

XIX ANNUAL REPORT 2005-2006

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VLS

VLS FINANCE LTD.

Registered Office :
C-489, Defence Colony,
New Delhi-110024

NOTICE**19th ANNUAL GENERAL MEETING OF
MEMBERS OF THE COMPANY
WILL BE HELD AT**

Sri Sathya Sai International Centre Auditorium
Lodhi Road Institutional Area, Lodhi Road
Pragati Vihar, New Delhi - 110 003
at 10.30 A.M.
on Monday,
the 25th day of September, 2006

SHARE TRANSFER & INVESTOR SERVICES

M/s RCMC Share Registry Pvt. Ltd.
Unit: VLS Finance Ltd.
1515, 1st Floor, Bhishm Pitamah Marg,
Kotla Mubarakpur, Near South Extn., New Delhi-110003

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.

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BOARD OF DIRECTORS :

Shri Ajit Kumar	Chairman
Shri T.B. Gupta	Executive Vice-Chairman
Shri S.K. Agarwal	Managing Director
Shri K.K. Soni	Director-Finance & Chief Financial Officer
Shri M.G. Diwan	
Shri Ramji Mehrotra	
Dr. S. Ramesh	
Shri Divey Dipti Chopra	
Shri N.C. Sundararajan	
Shri Somesh Mehrotra	
Shri A.K. Puri	
Shri B.M. Oza	

COMPANY SECRETARY

Shri H. Consul

AUDITORS

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

BANKERS

HDFC Bank
UCO Bank

EQUITY SHARES LISTED AT :**THE NATIONAL STOCK EXCHANGE OF INDIA LTD.**

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

BOMBAY STOCK EXCHANGE LTD.,

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

MADRAS STOCK EXCHANGE LTD.

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

THE CALCUTTA STOCK EXCHANGE ASSOCH. LTD.

7, Lyons Range, Kolkata-700 001.

Note:- The Equity Shares of the Company have been delisted from the Delhi Stock Exchange, New Delhi, and the U.P. Stock Exchange, Kanpur w.e.f. 31/3/2004 and from the Stock Exchange, Ahmedabad w.e.f. 31/3/2005 pursuant to Company's application for voluntary delisting of its shares in accordance with applicable SEBI guidelines for delisting.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE is hereby given that the 19th Annual General Meeting of the Members of VLS FINANCE LTD. will be held at Sri Sathya Sai International Centre Auditorium, Lodhi Road Institutional Area, Lodhi Road, Pragati Vihar, New Delhi-110003 on Monday, the 25th day of September 2006 at 10.30 a.m. to transact the following business: -

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31st March 2006, 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.
2. To appoint a Director in place of Shri Somesh Mehrotra who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri N. C. Sundararajan who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri B. M. Oza who retires by rotation, and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Shri D. D. Chopra who retires by rotation, and being eligible, offers himself for re-appointment.
6. To appoint the Auditors and to fix their remuneration and in this connection to consider and if thought fit, to pass following resolution, with or without modification(s), as an **Ordinary Resolution**.

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

SPECIAL BUSINESS:

7. **Approval for appointment of Shri K.K. Soni as Director- Finance & Chief Financial Officer.**

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 Sections 269, 316 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 appointment of Shri K. K. Soni who is also Managing Director of VLS Capital Ltd., as Director- Finance & Chief Financial Officer of the Company for a period of three years w.e.f. 28/07/2006, on such terms and conditions as are expressed and contained in the agreement entered into for this purpose between the Company and the Director- Finance & Chief Financial Officer, which agreement be and is hereby also approved.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to vary and/or revise the terms of appointment including remuneration of Shri K. K. Soni, Director- Finance & Chief Financial Officer in such manner as may be agreed between the Board of Directors and Shri K. K. Soni provided however that such variation/revision shall be within the permissible limits under the provisions of the Companies Act, 1956 or any statutory modification thereof, from time to time and any other applicable enactment, for the time being in force.

RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to take necessary steps for complying with all legal, procedural and other formalities and to do all such things, deeds and acts, either by itself or through the person(s) authorised by it, as may be necessary or expedient for giving effect to aforesaid resolution and in case required to obtain the consent of Company in this regard, to end and intent that it shall be deemed to have been accorded expressly by authority of this resolution."

8. **Approval for revision in remuneration of 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 provisions of Section 198, 269, 309, 310, 311 and other applicable provisions including any amendments thereof, read with Schedule XIII of the Companies Act, 1956 as amended up to date, subject to such approvals, permission and sanctions, if any, as may be required from appropriate authorities or bodies from time to time, and in partial modification of the resolution passed at the Annual General Meeting of the Company held on 23/09/2004, approval of the Company be and is hereby accorded to the increase in remuneration of Shri S.K. Agarwal - Managing Director of the Company as set out in the Explanatory Statement annexed to the notice convening this meeting.

RESOLVED FURTHER THAT the increase in remuneration shall be effective from 1st April, 2006 for residual period of appointment of Managing Director unless enhanced during the intervening period, in accordance with applicable provisions of Companies Act, 1956 and/or other law(s), for the time being in force."

9. **Approval for payment of compensation to Non-Executive Directors.**

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

"RESOLVED THAT pursuant to Section 309 and other applicable sections of the Companies Act, 1956, including any statutory modification(s) or re-enactment(s) thereof, and pursuant to the provisions of Clause 49 of the listing Agreement with the Stock Exchanges, subject to such approvals as may be required from appropriate authorities or bodies from time to time, if any, the consent of the Company be and is hereby accorded to pay compensation to Non-Executive Directors including Independent Directors towards their professional services to the Company and that the Board of Directors be and are hereby authorized to pay the Non-Executive Directors such amount including professional consultancy

fees, sitting fees for attending any meeting of any Committee (other than a committee of Directors) constituted for advising Company on any business issues, in such form and manner as the Board may from time to time determine."

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

H. Consul

Company Secretary

Place : New Delhi

Date : 28/07/2006

NOTES:

1. A Member entitled to attend and vote is also entitled to appoint a proxy to attend and vote instead of himself/herself. The proxy need not be a member of the Company. The appointment of proxy in order to be effective must be lodged at the Registered Office of the Company not less than 48 hours before the commencement of the meeting, in the form enclosed hereto, duly filled and authenticated. A proxy may not vote except on a poll.
2. The submission of form of proxy by a member does not preclude such member from attending and voting at the meeting. The proxy in such event shall not be eligible to attend the meeting.
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 **15/09/2006 to 25/09/2006** (both days inclusive).
5. The Company has retained M/s RCMC Share Registry Pvt. Ltd., 1515, 1st Floor, Bhishm Pitamah Marg, Kotla Mubarakpur, near South Extension, New Delhi-110003 (Phone Nos. 24692346, 24601017, 24649720) as its Registrar & Transfer Agents for further period of one year w.e.f. 01/04/2006 for entire shareholder services. For any further assistance in said matters, please write to the Company Secretary at Registered Office at C-489, Defence Colony, New Delhi-110024, Phone No.: 41553081 (5 lines), Fax: 24335941, 41553091.
6. Members are requested to intimate the change in address, if any, to the Company's Registrars 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 Registrars of Company. **Members holding shares in demat (Electronic) form are requested to notify any change in address, mandate/bank details/nominations to their respective Depository Participants.** The changes effected by depository participants will automatically be reflected in Company's records upon updation of beneficiary owners list provided by Depositories.
7. The shares of the Company are being traded compulsorily in demat segment w.e.f. 28th August 2000. Members who still hold the shares of Company in physical form are advised to contact their depository participant for dematerialization of their holdings in their own interest. **The ISIN No. allotted to Company is INE709A01018** for both the Depositories viz. The National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL).
8. Members, who are holding shares in identical order of names in more than one Folio, are requested to write to the Company at its Registered Office or to its Registrars stated above to enable the Company to consolidate their holdings under one Folio.
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. 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.
12. The relevant explanatory statement pursuant to Section 173(2) of the Companies Act 1956, for Item Nos. 7, 8 & 9 of the notice is annexed hereto and forms part of this notice.
13. The Unpaid/unclaimed dividends up to 31/03/1995 had been transferred to General Revenue Account of Central Government and can be claimed from the Central Government in prescribed form. Pursuant to Section 205A of the Companies Act, 1956 ("the Act") all unclaimed/unpaid dividends after 31/03/1995 up to the financial year 1996-97 (18 months) has been credited to Investor Education & Protection Fund (IEPF).
14. The members who have not encashed their dividend warrants for the financial year ended on 31/03/1999 are advised to write to the Company at its registered office for obtaining duplicate dividend warrants/ revalidation of instruments. Members are hereby informed that in terms of the provisions of Section 205C of the Companies Act, 1956, 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.

The unpaid Dividend and the date on which it is due for transfer to Investor Education & Protection Fund are as follows:

Financial year ended on	AGM Date	Dividend rate	Date of transfer to Unpaid Dividend A/c	Due for Transfer to Fund on
31/03/1999	10/08/1999	7.5%	22/9/1999	21/9/2006



15. Information regarding Directors retiring by rotation and seeking re-appointment:

(a)

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 28/07/2006.	Chairman/Member of the Committees of the Board of other Companies as on 28/07/2006.	Whether qualified u/s 274(1)(g) of the Companies Act, 1956.
1.	Shri Somesh Mehrotra	06/04/1967	06/06/1994	M. Com. Industrialist having over 15 years experience in financial services, administration and amusement industry.	a) VLS Capital Ltd. b) Gaurav Overseas Export Ltd.	NIL	Yes
2.	Shri N.C. Sundararajan	15/11/1929	25/04/1992	FCA He is former president of the Institute of Chartered Accountants of India and renowned Chartered Accountant having over 4 decades of experience in field of finance, taxation, corporate laws and administration.	NIL	NIL	Yes
3.	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 45 years of experience in administration and international affairs.	NIL	NIL	Yes
4.	Shri D.D. Chopra	20/05/1960	30/06/2001	B. Com . He is Financial consultant of repute.	a) Hansuttam Finance Ltd. b) Dewan P.N. Chopra Financial Services Pvt. Ltd. c) Trice Infotech Pvt. Ltd. d) C Mail Infotech Pvt. Ltd. e) International Institute of Integral Health and Living Pvt. Ltd. f) DMF Consultancy Services (P) Ltd.	NIL	Yes

(B)

Shareholding of Directors

S. No	Name of Directors	No. of Shares held in Company	Percentage
1	Shri Somesh Mehrotra	404106	1.0155
2	Shri N. C. Sundararajan	3000	0.0075
3	Shri B. M. Oza	Nil	Nil
4.	Shri D. D. Chopra	Nil	Nil

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

ITEM NO. 7

Shri K. K. Soni was appointed as Director- Finance and Chief Financial Officer ("CFO") of the Company w.e.f. 28th July, 2006 by the Board of Directors in its meeting held on 28/07/2006. Shri K. K. Soni is Commerce graduate & fellow member of the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India having rich experience of over 29 years in the field of Finance, Taxation, corporate planning and other Corporate Affairs. Shri K. K. Soni, at the time of his appointment as CFO of the Company, was also the Managing Director of VLS Capital Ltd., a constituent of promoter group of the Company. He continues to hold said position and draws remuneration from said Company. Shri K. K. Soni's appointment as CFO is being made in accordance with the conditions specified in Schedule XIII. The agreement entered into by the Company with Shri K. K. Soni inter-alia contains the following terms and conditions:-

A. Period : Three years w.e.f. 28.07.2006

B. Remuneration:

No remuneration including sitting fee shall be paid for the time being to Shri K. K. Soni, CFO. However, he shall be entitled to reimbursement of all actual expenses incurred in performance of his duties and shall be entitled to all the facilities (not amounting to remuneration of perquisites under applicable laws) as may be available to employees of Company including use of Company's car, provision of telephone etc.

The terms of appointment as also remuneration of Shri K. K. Soni as CFO may be reviewed by the Board from time to time and may be revised in accordance with the provisions of Companies Act, 1956 and other applicable laws for the time being.

In terms of Article 109 of the Articles of Association of the Company, Shri K. K. Soni shall not be liable to retire by rotation during his tenure as CFO of the Company.

Shri K. K. Soni is also holding the position of Director in South Asian Enterprises Limited, VLS Securities Limited, VLS Asset Management Limited, AFD Laboratories Pvt. Limited and Paritosh Industrial Finance Limited.

The appointment of Shri K. K. Soni as CFO on the terms and conditions as set out in the agreement entered to between Shri K. K. Soni and the Company is subject to the approval of the members. The Board recommends his appointment as set out in item no. 7 of the Notice. The agreement entered into between the Company and Shri K. K. Soni 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. This may be treated as the abstract of terms and conditions of Shri K.K. Soni as Director- Finance and Chief Financial Officer in terms of Section 302 of the Companies Act, 1956. Shri K. K. Soni is not holding any shares in the Company.

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

ITEM NO. 8

Shri S. K. Agarwal was appointed as the Managing Director of the Company with effect from 21st June 2004 for a period of 3 (three) years and his terms of appointment were approved by the members of the Company at the Annual General Meeting held on 23-09-2004 with liberty to the Board to revise the remuneration component as and when deemed fit. Accordingly, in exercise of authority conferred by members, the Board had, in its meeting held on 28th July 2006, concurring to the recommendations made by Remuneration Committee (at its meeting

held on 27/07/2006) approved an increase of Rs. 9,750/- per month in remuneration payable to Managing Director effective from 1st April 2006, all other terms and conditions of his service remaining unchanged.

The revised remuneration package approved by the Board is as under:

a) Salary

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

b) Perquisites

In addition to the aforesaid salary, the Managing Director shall also be entitled to the following perquisites:

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

All other terms and conditions of service as contained in the agreement dated 21.06.2004 entered into between the Company and the Managing Director shall remain unchanged.

In terms of Section 269 read with other applicable sections of the Companies Act, 1956, the aforesaid modification is subject to the approval of members. Although, in terms of authorisation given by the members in terms of their resolution dated 23.9.2004, the express approval may not be necessary, but it was thought to be expedient to have the same, as measure of good corporate governance practice. This Statement may also be construed as an abstract of variation in terms and conditions of appointment of Managing Director in terms of Section 302 of the Companies Act, 1956.

The Board of Directors recommends the resolution for your approval. Shri S. K. Agarwal does not hold any shares in the Company.

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

ITEM NO. 9

The Securities & Exchange Board of India (SEBI) has revised Corporate Governance norms with effect from 31st December, 2005 and according to one of the norms in revised Clause 49 of the Listing Agreement with Stock Exchange, all the fees and compensation payable to Non-Executive Directors including independent directors shall be fixed by the Board of Directors and shall require prior approval of the members in the general meeting.

The role of Non-Executive/ Independent directors of your Company is not just restricted to corporate governance of the Company but also involves contribution to the development of the Company. The Non -Executive and Independent directors of your Company include eminent administrators, technocrat and professionals in financial sector. The Company intends to seek their expert advice from time to time on various matters including finance, legal and allied areas. It is, therefore, proposed that Non-Executive Directors be compensated for their expert services to the Company, as and when availed, and the Board of Directors be authorized to fix the compensation of such amount in any form manner as deemed fit by it.

All the Non-Executive Directors may be construed to be concerned and interested in the resolution. The Board recommends the resolution set forth in the item no. 9 of notice for approval of the members.

By Order of the Board
For VLS Finance Ltd.

Place : New Delhi
Date : 28/07/2006

H. Consul
Company Secretary

DIRECTORS' REPORT TO THE MEMBERS

Your Directors are pleased to present the Nineteenth Annual Report of the Company together with the audited statement of accounts for the year ended 31st March 2006.

1. Financial Results

	For the year ended 31 st March 2006	(Rs. in Lakhs) For the year ended 31 st March 2005
Gross Receipts	217189.91	134060.79
Profit before Interest & Depreciation	838.83	810.48
Less: Interest & Finance Charges	0.07	0.09
Profit before depreciation	838.76	810.39
Less: Depreciation	53.00	55.73
Profit before Tax	785.70	754.66
Less: Provision for Taxation	34.64	8.46
Profit after Tax	751.06	746.20
Surplus b/fd. From previous year	19.85	24.58
Available for Appropriation	770.90	770.78
Appropriations:		
From General Reserve	800.00	600.00
To General Reserve	600.00	600.00
To Statutory Reserve (under RBI Act, 1934)	157.14	150.93
Total Appropriations	757.14	750.93
Surplus c/f	13.76	19.85

2. Management Discussion and Analysis

Financial Review

During the period under review, the Company, posted an increased turnover of Rs. 217189.91 lacs as compared to last year's turnover of Rs. 134060.79. The net profit after tax was at Rs. 751.06 lacs after providing for depreciation of Rs. 53.00 lacs. Adequate provision has been made for assets classified as bad/doubtful and for diminution in value of investments in accordance with the Accounting Standards prescribed by the Institute of Chartered Accountants of India and the Reserve Bank of India Regulations in the matter.

Industry Structure and Development

The Indian economy grew by 8.1% in 2005, well above its last year's growth and is expected to grow at around the same rate in 2006-07. Agricultural growth increased by 2.3% while the industrial sector posted a robust growth of 9%. The services sector, with growth rate of 9.8%, continued to be the major contributor to the country's economic growth. With visible buoyancy in the capital market coupled with relative political stability, the overall economic environment remained supportive of investment and additional capacity building. The raising of about \$40 billion in equity and debt, of which \$25 billion from overseas by way of convertible bonds, depository receipts and syndicated receipts, is testimony to the significant pickup in overall investment activity. This has strengthened performance of the industrial sector during the current year.

The country's foreign exchange reserves continued to rise and crossed the \$150 billion mark by March 2006. The FI inflows in the country increased rapidly. The BSE Sensex catapulted to record level of 11279 as on 31.03.2006 to touch even higher levels thereafter.

The average inflation in 2005-06, based on the wholesale price index, was lower at 4% as against the earlier estimated 5.5%. It was above 6% in 2004-05. Liquidity in the system continued to be comfortable with interest rates generally ruling low. The Non Banking Finance Sector ("NBFC Sector"), however, continued to reel under pressure from the banking industry which has penetrated into almost all the segments of the financial services sector. The working of the Non Banking Financial Companies (NBFCs) also continued to be adversely affected by defaults and absence of proper and speedier recovery laws and procedures, such as those available to banks and financial institutions. In the highly competitive environment in which the NBFCs are presently working, they have no option but to streamline and optimize their operations to adapt to the emerging scenario.

Outlook, Risks and Concerns

With a GDP growth of 8% posted during the year, the Indian economy provides attractive growth opportunities. As the contribution of the services sector to the overall economy is steadily rising, the financial services industry is also poised for steady growth.

The NBFC sector in which your Company operates, has been facing competitive pressure from Banks and Financial Institutions, making it increasingly difficult to generate revenues. The shrinking of interest spreads has put further pressure compelling them to look for new avenues for revenue generation. In this scenario, concentration on selected customer segments, offering them highly customized services, and cutting costs, shall continue to be the survival strategy for the NBFCs. Accordingly, the Company had cut down its exposure to credit operations consisting of loans, hire purchase etc. No fresh exposures were undertaken in these areas during the year under review. The Company's operations continued to be focused on capital market related activities and making use of risk hedging tools such as derivatives and other risk neutral instruments. Further, your Company shall continue to explore opportunities in areas related to its operations.

The Company is exposed to normal industry risks like credit, interest rate, economic, political, market and operational risks. Your Company follows prudent business and risk management practices to combat these challenges.

Opportunities and Threats

The equity markets continued to remain upbeat during the year. The increase in asset values in the real estate sector, the growth in industry, trade and commerce had led to significant increase in overall credit off-take. Your Company intends to increase its thrust on 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 to make efforts to harness the benefits of group synergy.

Adequacy of Internal Control Systems

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

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

Segment wise Performance

As against layout of Rs. 6756.28 Lacs in financial services segment, the total revenue receipts were Rs.216747.69 Lacs. In the Investment segment, there was a revenue earning of Rs. 446.18 Lacs for a layout of Rs. 8265.87 Lacs during the year under review. The gross profit posted in the financial services segment was Rs. 667.47 Lacs and in the investment segment a gross profit of Rs. 446.18 Lacs was recorded, during the year under review. After providing for Interest of Rs. 0.07 Lacs and Rs. 327.88 Lacs for segmentwise unallocable expenses, the net profit before tax stood at Rs. 785.70 Lacs.

Cautionary Statement

The statements in the above analysis, describing the Company's projections, estimates, expectations or predictions are 'forward looking statements' within the meaning of applicable security laws and regulations. The actual results may differ materially 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

Even today, the NBFC sector in general, and your Company in particular, are facing challenges and uncertainties in a volatile financial market. These challenges can only be met by building up a strong net worth. Therefore, with a view to conserve resources, no dividend is recommended.

4. Directors

Shri Somesh Mehrotra, Shri N. C. Sundararajan, Shri B. M. Oza and Shri Divey Dipti Chopra Directors would retire by rotation at the forthcoming Annual General Meeting and all, being eligible, offer themselves for reappointment. To enable the Company to obtain their continued valuable direction, guidance and assistance in conduct of the affairs of your Company, it is recommended that their reappointment be approved. Following its policy of improving corporate governance practice and in compliance of listing agreement requirements, the Board has appointed Shri K. K. Soni as Director- Finance and Chief Financial Officer w.e.f. 28/07/2006 subject to members' approval. With this appointment, the finance function will be directly under the control and supervision of a Board level person.

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 2006, 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 2006 on a 'going concern' basis.

6. Corporate Governance

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

7. Auditors

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

8. Auditors' Report

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

9. Statutory Information

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

Foreign Exchange earnings	: Nil
Foreign Exchange out go	: Rs.2,93,781/-

The shares of the Company are presently listed at 1) The Stock Exchange, Mumbai 2) The National Stock Exchange of India Ltd. 3) The Calcutta Stock Exchange Association Ltd. and 4) The Madras Stock Exchange Ltd. The Company has paid the Annual Listing fees for the year 2006-2007 to all the aforesaid Stock Exchanges. The Company has already applied for delisting of its shares from the Stock Exchanges at Kolkata and Chennai. The delisting confirmation is yet to be received from The Calcutta Stock Exchange Association Ltd. and The Madras Stock Exchange Ltd.

10. Fixed Deposits

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

11. Human Resources

The Company has a team of able and experienced professionals. The management recognizes the intellectual capital as its most valuable asset and constantly strives to strategically align personal goals and organizational growth. It encourages open channels of communication, blending the individual's vision with that of the organization and building a shared understanding of how each team member can contribute to the Company's success. It aims to build a strong corporate culture on core values such as safety, integrity, innovation and teamwork, thus creating a vision-guided, values-driven organization that focuses on employee fulfillment and leadership development. Employee relations continued to be cordial during the year. The number of employees stood at 27. The Directors place on record their appreciation of the



devoted service of the employees at all levels. In terms of the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended, there was no employee during the year drawing remuneration more than the stipulated amount in the said rules.

12. Subsidiary Companies

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

13. Consolidated Financial Statements

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

14. Compliance Certificate

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

15. Group

Group for inter se transfer of shares under Clause 3 (e) of Securities & Exchange Board of

India (Substantial Acquisition of Shares & Takeovers) Regulations, 1997:

- 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 Ltd.
- Needle Eye Plastic Industries Pvt. Ltd.
- Pragati Moulders Pvt. Ltd.
- South Asian Enterprises Ltd.

16. Acknowledgements

Your Directors wish to place on record their sincere appreciation and gratitude to the Company's business associates, customers, Bankers, Financial Institutions 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 : 28/07/2006

S.K. AGARWAL
Managing Director

B. M. OZA
Director

Annexure-1

REPORT ON CORPORATE GOVERNANCE

Our Mission:

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

Corporate Philosophy:

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

1. BOARD OF DIRECTORS

- a) The total strength of the Board is 12 Directors all being non-executive, except the Managing Director, the Director-Finance & Chief Financial Officer and the Vice-Chairman. The Board comprises of 1 (One) Promoter Director, 7 (Seven) Independent Directors and 4 (Four) Non-Independent Directors. The present constitution of Board complies with requirement of Clause- 49 of Listing Agreement, which stipulates that at least one third of the Board Members should be independent if the Chairman is non-executive Director.

S.No.	Name of the Director	Whether Promoter/Executive or Non-Executive/Independent	No. of Board Meetings attended during 2005-06	Whether attended AGM held on 23.09.2005	No. of Directorships in other Public Ltd. Companies	No. of Committee positions held in other Public Ltd. Companies	
						Chairman	Member
1)	Shri Ajit Kumar (Chairman)	Non-Executive, Independent	4	NO	-	-	-
2)	Shri T. B. Gupta (Executive Vice-Chairman)	Executive, Non-Independent	4	YES	3	-	2
3)	Shri S. K. Agarwal (Managing Director)	Executive, Non-Independent	3	YES	2	1	-
4)	Shri Ramji Mehrotra	Non-Executive, Non-Independent	0	NO	-	-	-
5)	Shri Somesh Mehrotra	Non-Executive, Promoter	2	NO	1	-	-
6)	Shri K. K. Soni (Director-Finance & Chief Financial Officer)	Executive, Non-Independent	4	YES	4	-	2
7)	Shri N. C. Sundararajan	Non-Executive, Independent	3	NO	-	-	-
8)	Shri A. K. Puri	Non-Executive, Independent	4	NO	2	-	3
9)	Shri M. G. Diwan	Non-Executive, Independent	1	NO	5	1	3
10)	Dr. S. Ramesh	Non-Executive, Independent	4	YES	3	-	3
11)	Shri B. M. Oza	Non-Executive, Independent	3	NO	-	-	-
12)	Shri D. D. Chopra	Non-Executive, Independent	0	NO	1	-	-

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 31/03/2006, 4 (Four) Board Meetings were held with at least one meeting in every quarter on 25/05/2005, 26/07/2005, 31/10/2005 and 31/01/2006.
- c) There were no material transactions with the non-executive Directors during the year under review. For other related party transactions, necessary disclosures have been made in clause 9 under the head "Notes on Accounts" in the Annual Accounts for the year under review.
- d) Information supplied to the Board:

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

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

e) Details of remuneration paid to the Directors during the year ended on 31.03.2006:

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.	20,000	N.A.	20,000
2)	Shri T. B. Gupta	3,21,432	83,571	NIL	NIL	4,05,003
3)	Shri S.K. Agarwal	5,40,000	2,54,630	NIL	NIL	7,94,630
4)	Shri Somesh Mehrotra	N.A.	N.A.	12,000	N.A.	12,000
5)	Shri B.M. Oza	N.A.	N.A.	43,000	N.A.	43,000
6)	Dr. S. Ramesh	N.A.	N.A.	28,000	N.A.	28,000
7)	Shri A.K. Puri	N.A.	N.A.	28,000	N.A.	28,000
8)	Shri N.C. Sundararajan	N.A.	N.A.	21,000	N.A.	21,000
9)	Shri M.G. Diwan	N.A.	N.A.	5,000	N.A.	5,000
10)	Shri Ramji Mehrotra	N.A.	N.A.	NIL	N.A.	NIL
11)	Shri D.D. Chopra	N.A.	N.A.	NIL	N.A.	NIL
12)	Shri K.K. Soni	N.A.	N.A.	NIL	N.A.	NIL

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 Somesh Mehrotra and Shri N.C. Sundararajan held 4,04,106 equity shares and 3,000 equity shares of the Company respectively as on 31.03.2006. No other director held any shares of the Company on that date.
- iv) The service contract in case of Executive Directors 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 was formally adopted by the Board on 31/01/2006. It is applicable on all Directors and Senior Management personnel of the Company. 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 31/03/2006.

Date : 28/07/2006

Place : New Delhi

S. K. Agarwal
Managing Director

g) Disclosures regarding appointment or re-appointment of Directors

Shri Somesh Mehrotra, Shri N. C. Sundararajan, Shri B. M. Oza and Shri D. D. Chopra will retire by rotation at the forthcoming Annual General Meeting and being eligible have offered themselves for reappointment. The Board recommends their re-appointment. The relevant information about these Directors has been furnished in notice convening the ensuing Annual General Meeting.

2. AUDIT COMMITTEE

a) Composition

As on 01/04/2005, the Audit Committee comprised of Dr. S. Ramesh (Chairman of the Committee) and Shri N.C. Sundararajan, Shri A.K. Puri, Shri Somesh Mehrotra, Shri Ramji Mehrotra, Shri Divy Dipti Chopra and Shri B.M. Oza as members. The Board, in its meeting held on 31/01/2006, nominated Shri K.K. Soni in the Committee in place of Shri Somesh Mehrotra. Majority of the members are independent Directors including Chairman of the Committee. Shri N. C. Sundararajan, Shri Ramji Mehrotra, Shri A. K. Puri, Shri D. D. Chopra and Shri K. K. Soni have extensive experience and requisite expertise in the field of Corporate finance. Besides Shri K. K. Soni, Shri N. C. Sundararajan and Shri Ramji Mehrotra are Chartered Accountant by profession. All other members of committee are also financially literate in terms of relevant stipulation under Clause- 49 of the listing agreement. Since an Executive Director can be member of Audit Committee as per present criteria in Clause - 49 of listing agreement, the nomination of Shri K.K. Soni, in Audit Committee was not withdrawn by the Board consequent to his becoming Executive Director of the Company.

b) Terms of reference

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

c) Meetings and attendance

During the year ended on 31/03/2006, 4 (Four) Audit Committee Meetings were held on 24/05/2005, 25/07/2005, 29/10/2005 and 30/01/2006. The summary of attendance of members is as under:

Name	Shri A.K. Puri	Shri N. C Sundararajan	Shri B.M. Oza	Shri Somesh Mehrotra (upto 31/01/2006)	Shri D.D. Chopra	Shri Ramji Mehrotra	Dr. S. Ramesh	Shri K.K. Soni (w.e.f. 31/01/2006)
Attendance in Four Meetings	4	3	3	1	0	0	4	0

3. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

a) Composition and terms of reference

The Committee comprises of Shri B.M. Oza - Chairman of the Committee with Shri T.B. Gupta, Shri Somesh Mehrotra, Shri Ramji Mehrotra, Shri Divy Dipti Chopra and Shri S. K. Agarwal as members. 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, 14 (Fourteen) meetings of Shareholders/ Investors Grievance Committee were held on 20/04/2005, 06/05/2005, 03/06/2005, 25/06/2005, 22/07/2005, 22/08/2005, 20/09/2005, 19/10/2005, 17/11/2005, 16/12/2005, 10/01/2006, 09/02/2006, 27/02/2006 and 29/03/2006.

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

Name	Shri B.M. Oza	Shri Somesh Mehrotra	Shri D.D. Chopra	Shri T. B. Gupta	Shri Ramji Mehrotra	Shri S.K. Agarwal
Attendance in 14 meetings	11	0	0	13	0	10

c) Shareholders Complaints

The Company had received 15 (fifteen) complaints during the financial year ended 31st March 2006. All the complaints whether received through SEBI, Stock Exchange or individual members during the year were redressed to the satisfaction of investors and none remained outstanding at the end of the year under report. The nature wise summary of complaints received and redressed during the year is as under:

Nature of Complaints**	Received	Redressed
Non-receipt of Dividend	2	2
Non-receipt of shares after transfer	6	6
Non-receipt of Annual Report	4	4
Non-receipt of Bonus Shares	0	0
Non-receipt of Name change sticker	0	0
Non-receipt of Endorsement Sticker	0	0
Loss of shares/for duplicate shares	0	0
Non-receipt of share certificate after Rejection of Demat request	3	3
Total	15	15

** 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, 2005	September 23, 2005	10.30 a.m.	Sri Sathya Sai International Centre Auditorium, Lodhi Road Institutional Area, Lodhi Road, Pragati Vihar, New Delhi-110003.
March 31, 2004	September 23, 2004	10.30 a.m.	Sri Sathya Sai International Centre Auditorium, Lodhi Road Institutional Area, Lodhi Road, Pragati Vihar, New Delhi-110003.
March 31, 2003	September 25, 2003	10.30 a.m.	Sri Sathya Sai International Centre Auditorium, Lodhi Road Institutional Area, Lodhi Road, Pragati Vihar, New Delhi-110003.

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

- In the AGM held on 23.9.2005, no agenda item was required to be approved by special resolution.
- In the AGM held on 23.9.2004, special resolution for appointment of Mrs. Usha Gupta at place of profit in VLS Securities Ltd., a wholly owned subsidiary of the Company was passed.
- In the AGM held on 25.9.2003, special resolutions for amendment in object clause of Memorandum of Association of the Company and approval of delisting of shares from Stock Exchanges at Delhi, Ahmedabad, Madras and Calcutta were passed through postal ballot.

c) Postal ballots

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

5. DISCLOSURES

a) Related party transactions

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

b) Statutory compliance, penalties and strictures

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

- The adjudicating officer SEBI, vide letter dated 31/03/2003 had imposed a penalty of Rs.5 lakhs on Company for alleged violation of regulation 10 of SEBI (Substantial Acquisition of Shares & Takeovers) Regulations, 1997 in the matter of transfer of 3,44,658 shares of Trackparts of India Ltd. The Company had preferred an appeal against the said order vide appeal no. 61/2003 before Hon'ble Securities Appellate Tribunal, Mumbai (SAT), but the appeal was dismissed by said tribunal vide order dated 17.11.2005. The Company has appealed before the Hon'ble Supreme Court against decision of Hon'ble tribunal and the matter is subjudice.
- The trading of securities of the Company was temporarily disallowed w.e.f. 27/06/2002 by the National Stock Exchange for alleged violations of provisions of listing agreement. The Company has inter-alia denied violation in its submission made to stock exchange and has submitted required explanation on the queries of Stock Exchange. After consideration by the designated committee of Exchange for this purpose the Exchange has reinstated the trading of scrip of the Company w.e.f. 04/03/2004.
- Rs. 8,000/- has been paid by Company as compounding fee levied by Regional Director (Northern Region), Department of Company Affairs vide its order dated 30.7.2003 for alleged violations of provisions of section 209 and 211 of the Companies Act, 1956 upon application moved by Company stating that it has neither committed the alleged offences nor is liable for violations of the Companies Act, 1956 and the application was being made to avoid lengthy legal proceedings.
- Rs. 2,000/- has been paid by the Company as compounding fee levied by Company Law Board, Northern Region Bench, New Delhi vide its order dated 31.12.2003 for alleged violation of provisions of section 269 of the Companies Act, 1956 for not appointing Managing Director for the period from 23/12/1997 to 20/6/2001.

c) Legal Proceedings

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

d) Whistle blower policy

The Whistle blower policy of the Company as required under clause 49 of the listing agreement will be put in place after requisite approvals, although 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

- 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.
- Remuneration Committee**
The Remuneration Committee comprises of Shri B.M. Oza - Chairman of the Committee, Shri Somesh Mehrotra, Dr. S. Ramesh, Shri Ramji Mehrotra and Shri D.D. Chopra - 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. Since there was no proposal for recommending/reviewing remuneration of Directors, no meeting of said Committee was held during the year under review. In the current year, one meeting of committee was held on 27/07/2006.
- The periodic results were not sent to any shareholder. However, they have been published in newspapers as prescribed in listing agreement. They are also available on website sebidifmr.nic.in in terms of Clause 51 of the Listing Agreement and the Company's website.

6. COMMUNICATION TO SHAREHOLDERS

- The Company does not send newsletter to shareholders on quarterly or half yearly basis. The Company publishes un-audited quarterly results alongwith segment wise report, in two newspapers viz. The Financial Express and Jansatta regularly and the same is also available on Company's website <http://www.vlsfinance.com>. The quarterly/ Annual results of Company from the quarter ended 31/12/2003 onwards and other information as prescribed are also available on website sebidifmr.nic.in which is maintained under aegis of Securities & Exchange Board of India. Further, disclosures pursuant to the listing agreement are promptly communicated to the Stock Exchanges.
- The 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.
- 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.

7. SHAREHOLDERS INFORMATION

a) Annual General Meeting

- Date and time	: Monday, 25 th September, 2006
- Venue	: Sri Sathya Sai International Centre Auditorium, Lodhi Road Institutional Area, Lodhi Road, Pragati Vihar, New Delhi-110003
- Financial Year	: April to March
- Book Closure	: From 15-09-2006 to 25-09-2006 (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:

- Bombay Stock Exchange Ltd., Mumbai. (Code: 511333)
- The National Stock Exchange of India Ltd., Mumbai. (Code: VLSFINAC)
- The Calcutta Stock Exchange Association Ltd, Kolkata
- 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 2006-2007. 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**

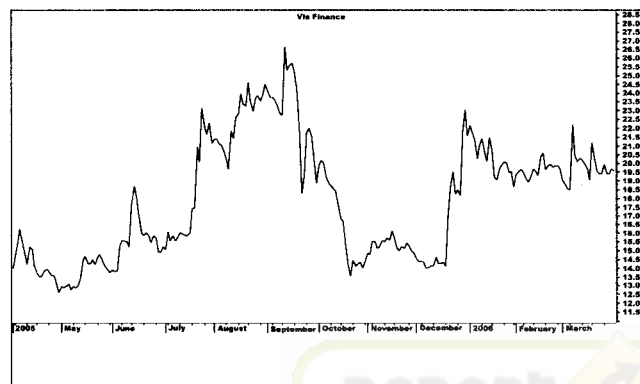
Monthly highs, lows and trading volume for the Financial Year 2005-2006:

(Source: Metastock)

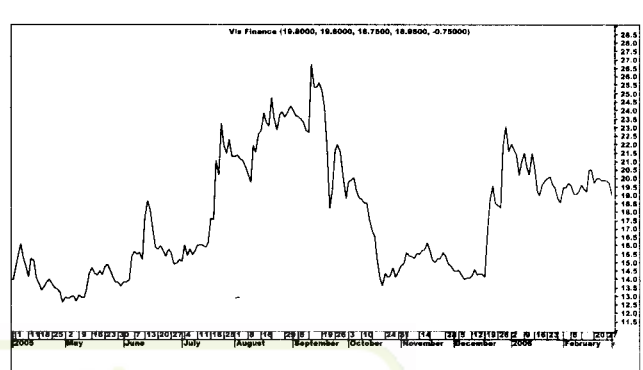
NSE				BSE			
Months	High Rs.	Low Rs.	Volume Nos.	High Rs.	Low Rs.	Volume Nos.	
Apr-05	16.85	12.50	1031823	16.87	12.50	813909	
May-05	15.75	12.40	860568	15.45	12.45	769505	
Jun-05	19.80	13.50	3447339	19.78	13.55	2883615	
Jul-05	24.15	15.00	6011182	24.20	14.90	6180920	
Aug-05	25.85	19.50	5022436	25.80	19.50	4648125	
Sep-05	27.30	18.00	5782854	27.60	18.00	5147352	
Oct-05	20.55	12.55	1217905	20.60	12.60	1287049	
Nov-05	16.70	14.10	773458	16.70	14.10	745338	
Dec-05	25.50	13.85	4250139	25.50	13.86	3981476	
Jan-06	23.40	18.40	1866947	23.20	18.40	1892821	
Feb-06	22.40	17.90	2157636	22.35	17.90	1963386	
Mar-06	23.40	18.30	2435694	23.30	17.00	2424175	
Total			34857981			32737671	

Graphical representation of Shares Price in NSE and BSE vis-à-vis Index Movement:

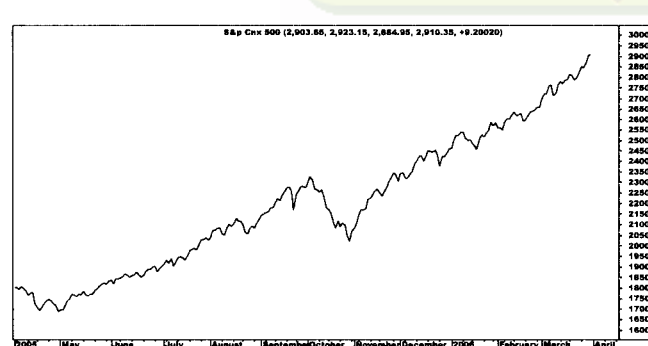
NSE Graph of VLS Finance Ltd.



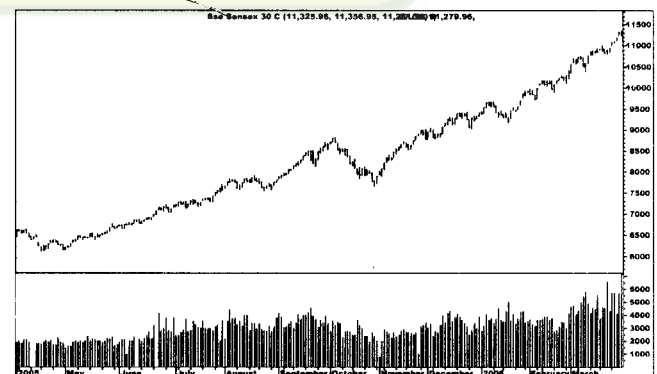
BSE Graph of VLS Finance Ltd.



NSE Nifty



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. 01/04/2006 for entire shareholder services viz. processing request for transfer, other shareholder services, dematerialisation of holding, providing connectivity services with depositories in compliance of SEBI's circular No. D&CC/F/TTC/CIR-15/2002 dated 27/12/2002.

e) **Investors Correspondence**

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

f) **Distribution of shareholding as on March 31, 2006**

Slab of share holding	No. of shareholders	%age	Nominal value of shares held in (Rs.)	%age
1-500	10759	38.9367	27891960.00	7.0089
501-1000	13260	47.9878	84718580.00	21.2887
1001-2000	2213	8.0088	31561030.00	7.9309
2001-3000	569	2.0592	14670570.00	3.6865
3001-4000	206	0.7455	7455990.00	1.8736
4001-5000	171	0.6188	8055590.00	2.0243
5001-10000	294	1.0640	21126420.00	5.3088
10001 and above	160	0.5790	202469860.00	50.8782
Total	27632	100	397950000.00	100

According to categories of shareholders as on March 31, 2006

Serial No.	Categories	No. of shares	Amount In Rs.	Percentage of shareholding
1	Promoters, Directors and Relatives	14996168	149961680.00	37.7076
2	Financial Institution and Banks	10300	103000.00	0.0271
3	Mutual Fund	100	1000.00	0.0003
4	Fils	300	3000.00	0.0008
5	Corporate Bodies	3704869	37048690.00	3.4951
6	Indian Public	21063027	210630270.00	58.7426
7	NRI/OCBs/FN	20236	202360.00	0.0266
	Grand Total	39795000	397950000.00	100.0000