not entered into any transactions that need 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 31.03.2010.
(b) There was no outstanding of any disputed statutory dues as on 31.03.2010.
- (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.
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
(Firm Registration No: 000181N)
(V.K. Gupta)
Partner
M. No. 81979

Place: New Delhi
Date: 18th May, 2010

BALANCE SHEET AS ON 31ST MARCH, 2010

(Amount in Rupees)

	Schedule No.	As At	As At
		31.03.2010	31.03.2009
I. SOURCES OF FUNDS			
<i>Shareholders' Funds</i>			
a) Share Capital	1	500200	500200
b) Reserves & Surplus	2	77422	55573
TOTAL		577622	555773
II. APPLICATION OF FUNDS			
<i>(A) Current Assets, Loans & Advances:</i>			
a) Cash & Bank Balances	3	573668	556382
b) Loans & Advances	4	45452	31122
c) Other Current Assets	5	8210	8206
		627330	595710
<i>(B) Less: Current Liabilities & Provisions:</i>			
a) Liabilities	6	11515	11515
b) Provisions	7	38193	28422
		577622	555773
Net Current Assets (A-B)		577622	555773
TOTAL			
Significant Accounting Policies and Notes on Accounts	8		
As per our report of even date For Agiwal & Associates Chartered Accountants (Firm Registration No. 000181N) For and on behalf of the Board			
V.K. Gupta Partner M. No. 81979 18 th May, 2010 New Delhi	Tej Bhan Gupta Director	Anurag Bhatnagar Director	

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON 31ST MARCH, 2010

(Amount in Rupees)

	Year Ended	Year Ended
	31.03.2010	31.03.2009
INCOME		
Interest Income on Fixed Deposit with Bank(Gross)	44155	45616
Other Income	—	500
Total (A)	44155	46116
EXPENDITURE:		
Filing Charges	1020	1020
Auditor's Remuneration	5515	5515
Accounting Charges	6000	6000
Total (B)	12535	12535
Profit for the year (A-B)	31620	33581
Less: Provision for taxation	9771	10377
Profit after Tax	21849	23204
Balance as per previous year Balance Sheet	55573	32369
Surplus carried to Balance Sheet	77422	55573
Earning per Share		
Basic and Diluted Earning per Share (Rs.)	0.44	0.46
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 (Firm Registration No. 000181N) For and on behalf of the Board		
V.K. Gupta Partner M. No. 81979 18 th May, 2010 New Delhi	Tej Bhan Gupta Director	Anurag Bhatnagar Director

SCHEDULES TO BALANCE SHEET AS AT 31ST MARCH, 2010

(Amount in Rupees)

	As at	As at
	31.03.2010	31.03.2009
SCHEDULE 1 - SHARE CAPITAL		
AUTHORISED		
500000 Equity Shares of Rs.10/- each	5000000	5000000
ISSUED, SUBSCRIBED & PAID-UP		
50020 Equity Shares of Rs.10/- each fully paid in Cash. (The Share Capital in full is held by the holding company viz. VLS FINANCE LTD. by itself and through its nominees)	500200	500200
TOTAL	500200	500200
SCHEDULE 2 – RESERVES & SURPLUS		
PROFIT & LOSS ACCOUNT		
Balance b/f	55573	32369
Add: Profit for the year	21849	23204
TOTAL	77422	55573
SCHEDULE 3 – CASH & BANK BALANCES		
a) Cash on Hand	2460	460
b) Bank of Baroda - Current Account	13977	36024
c) Bank of Baroda – Fixed Deposit Account	557231	519898
TOTAL	573668	556382



(Amount in Rupees)

	As at 31.03.2010	As at 31.03.2009
SCHEDULE 4 - LOANS & ADVANCES		
Advance Income Tax/TDS	45452	31122
TOTAL	45452	31122
SCHEDULE 5 - OTHER CURRENT ASSETS		
Interest Accrued on FD with Bank (Net of TDS)	8210	8206
TOTAL	8210	8206
SCHEDULE 6 - CURRENT LIABILITIES		
Expenses payable	11515	11515
TOTAL	11515	11515
SCHEDULE 7 - PROVISIONS		
Provision for taxation	38193	28422
TOTAL	38193	28422

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 2009-2010.
- 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 transaction with the related parties as follows :

Holding Company

Other Charges	1020
Income tax payments	7512

- There are no deferred tax assets/liabilities during the year.
- Interest Income on Fixed Deposits includes tax deducted at source Of Rs.6,818/- (Previous year Rs.9,397/-).
- 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 **Agwal & Associates**
Chartered Accountants
(Firm Registration No. 000181N)

For and on behalf of the Board

V.K. Gupta
Partner

Tej Bhan Gupta
Director

Anurag Bhatnagar
Director

M. No. : 81979
18th May, 2010
New Delhi

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration details:			
Registration No	12963	State Code	20
Balance Sheet date	31.03.2010	CIN - U67120UP1991PTC012963	
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 :	578	Total Assets :	578
Sources of funds			
Paid-up Capital :	500	Application of funds	
Reserves & Surplus :	78	Net Fixed Assets :	-
Secured Loans :	-	Investments :	-
Unsecured Loans :	-	Net Current Assets :	578
		Miscellaneous Expenditure :	-
		Accumulated Losses :	-
IV. Performance of Company (Amount in Rs.'000)			
Turnover :	44	Total Expenditure :	12
Profit/(Loss) before tax :	32	Profit/(Loss) after tax :	22
Earnings per share in Rs.:	0.44	Dividend rate% :	Nil
V. Generic names of principal products/services of Company (as per monetary terms)			
Investment Activities			

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2010

(Amount in Rs.)

	Year Ended 31/03/2010	Year ended 31/03/2009
A. Cash Flow from operating activities		
Net Profit before Tax	31620	33581
Adjustment for :-		
Operating Profit before working capital changes	31620	33581
(Increase) /Decrease in Loans & Advances and Others	(14334)	(9364)
Increase / (Decrease) in trade payables & Others	0	(3103)
Cash Generated from Operations	17286	21114
Net Cash From Operating Activities	17286	21114
B. Cash Flow from investing activities		
Net Profit/Loss on sale of Investments	0	0
Net Cash From Investing Activities	0	0
C. Cash Flow From Financing activities		
Proceeds from borrowings	0	0
Net Cash From Financing Activities	0	0
Net increase in Cash & Cash Equivalents (A+B+C)	17286	21114
D. Cash & Cash Equivalents at the beginning of the Year	556382	535268
E. Cash & Cash Equivalents at the end of the year	573668	556382
Increase/(Decrease) in Cash & Cash Equivalents (D-E)	17286	21114

As per our report of even date

For **Agwal & Associates**
Chartered Accountants
(Firm Registration No. 000181N)

For and on behalf of the Board of Directors

V.K. Gupta
Partner
M. No. 81979
18th May, 2010
New Delhi

Tej Bhan Gupta
Director

Anurag Bhatnagar
Director



VLS ASSET MANAGEMENT LTD.

DIRECTORS' REPORT TO THE MEMBERS

Your Directors present the 15th Annual Report of your Company together with the Balance Sheet as at 31st March, 2010 and Profit and Loss Account for the year ended on that date.

Financial Results

The Company has incurred a loss of Rs. 1023/- 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 S. C. Agarwal - Director shall be retiring by rotation at the ensuing Annual General Meeting and being eligible has offered himself for reappointment. Your Directors recommend his reappointment in order to have his continued valuable direction, guidance and assistance in the conduct of the affairs of your Company.

Directors' Responsibility Statement

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

- That in preparation of annual accounts for the financial year ended 31st March, 2010, 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, 2010 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 held any fixed deposit within the meaning of Section 58A of the Companies Act, 1956 and the rules made there under.

Statutory Disclosure

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

The Company has had no foreign exchange outgo or inflow.

Personnel

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

Acknowledgement

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

For and on behalf of the Board of Directors

Place : New Delhi
Date : 17/5/2010

S. K. Agarwal
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, 2010, 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, we report that none of the directors is disqualified as on 31st March, 2010 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, 2010; 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
FRN 109208W

(V. Rethinam)
Partner
Membership Number:-10412

Place: New Delhi
Date: 17-05-2010

BALANCE SHEET AS AT 31st March, 2010

		(Amount in Rs.)	
	Sch. No.	As at March 31, 2010	As at March 31, 2009
I. SOURCES OF FUNDS			
1			
1	Shareholders' funds		
a)	Share Capital	7,07,000	7,07,000
2	Loan Funds		
a)	Unsecured Loan	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	16,451	17,474
	Less: Current Liabilities & Provisions		
a)	Current Liabilities	5,431	5,431
	Net Current Assets	11,020	12,043
2.	Profit & Loss Account	16,11,851	16,10,828
	TOTAL	16,22,871	16,22,871
NOTES ON ACCOUNTS			
6			

As our report of even date for **V. Sankar Aiyar & Co.** Chartered Accountants (Firm Regn. No. 109208W) V. Rethinam Partner M. No. 10412 Date : 17th May , 2010 Place : New Delhi

For and on behalf of the Board

S.K. Agarwal
Director

S.C. Agarwal
Director

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED ON 31st March, 2010

		(Amount in Rs.)	
	Sch. No.	As on 31-Mar-10	As on 31-Mar-09
INCOME			
	Total	-	-
EXPENDITURE			
Administrative & Other expenses	5	1,023	2,050
	Total	1,023	2,050
	Loss for the year	(1,023)	(2,050)
Add: Loss B/F		(1,610,828)	(1,608,778)
Balance carried to balance sheet		1,611,851	(1,610,828)
EARNING PER SHARE (FV Rs10)		(0.014)	(0.03)

Notes forming part of the Accounts 6

As our report of even date for **V. Sankar Aiyar & Co.** Chartered Accountants (Firm Regn. No. 109208W) V. Rethinam Partner M. No. 10412 Date : 17th May , 2010 Place : New Delhi

For and on behalf of the Board

S.K. Agarwal
Director

S.C. Agarwal
Director

SCHEDULES TO BALANCE SHEET AS AT 31st March, 2010

(Amount in Rs.)

	As at 31-Mar-2010	As at 31-Mar-2009
1 SHARE CAPITAL		
AUTHORISED CAPITAL		
1,00,00,000 Equity Shares of Rs.10/- each	100,000,000	100,000,000
ISSUED, SUBSCRIBED & PAID UP CAPITAL		
70,700 Equity shares of Rs.10/- each fully paid up in cash(*)		
*(70,100 share held by VLS Finance Ltd, the Holding Company)	707,000	707,000
	707,000	707,000
2 UNSECURED LOAN		
From Holding Company i. e. VLS Finance Ltd. (Non interest bearing) (Maximum amount outstanding during the year Rs. 9,15,511/- (previous year Rs. 9,15,511). From Directors	915,511	915,511
	360	360
	915,871	915,871
3 CURRENT ASSETS, LOANS & ADVANCES		
Balance with Scheduled Bank in Current A/c	16,451	17,474
	16,451	17,474
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, 2010

(Amount in Rs.)

	For the year ended 31-03-2010	For the year ended 31-03-2009
5 ADMINISTRATIVE AND OTHER EXPENSES		
Filing Charges	1,020	2,040
Bank Charges	3	10
	1,023	2,050

SCHEDULE 6 – NOTES ON ACCOUNTS

1. Significant accounting policies:

a) 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.

b) Method of Accounting

The company is following accrual basis of accounting.

2. Deferred Tax Liability/ Deferred Tax Asset

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

3. Related Party Disclosure (Accounting Standard - 18)

Following are the Related Parties:-

Holding company – VLS Finance Ltd.
Fellow Subsidiaries:- VLS Securities Ltd., VLS Investments Ltd., VLS Investment Inc.
Transaction during the year with the related party:-

Related Party	Nature of Transaction	As on 31 st March, 2010	As on 31 st March, 2009
Holding Company	Opening Balance	9,15,871	9,15,871
	Transactions during the year	Nil	Nil
	Closing Balance	9,15,871	9,15,871

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

S. No.	Particulars	Year Ended 31 st March 2010	Year Ended 31 st March 2009
1.	Net Profit/(Loss) after Tax	(1,023)	(2,050)
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 (Firm Regn. No. 109208W)

For and on behalf of the Board

V. Rethinam
Partner
M. No. 10412

S.K. Agarwal
Director

S.C. Agarwal
Director

Date : 17th May , 2010
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	31-03-2010		
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	11	Misc. Expenditure	-
Accumulated Losses	1,612		

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

Turnover	-	Total Expenditure	1
Profit/Loss Before Tax	(1)	Profit/Loss after Tax	(1)
Earning per Share (Rs.)	-	Dividend Rate	Nil

V. Generic Names of Three Principal Products/ Services of Company (as per monetary terms) *Not Applicable*

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st March, 2010

	Year Ended 31/03/2010	Year ended 31/03/2009
Cash Flow from operating activities		
Net Profit before Tax	(1023.00)	(2050)
Adjustment for :-		
Operating Profit before working capital changes	(1023.00)	(2050)
Increase / (Decrease) in trade payables & Others	-	-
Cash Generated from Operations	(1023.00)	(2050)
<i>Net Cash From Operating Activities</i>	(1023.00)	(2050)
B. Cash Flow from investing activities		
Net Profit/Loss on Sale of Investments	-	-
<i>Net Cash From Investing Activities</i>	-	-
C. Cash Flow From Financing activities		
Proceeds from borrowings	-	-
<i>Net Cash From Financing Activities</i>	-	-
Net increase in Cash & Cash Equivalents (A+B+C)	(1023)	(2050)
D. Cash & Cash Equivalents at the beginning of the Year	17474	19524
E. Cash & Cash Equivalents at the end of the year	16451	17474
Increase/(Decrease) in Cash & Cash Equivalents (D-E)	(1023)	(2050)

As per our report of even date attached hereto

for V. Sankar Aiyar & Co. For & on behalf of the Board

Chartered Accountants
(Firm Regn. No. 109208W)

V. Rethinam M. No. 10412 Partner Date : 17th May , 2010 Place : New Delhi	S.K.Agarwal Director	S.C.Agarwal Director
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VLS INVESTMENTS INC.

DIRECTORS' REPORT TO THE MEMBERS

Your Directors present the 6th Annual Report of your Company, together with the audited Balance Sheet and the Profit and Loss Account for the year ended on 31.12.2009.

FINANCIAL RESULTS

During the year under review, a net loss of 1703.04 USD was recorded. The Company could not undertake any business activity during the year under review and the interest on bank deposit was the only income generated. All the investments held by the company were sold during the year and the proceeds were remitted to VLS Finance Ltd. the holding Company. As there are no assets left, the holding Company has advised for dissolution of Company and necessary steps have been initiated accordingly.

DIVIDEND

No dividend is recommended.

DIRECTORS

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

PERSONNEL

The Company had no employees during the period under report.

AUDITORS

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

AUDITORS' REPORT

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

FIXED DEPOSITS

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

ACKNOWLEDGEMENTS

The Board takes this opportunity to thank the Shareholders, Bankers and Business Associates for

their all round cooperation and support.

For and on behalf of the Board of Directors

Place : New Delhi Date : 06/02/2010	S. K. Agarwal Director	Rajesh Jhalani Director
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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, 2009 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, 2009, 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: 6th February, 2010

A. Mehta
Certified Public Accountant

Balance Sheet as at December 31, 2009 (expressed in USD)

	Notes	2009	2008
Assets:			
Current Assets:			
Financial Assets (Shares/Securities)	3	-	128,525
Cash at Bank		365	10,393
Profit & Loss A/c.		635	-
		1,000	138,918
Stockholder's Equity & Liabilities			
Stockholder's Equity:			
Common stock, no par value; 100 shares authorised, issued and outstanding		1,000	1,000
Current Liabilities:			
Accounts Payable	5	-	135,952
Accrued expenses		-	898
Total Current Liabilities		-	136,850
Accumulated Profit		-	1,068
		1,000	138,918

For and on behalf of Board

Date : 6th Feb., 2010 Place : New Delhi	S.K. Agarwal Director	Rajesh Jhalani Director
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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, 2009 (expressed in USD)

	Notes	2009	2008
Revenues:			
Interest Income		2.30	28.00
Accounts Payable written back		85,952.00	-
other liabilities written back		898.00	-
		86,852.30	28.00
Expenses:			
Bank Interest		30.00	-
Formation Expenses written off		-	39.00
Audit charges		-	100.00
Federal Tax		0.34	4.00
loss on sale of Investments		88,525.00	-
		88,555.34	143.00
Profit/(Loss) for the year		(1,703.04)	(115.00)
Add: Brought forward Profit		1,068.00	1,183.00
Profit/(Loss) available for appropriation		(635.04)	1,068.00

For and on behalf of Board

Date : 6th Feb., 2010 Place : New Delhi	S.K. Agarwal Director	Rajesh Jhalani Director
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A. Mehta
Certified Public Accountant

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

Notes to the annual accounts December 31, 2009
(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 01.01.2009 to 31.12.2009.

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 affect 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 not amortized this year because of losses.

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)	
	2009	2008
Wirex Communication Inc. (1200 shares)	(-)	128,525

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)	
	2009	2008
Amount due to VLS Finance Ltd., the holding company	(-)	135,952

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

Date : 6th February, 2010
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

A. MEHTA, CPA
Certified Public accountant
23, Wheelers Circle, Suit # 198
Stoughton, MA 02072
Tel. : 617-785-2853
Fax : 617-249-1901

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, 2010 and VLS Investments Inc., Delaware, U.S.A. as at 31st December, 2009 along with its unaudited financial statement for the period from 01.01.2010 to 31.03.2010, 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, 2010 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, 2010 whose financial statement reflect total assets of Rs. Nil as at 31st March, 2010 and total revenues of Rs. 59/- 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 2010;
- 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
(Firm Resigtration No. 000181N)

Place: New Delhi
Date: 26th May 2010

(P.C. Agiwal)
Partner
(M.No. – 80475)

CONSOLIDATED BALANCE SHEET AS AT 31st MARCH, 2010

(Amount in Rs.)

	Sch. No.	As at 31st March, 2010	As at 31st March, 2009
I. SOURCES OF FUNDS			
Shareholders' Funds			
1. a) Capital	1	39,91,72,250	39,91,72,250
b) Reserves & Surplus	2	152,81,06,661	147,52,29,591
2. Minority Interests			
a) Capital		6,000	6,000
b) Reserves & Surplus			
Opening		(13,671)	(13,654)
Add: For the Year		(9)	(17)
		(13,680)	(13,671)
3. Loan Funds			
Secured Loans	3	8,34,45,100	0
Unsecured Loans	4	1,31,81,948	1,31,81,948
Total Sources		202,38,98,279	188,75,76,118
II. APPLICATION OF FUNDS			
4. Fixed Assets			
a) Gross Block	5	131,92,54,501	131,84,25,670
b) Less: Depreciation		122,38,30,391	121,88,53,169
c) Net Block		9,54,24,110	9,95,72,501
5. Investments (At cost)			
	6	87,19,54,359	90,17,15,759
6. Deferred Tax Assets			
		3,20,81,296	4,03,33,843
7. A. Current Assets, Loans & Advances			
a) Share stock in trade	7	1,57,13,541	2,03,14,590
b) Sundry Debtors	8	35,64,75,566	1,56,26,884
c) Cash & Bank Balances	9	17,86,98,353	1,16,54,259
d) Other Current Assets	10	55,90,43,147	74,31,80,421
e) Loans and Advances	11	9,24,95,736	15,57,81,355
		120,24,26,343	94,65,57,509
B. Less: Current Liabilities & Provisions			
a) Liabilities	12	13,97,19,859	5,89,52,673
b) Provisions	13	3,82,67,970	4,16,50,821
		17,79,87,829	10,06,03,494
Net Current Assets (A-B)			
	14	102,44,38,514	84,59,54,015
8. Miscellaneous Expenditure			
(To the extent not written-off or adjusted)		0	0
Total Deployments		202,38,98,279	188,75,76,118
Significant Accounting Policies and Notes on Accounts			
	20		

As per our report of even date
For Agiwal & Associates
Chartered Accountants
(Firm Registration No: 000181N)

For and on behalf of the Board
P.C. Agiwal Partner
M. No. 80475
May 26th, 2010
New Delhi

S.K. Agarwal Managing Director
M.P.Mehrotra Director
H.Consul Company Secretary


CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2010		(Amount in Rs.)	
	Sch. No.	For the year ended on 31st March, 2010	For the year ended 31st March, 2009
INCOME			
Sale of Shares/Securities/Currency Derivatives		1038,90,60,516	615,43,71,504
Income from Operations	15	7,26,64,962	4,43,67,449
Income from Investments		4,58,16,956	9,13,15,011
Other Income		80,964	13,12,47,195
Decrease in stock of shares	19	(4,601,049)	(4,246,315)
Total (A)		1050,30,22,349	641,70,54,844
EXPENDITURE			
Purchase of Shares/Securities/Currency Derivatives		1037,99,80,904	623,37,10,133
Interest & Finance Charges	16	4,94,049	7,118
Administrative & Other Expenses	17	3,86,02,238	3,49,82,030
Employees' Cost	18	95,37,214	1,12,84,114
Depreciation	5	49,77,222	51,14,707
Miscellaneous Expenditure Written-off	14	0	1,845
Total (B)		1043,35,91,627	628,50,99,947
PROFIT BEFORE ADJUSTMENTS			
Add/(-)Less :Bad Debts Recovery/(Written off) (Net)		6,94,30,722	13,19,54,897
Add/(-)Less: Excess provision written back/(Provision for diminution) in the value of Assets (Net)		0	(23,727,423)
		(80,000)	(12,214,494)
PROFIT BEFORE TAX			
Less: Provision for Taxation		6,93,50,722	9,60,12,980
Current Tax/MAT		1,14,10,151	13,10,173
Deferred Tax		82,52,547	(3,136,570)
Fringe Benefit Tax		0	4,22,000
PROFIT AFTER TAX			
Less: Minority Interest		4,96,88,024	9,74,17,377
Add: Surplus brought forward from previous year		9	17
Add/(-)Less: Prior year adjustments		9,07,87,214	1,28,57,404
Add/(-)Less: Adjustment of tax provision of earlier year (Net)		(5,325)	7,725
		31,94,380	(428)
PROFIT AVAILABLE FOR APPROPRIATIONS			
APPROPRIATED TO:			
Statutory Reserve u/s 45 IC of the RBI Act, 1934		14,36,64,284	11,02,82,061
		96,06,354	1,94,94,847
SURPLUS/(LOSS) CARRIED TO BALANCE SHEET			
EARNING PER SHARE (Refer Note No.10 in Schedule 20)		13,40,57,930	9,07,87,214
Basic and Diluted Earning per Share (Rs.)		1.25	2.45
Face Value per Share (Rs.)		10.00	10.00
Significant Accounting Policies and Notes on Accounts			
	20		

As per our report of even date.
For Agiwal & Associates
Chartered Accountants
(Firm Registration No: 000181N)

For and on behalf of the Board

P. C. Agiwal
Partner
M. No. 80475
May 26th, 2010
New Delhi

S.K. Agarwal
Managing Director

M. P. Mehrotra
Director

H. Consul
Company Secretary

SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT 31st March, 2010

	(Amount in Rs.)	
	As at 31st March, 2010	As at 31st March, 2009
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>
(Of the above 3,31,62,500 equity shares, fully paid up have been issued as bonus shares by way of capitalisation of share premium)		

SCHEDULE 2 RESERVES & SURPLUS

a) GENERAL RESERVE			
As per last Balance Sheet	29,68,83,932	29,68,83,932	
Total (a)	<u>29,68,83,932</u>	<u>29,68,83,932</u>	
b) STATUTORY RESERVE			
As per last Balance Sheet	10,25,49,866	8,30,55,019	
Add: Transfer from P/L account for the year	96,06,354	1,94,94,847	
Total (b)	<u>11,21,56,220</u>	<u>10,25,49,866</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>	
<i>Of the above amount of Rs.96,78,46,235/-, an amount of Rs.4,74,33,750 is relating to share premium received on forfeited shares</i>			
d) SURPLUS			
As per Last Balance sheet	9,07,87,214	1,28,57,404	
Less: Transfer to Profit & Loss Account	9,07,87,214	1,28,57,404	
	0	0	
Add: Transfer from Profit & Loss Account	13,40,57,930	9,07,87,214	
Total (d)	<u>13,40,57,930</u>	<u>9,07,87,214</u>	
e) CAPITAL RESERVE			
(As per Last Balance sheet)	1,71,62,344	1,71,62,344	
Grand Total (a) to (e)	<u>152,81,06,661</u>	<u>147,52,29,591</u>	
SCHEDULE 3 SECURED LOANS			
Overdraft Facility from Bank	8,34,45,100	0	
(Secured by pledge of Fixed Deposits of the Company)			
Total	<u>8,34,45,100</u>	<u>0</u>	
SCHEDULE 4 UNSECURED LOANS			
a) Adjustable deposits	1,31,81,588	1,31,81,588	
b) Loan from Directors	360	360	
Total (a+b)	<u>1,31,81,948</u>	<u>1,31,81,948</u>	



CONSOLIDATED FINANCIAL STATEMENTS

SCHEDULE TO CONSOLIDATED BALANCE SHEET AS AT 31st March, 2010 (Contd.)

SCHEDULE 7 SHARE STOCK IN TRADE

(At Cost or market price, whichever is lower)

(Amount in Rs.)

Name of the Company	As on 31.03.2010		As on 31.03.2009	
	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	1,585
SOUTH ASIAN ENTERPRISES LTD	17,11,289	1,57,09,633	17,11,289	2,03,13,000
SWEDE INDIALTD	200	1	200	1
Total	20,26,199	1,57,13,541	20,26,199	2,03,14,590

(Amount in Rs.)

As at 31st March, 2010 As at 31st March, 2009

SCHEDULE 8 SUNDRY DEBTORS

a) Instalments Receivable (Unsecured)		
Considered Good		
1. Due for more than six months	51,81,406	53,81,407
2. Others	0	0
	<u>51,81,406</u>	<u>53,81,407</u>
Less: Provision for Non-performing Assets	51,81,406	53,81,407
Total (a)	<u>0</u>	<u>0</u>
b) Dues from Share Brokers Considered Good		
1. Due for more than six months	0	0
2. Others	35,64,75,566	1,56,26,884
	<u>35,64,75,566</u>	<u>1,56,26,884</u>
Total (b)	<u>35,64,75,566</u>	<u>1,56,26,884</u>
Total (a+b)	<u>35,64,75,566</u>	<u>1,56,26,884</u>

SCHEDULE 9 CASH & BANK BALANCES

a) Cash on Hand	9,98,535	8,42,177
b) Balances with scheduled banks		
1. In Current Accounts	15,47,587	33,20,907
2. In Deposit Accounts	17,61,52,231	74,91,175
	<u>17,61,52,231</u>	<u>74,91,175</u>
Total (a+b)	<u>17,86,98,353</u>	<u>1,16,54,259</u>

SCHEDULE 10 OTHER CURRENT ASSETS

a) Interest Accrued but not due	73,29,016	65,92,046
b) Security Deposits with Govt Department	1,500	1,500
c) Security Deposits with others	91,87,524	91,86,524
d) Margin Money with share brokers	45,79,98,000	63,84,00,000
e) Advance Tax Paid	8,45,27,107	8,90,00,351
	<u>8,45,27,107</u>	<u>8,90,00,351</u>
Total (a+b+c+d+e)	<u>55,90,43,147</u>	<u>74,31,80,421</u>

SCHEDULE 11 LOANS AND ADVANCES

(Unsecured, considered good unless otherwise specified)

a) Short term Loans and Advances	8,20,41,490	8,26,12,647
Less: Provision for Non-performing Assets	10,00,000	20,00,000
	<u>8,10,41,490</u>	<u>8,06,12,647</u>
b) Advances Recoverable in cash or in kind or for value to be received	1,52,42,586	7,76,77,048
Less: Provision for Non-performing Assets	37,88,340	25,08,340
	<u>1,14,54,246</u>	<u>7,51,68,708</u>
Total (a+b)	<u>9,24,95,736</u>	<u>15,57,81,355</u>

SCHEDULE 12 LIABILITIES

a) Creditors for Expenses		
i) Total Outstanding dues of Micro, Small and Medium Enterprises	0	0
ii) Total outstanding dues of creditors other than Micro, Small and Medium Enterprises	27,48,151	14,75,817
b) Other Liabilities	13,69,71,708	5,74,76,856
	<u>13,69,71,708</u>	<u>5,74,76,856</u>
Total (a+b)	<u>13,69,71,708</u>	<u>5,74,76,856</u>

SCHEDULE 13 PROVISIONS

a) Provision for Taxation		
Balance B/ld	3,97,47,973	3,84,37,800
Add: Provision for the year	1,14,10,151	13,10,173
	<u>5,11,58,124</u>	<u>3,97,47,973</u>
Less: Provision written back	1,41,29,744	0
	<u>3,70,28,380</u>	<u>3,97,47,973</u>
b) Provision for Fringe Benefit Tax		
Balance B/ld	13,84,956	9,97,528
Add: Provision for the year	0	4,22,000
	<u>13,84,956</u>	<u>14,19,528</u>
Less: Provision for the earlier year reversed	6,15,956	34,572
	<u>7,69,000</u>	<u>13,84,956</u>
c) Provision for Leave encashment		
Balance B/ld	5,17,892	6,16,251
Less: Excess Provision for the year	(47,302)	(98,359)
	<u>4,70,590</u>	<u>5,17,892</u>
Total (a+b+c)	<u>3,82,67,970</u>	<u>4,16,50,821</u>

SCHEDULE 14 MISCELLANEOUS EXPENDITURE

(To the extent not written off or adjusted)

Preliminary Expenses		
Balance B/ld	0	1,845
Less: Written off to Profit & Loss Account	0	1,845
Total	<u>0</u>	<u>0</u>

SCHEDULES TO CONSOLIDATED PROFIT & LOSS ACCOUNT

(Amount in Rs.)

for the year ended 31st March, 2010 for the year ended 31st March, 2009

SCHEDULE 15 INCOME FROM OPERATIONS

Income from other Credit Operations	7,26,64,962	4,43,67,449
Total	<u>7,26,64,962</u>	<u>4,43,67,449</u>

SCHEDULE 16 INTEREST & FINANCE CHARGES

Interest to Bank	4,85,661	0
Bank / Finance Charges	8,388	7,118
Total	<u>4,94,049</u>	<u>7,118</u>

SCHEDULE 17 ADMINISTRATIVE & OTHER EXPENSES

Advertisement & Business Promotion	17,53,908	11,30,411
Consultancy, Legal & Service Charges	1,46,40,039	90,73,475
Communication Expenses	10,25,850	9,91,336
Electricity & Water Charges	3,47,220	3,45,981
Insurance	61,422	57,810
Office Expenses	14,49,642	15,13,385
Securities Transaction Tax	13,23,334	13,21,327
Shares Transaction Charges	4,20,068	2,50,315
SEBI Membership Fee	3,18,151	3,44,749
NSE Capital Market Subscription	1,00,000	1,00,000
Brokers Stamp Duty	0	7,352
Travelling Expenses & Conveyance	34,67,016	38,72,496
Rates & Taxes	15,75,192	11,96,791
Rent	47,00,000	44,00,000
Repairs & Maintenance		
— Building	0	0
— Others	12,61,098	52,51,596
Miscellaneous Expenses	50,32,415	37,79,534
Auditors' Remuneration		
a) Audit Fees	1,32,360	1,37,455
b) For Other Services		
— For Tax audit	49,635	49,635
— For certification	1,26,600	1,44,100
— Out of pocket expenses	54,552	70,029
Internal Auditors' Remuneration		
— Fees	90,000	70,000
— Out of pocket expenses	8,000	8,000
Directors' Sitting Fees	4,82,000	4,86,000
Loss/(Profit) on account of Foreign Exchange rate difference	1,83,736	(10,980)
Loss on sale/written off of fixed assets	0	3,91,233
Total	<u>3,86,02,238</u>	<u>3,49,82,030</u>

SCHEDULE 18 EMPLOYEES' COST

Salaries	81,48,695	94,67,889
Staff Amenities	4,26,296	4,51,029
Employer's Contribution to PF, ESI, Gratuity Fund etc.	9,62,223	13,65,196
Total	<u>95,37,214</u>	<u>1,12,84,114</u>

SCHEDULE 19 INCREASE/(DECREASE) IN STOCK OF SHARES

Closing Stock of Shares	1,57,13,541	2,03,14,590
Less: Opening Stock of Shares	2,03,14,590	2,45,60,905
Total	<u>(4,601,049)</u>	<u>(4,246,315)</u>

SCHEDULE: 20 Significant Accounting Policies and Consolidated Notes on Accounts for the year ended on 31st March 2010

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.

II. NOTES ON ACCOUNT

- Contingent Liability:- Nil

CONSOLIDATED FINANCIAL STATEMENTS

- b) Estimated amount of contracts remaining to be executed on Capital Account: Nil.
2. 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.
3. Cash & Bank Balances include
- Share Transfer Stamps of Rs. 1,416/- (Previous Year Rs.1,416/-).
 - Brokers' Stamps of Rs. 11,302/- (Previous year Rs.11,008/-)
 - Bank Deposits include fixed deposits of Rs.10,56,00,000/- (Previous Year – Rs.12,71,277) pledged with the banks as security for overdraft facilities of VLS Finance Ltd.
4. 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.
5. 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 01.04.2009		Purchases		Sales		Closing Stock in trade as on 31.03.2010	
	Qty. *	ValueRs.	Qty *	ValueRs.	Qty *	ValueRs.	Qty *	ValueRs.
Item Traded								
Shares	2026199	20314590	8645648	8418810396	8645648	8414277357	2026199	15713541
(Previous year)	2026199	24560905	25406133	4308970538	25406133	4222556001	2026199	20314590
Commodities	Nil	Nil	53624	1959152493	53624	1972765849	Nil	Nil
(Previous year)	Nil	Nil	53028	1914208885	53028	1921295306	Nil	Nil
Currency Derivatives	Nil	Nil	42000	2018015	42000	2017310	Nil	Nil
(Previous Year)	Nil	Nil	215000	10530710	215000	10520197	Nil	Nil

* Quantity of Shares is in nos., Commodities is in lots and Currency Derivatives is in US \$.

6. 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.
7. Related Party Disclosure : Followings are the related parties:-
Key Managerial Personnel: - Shri S.K. Agarwal (Managing Director in VLS Finance Ltd. and VLS Securities Ltd.)
Associates: - South Asian Enterprises Ltd.
Summary of transactions with the above related parties is as follows:-

Particulars	Associates	Key Managerial Personnel	Others
Rent and Other charges paid	Nil (Previous Year : 1,15,790)		
Remuneration to Managing Director and Executive Vice-Chairman		15,01,217 (Previous year: 17,78,806)	

8. Deferred Tax Assets of Rs. 3,20,81,296/- (Previous year Rs. 4,03,33,843/-) are net of deferred tax liabilities of Rs. 3,09,58,566/- (Previous year Rs. 3,23,28,676/-). 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. 3,09,58,566/- (Previous year Rs. 3,23,28,676)
Accumulated Losses	Rs. 6,28,84,071/- (Previous year Rs. 7,24,86,488)	Rs. Nil (Previous year Rs. Nil)
Leave Encashment	Rs. 1,55,791/- (Previous year Rs. 1,76,031)	Rs. Nil (Previous year Rs. Nil)

9. Managerial Remuneration

Particulars	Paid to Shri T.B. Gupta	Paid to Shri S.K. Agarwal
Remuneration	Rs. Nil (Previous Year – Rs. 2,02,189/- Part of the year)	Rs. 11,97,000 (Previous Year – Rs. 11,97,000)
Perquisites	Rs. Nil Previous Year – Rs. 73,540/-	Rs. 3,04,217 Previous Year – Rs. 3,06,077)

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, 2010	31 st March, 2009
Basic and Diluted		
Total Shares Outstanding	3,97,95,000	3,97,95,000
Profit after Taxes	Rs. 4,96,88,024	Rs. 9,74,17,377
EPS	Rs. 1.25	Rs. 2.45

11. The Company has made the provision for Taxation / MAT payable under the Income Tax Act, 1961 of Rs. 1,14,10,151/- (Previous year Rs. 13,10,173/-). Out of this Rs. 1,12,18,588/- (Previous year Rs. 12,99,796) relates to VLS Finance Ltd. Rs. 1,81,792/- (Previous year Rs. Nil) relates to VLS Securities Ltd. and Rs 9,771 (Previous year Rs.10,377/-) relates to VLS Investments Ltd.
12. 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.
13. Income from investments includes:

	Current Year (Rs.)	Previous Year (Rs.)
Dividend Income (Gross)	21,91,539	8,44,86,196
Interest on Debentures and Bonds (Gross)	12,000	12,000
Tax Deducted at Source	Nil	Nil

14. Interest Receipts (Gross) of Rs. 7,11,22,758/- (Previous Year Rs.4,43,23,556/-) grouped under Income from Operations includes Tax Deducted at Source of Rs. 73,32,935/- (Previous Year Rs. 97,02,635).
15. Expenditure in Foreign Exchange:-Foreign Travel Expenses in respect of VLS Finance Ltd- Rs.6,17,574/- (Previous year Rs. 12,28,397).
16. Margin Money with Share Brokers shown under the Schedule 10: Other Current Assets – includes Rs. 3,58,99,000/- (Previous year: Rs.2,50,00,000/-) in respect to VLS Securities Ltd is given in the form of fixed deposits.
17. In The assets of VLS Investments Inc., Delaware, USA, a wholly owned subsidiary of the Company, have been realized and the cash in hand of US\$ 365 was utilized for meeting the dissolution expenses of the said subsidiary. The process of dissolution of the said subsidiary is in progress as no assets and liabilities of the same are left as on 31-03-2010.
18. 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 31.03.2010
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

19. 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 31.12.2009 and unaudited financial statement for the period 01.01.2010 to 31.03.2010 have been considered.
20. Outstanding derivatives contracts in case of VLS Finance Ltd. at the year end are of Rs. Nil (Previous year: Rs. 1,35,68,625/-) The loss on these derivatives have been provided for.
21. Provision for Diminution in the value of Investment Rs. 80,000/- is net off of Rs. 23,00,000/- being excess provision written back in the value of assets (Previous year: Provision for Diminution in the value of Investment Rs. 1,22,14,494/- is net off of Rs. 3,77,85,506/- being excess provision written back in the value of assets) of VLS Finance Ltd.
22. In respect of office premise acquired earlier, for which possession has already been taken by VLS Finance Ltd, the registration formalities are yet to take place.
23. Previous year figures have been regrouped/rearranged wherever necessary.
24. Schedules from 1 to 20 form an integral part of accounts.

As per our report of even date

For Agiwal & Associates
Chartered Accountants
(Firm Registration No: 000181N)

For and on behalf of the Board

P.C. Agiwal
Partner
M. No : 80475

S.K. Agarwal
Managing Director

M. P. Mehrotra
Director

H. Consul
Company Secretary

May 26th, 2010
New Delhi

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2010

PARTICULARS	Rs. lacs	
	For the Year ended 31.03.2010	For the Year ended 31.03.2009
A CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit Before Tax and Extraordinary Items	693.51	960.13
Add		
Interest & Finance Charges	4.94	0.07
Depreciation	49.77	51.15
Prior year Adjustments	(0.05)	0.08
	748.17	1011.43
Less Income from Investments	458.17	913.15
Operating Profit before Working Capital Changes	290.00	98.28
Changes in Working Capital		
Trade & Other Receivables	(940.95)	(2,160.88)
Inventories	46.01	42.46
Trade & Other Payables	773.85	501.82
Cash generated from operations	168.91	(1518.32)
Less Interest Paid	4.94	0.07
Income tax paid (Net of Refunds)	75.48	137.23
Net Cash Flow from Operating Activities (A)	88.49	(1655.62)
B CASH FLOW FROM INVESTING ACTIVITIES		
Net Proceeds from Fixed Assets	(8.29)	66.43
Net Proceeds from investments	297.62	643.62
Income from Investments	458.17	913.15
Net Cash used in Investing Activities (B)	747.50	1623.20
C CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Long Term Borrowings	834.45	(1.25)
Net Cash Flow from Financing Activities (C)	834.45	(1.25)
Net Increase/(Decrease) in Cash & Cash Equivalents (A+B+C)	1670.44	(33.67)
Cash & Cash Equivalents (Opening)	116.54	150.21
Cash & Cash Equivalents (Closing)	1786.98	116.54

Notes:

- Cash & Cash Equivalents (Closing) includes deposits with banks amounting to Rs. 1056.00 lacs (Previous year Rs. 12.71 Lacs), which are pledged with them as security for overdraft facility.
- Previous year's figures have been regrouped/reclassified wherever applicable.

As per our report of even date
For Agiwal & Associates
Chartered Accountants
(Firm Registration No. : 000181N)

For and on behalf of the Board

P.C. Agiwal
Partner
M.No. 80475

S.K. Agarwal
Managing Director

M. P. Mehrotra
Director

H. Consul
Company Secretary

May 26th, 2010
New Delhi

✦*****✦



VLS FINANCE LTD.

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

**ATTENDANCE CARD
TWENTY THIRD ANNUAL GENERAL MEETING
Tuesday, the 21st Day of September, 2010**

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

I hereby record my presence at the 23rd ANNUAL GENERAL MEETING of the Company at THE AUDITORIUM, SRI SATHYA SAI INTERNATIONAL CENTRE, INSTITUTIONAL AREA, LODHI ROAD, PRAGATI VIHAR, NEW DELHI - 110 003 at 03.30 P.M. ON **TUESDAY, the 21st DAY OF SEPTEMBER, 2010.**

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

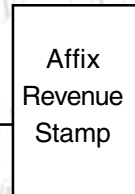
FORM OF PROXY

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 23rd Annual General Meeting of the Company to be held on Tuesday, the 21st Day of September, 2010 at
03.30 P.M. and at any adjournment thereof.

Dated this _____ day of _____ 2010.

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

FOR OFFICE USE ONLY
Proxy No. _____



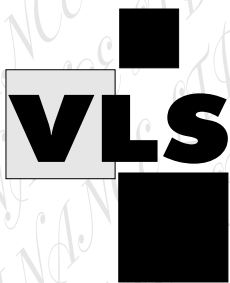
Member's Signature _____

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.



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