



# **XXVII** **ANNUAL REPORT** **2013-2014**

**VLS FINANCE LTD.**

Regd Office : 2nd Floor, 13, Sant Nagar, East of Kailash, New Delhi-110 065  
CIN : L65910DL1986PLC023129, email : [vls@vsnl.com](mailto:vls@vsnl.com), Website : [www.vlsfinance.com](http://www.vlsfinance.com)  
Phone : 011-46656666 Fax : 011-46656699

**NOTICE**

**27<sup>TH</sup> 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 Thursday,**  
**the 25<sup>th</sup> day of September, 2014**

**SHARE TRANSFER & INVESTOR SERVICES**

M/s RCMC Share Registry Pvt. Ltd.  
Unit: VLS Finance Ltd.  
B-25/1, 1st Floor, Okhla Industrial Area, Phase-II,  
New Delhi-110020

Our e-mail address :

- ☛ For investor services : [hconsul@vlsfinance.com](mailto:hconsul@vlsfinance.com)
- ☛ Other than above : [vls@vsnl.com](mailto:vls@vsnl.com)  
visit us at [www.vlsfinance.com](http://www.vlsfinance.com)

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**Attention Members**

In order to improve investor services, we request you to update / register your postal and email address with Company in case of holding in physical form. The holders in demat (electronic) form may register the same with concerned depository participant.

**BOARD OF DIRECTORS :**

Shri Ajit Kumar                      Chairman  
Shri S.K. Agarwal                  Managing Director  
Shri M.P. Mehrotra  
Shri Somesh Mehrotra  
Shri M.G. Diwan  
Shri A.K. Puri  
Dr. S. Ramesh  
Shri B.M. Oza  
Shri B.B. Tandon  
Shri Gian Vijeshwar  
Shri K. K. Soni                      Director-Finance & CFO

**COMPANY SECRETARY**

Shri H. Consul

**AUDITORS**

M/s. Agiwal & Associates  
Chartered Accountants,  
3830, Lal Kothi, 2<sup>nd</sup> 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.

**BSE LTD. (formerly THE BOMBAY STOCK EXCHANGE),**

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

**THE MADRAS STOCK EXCHANGE LTD.**

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

**THE CALCUTTA STOCK EXCHANGE LTD.**

7, Lyons Range, Kolkata-700 001.

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

## DIRECTORS' REPORT TO THE MEMBERS

Your Directors are pleased to present the Twenty Seventh Annual Report of the Company together with the audited statement of accounts for the year ended 31<sup>st</sup> March, 2014.

### 1. Financial Results (Rs. in Lakhs)

	For the year ended 31 <sup>st</sup> March, 2014	For the year ended 31 <sup>st</sup> March, 2013*
<b>Gross Receipts</b>	<b>381636.53</b>	232213.50
Profit before Interest & Depreciation	<b>459.53</b>	435.47
Less: Interest & Finance Charges	<b>1.97</b>	15.55
Profit before Depreciation	<b>457.56</b>	420.32
Less: Depreciation	<b>41.98</b>	48.73
Profit before Tax	<b>415.58</b>	371.59
Less: Provision for Taxation/(Credits)	<b>67.37</b>	187.00
Profit after Tax	<b>348.21</b>	184.59
Surplus brought forward from previous year	<b>2260.37</b>	2127.45
Previous year adjustments/other adjustment@	<b>(113.30)</b>	(14.75)
Available for Appropriation	<b>2495.28</b>	2297.29
<b>Appropriations:</b>		
To General Reserve	<b>0.00</b>	0.00
To Statutory Reserve (under RBI Act, 1934)	<b>0.00</b>	36.92
Total Appropriations	<b>0.00</b>	36.92
Surplus c/f	<b>2495.28</b>	2260.37

\* (Figures have been regrouped/recast to conform to current year's methodology)

@Tranferred to Capital Redemption Reserve A/c.

## 2. Management Discussion and Analysis

### Financial Review

During the year under review, the gross receipts increased to Rs. 381636.53 lacs from Rs. 232213.50 lacs in the previous year. The profit before tax for the year under review stood at Rs. 415.58 lacs as compared to Rs. 371.59 lacs of the previous year. The profit after tax for the year was Rs. 348.21 lacs as compared to profit after tax of Rs. 184.59 lacs of the previous year.

### Industry Structure and Development

The global economy in financial year 2013-2014 showed some improvement though slowly. Due to sluggish growth, many developing economies experienced general slowdown. The world economy growth was at 3.6% though expected to improve in the current fiscal. Among the Asian economies, deceleration in industrial output and exports weakened India's economic growth significantly. The depreciation of Indian Rupee vis-a-vis U.S. dollar was a significant factor in affecting India's GDP growth which fell below 5%. The continuing tightening measures by Reserve Bank of India to curb inflation leading to high cost of funds adversely affected India's industrial growth. As a result of various measures taken by the Government the value of rupee stabilized vis-a-vis other international currencies during the later half of the fiscal year under review.

### Outlook, Risks and Concerns

The Company's operations during the year under review, as in earlier years, continued to be capital/commodity market centric. Your Company has been making use of available avenues in the capital market and the commodities market for its operations. The Company's registration as Non banking Finance Company was surrendered w.e.f. 29/01/2014. The Company immediately thereafter applied for trading membership of BSE Ltd. which has been accepted vide letter dated 14/05/2014 of BSE Ltd. The operations as Stock Broker will commence upon receipt of registration from Securities and Exchange Board of India which is awaited.

Your Company's performance is closely linked to those of the stock and commodities markets. Consequently, the growth prospects for 2014-15 are likely to be broadly reflective of those trends. In the projected scenario of low to moderate growth, continuing inflation and high interest rates, your Company will continue to strive for meaningful growth, focusing as always on a balanced portfolio mix and efficient cost management, in order to sustain profitability.

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.

### Opportunities and Threats

With the coming into power of new Government with focus on development the infrastructure and allied sectors are expected to perform better giving an impetus to the economy. The Company shall strive to take advantage of the emerging opportunities. The Company shall also focus on permitted avenues as member of Stock Exchange including, corporate advisory services. The Company hopes to tie up successful ventures in the near future apart from strengthening its subsidiary companies.

### Adequacy of Internal Control Systems

The Company has an independent Internal Audit system to carry out extensive audits throughout the year covering all areas of Company's significant operations. The Audit Committee regularly reviews adequacy and effectiveness of the Company's internal control environment and monitors implementation of audit recommendations.

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 in compliance with applicable 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 remained an NBFC for most part of the year under review and was mainly engaged in finance business including dealing through stock exchanges and commodity exchanges. As activities of the company for most part of the year related to 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.

### 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 Securities 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

In accordance with the provisions of Article 89 of the Articles of Association of the Company, Shri Somesh Mehrotra- Director will retire by rotation at the ensuing Annual General Meeting of your Company and being eligible, offers himself for re-election. To enable the Company to obtain his continued valuable direction, guidance and assistance in conduct of the affairs of your Company, it is recommended that his reappointment be approved. The Board had re-appointed Shri S. K. Agarwal as Managing Director of the Company for 3 years w.e.f. 21/08/2013 and members' approval was obtained in Annual General Meeting held on 25/09/2013. Further, the Board in its meeting dated 14/11/2013 had revised the remuneration of Shri S. K. Agarwal - Managing Director w.e.f. 01/04/2013 and appointed Shri K. K. Soni, CFO of the Company as Director of the Company also by redesignating him as Director-Finance & CFO and revised his remuneration w.e.f. 01/04/2013, the approvals of which from members were obtained in Extra-ordinary General Meeting held on 21/12/2013.

Your Board at its meeting held on 11<sup>th</sup> August, 2014 has recommended the appointment of Shri Ajit Kumar, Shri B. M. Oza, Shri M.G. Diwan, Dr. S. Ramesh, Shri A. K. Puri, Shri B. B. Tandon and Shri Gian Vijeshwar as Independent Directors in terms of Sections 149, 152 read with Schedule IV & other applicable provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement, with effect from the date of the ensuing Annual General Meeting of your Company.

Your Board at the said meeting, on the recommendation of the Nomination and Remuneration Committee, also recommended, for the approval of the Members for the change of terms of appointment of Shri S. K. Agarwal-Managing Director and Shri K. K. Soni - Director-Finance & CFO of the Company by making them liable to retire by rotation, with effect from the date of the ensuing Annual General Meeting of your Company. The remuneration of the Managing Director and the Director-Finance & CFO is also sought to be revised from the dates

indicated in respective resolutions therefor in the notice convening the ensuing Annual General Meeting. The re-appointment of Independent Directors and change in category of Executive Directors has been made in order to comply with provisions of the Companies Act, 2013 which are required to be approved by the members.

Appropriate resolutions seeking your approval to the aforesaid appointments are appearing in the Notice convening the 27<sup>th</sup> Annual General Meeting of the Company. Shri Ajit Kumar, Shri B. M. Oza, Shri M.G. Diwan, Dr. S. Ramesh, Shri A. K. Puri, Shri B. B. Tandon and Shri Gian Vijeshwar by virtue of being Independent Directors of your Company in terms of the provisions of the Companies Act, 2013, will not be liable to retire by rotation for the residual period of their respective terms of appointment approved by the Members of the Company.

#### 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 31<sup>st</sup> March, 2014, 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 adequate 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 31<sup>st</sup> March, 2014 on a 'going concern' basis.

#### 6. Corporate Governance and Compliance Certificate

We have reported in **Annexure-1** to this report, the extent of compliance of Corporate Governance practices in accordance with Clause 49 of Listing Agreement.

#### 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 139 of the Companies Act, 2013 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. In terms of section 139 (2) read with Rule 6 of Companies (Audit and Auditors) Rules, 2014, the present auditors can be appointed for three consecutive terms of one year each starting from present proposal before being subjected to compulsory rotation of Auditors.

#### 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 forming part of Financial Statements 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 for this purpose. However, use of energy efficient devices, wherever possible, in conducting business of Company is part of administration policies. During the year under review the Company had decided to buyback its own shares under authority of Board's power to buyback the same and the entire process was completed on 11/02/2014. The Company had bought back 11,32,983 equity shares in terms of the offer to buyback made by it. Accordingly, the capital of the Company had been reduced by Rs.1,13,29,830/- as detailed in the enclosed balance sheet in Notes No. 2 i.e. Share Capital of the Company.

Details of foreign exchange earnings and outgo are given below:

Foreign Exchange earnings : Nil

Foreign Exchange outgo : Rs. 1,75,216/-

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

The Company has paid the Annual Listing fees for the year 2014-2015 to all the aforesaid Stock Exchanges.

#### 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

Employee relations continued to be cordial during the year. The number of employees stood at 22. 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. Green Initiative in Corporate Governance

As a continuing endeavor towards the Go Green initiative, the Company proposes to send future correspondences and documents like the notice calling the general meeting, audited financial statements, directors' report, auditors' reports etc. in the electronic form, to the email addresses provided by the Members and made available to us by the Depositories. Members who hold shares in the physical form are requested to register their e-mail addresses and intimate any changes in their e-mail id, with the Company or with the Registrar & Share Transfer Agents, RCMC Share Registry Pvt. Ltd. In respect of electronic holdings, members are requested to register their e-mail addresses with the Depository through their concerned Depository Participants. However, in case you desire to receive Company's communication and documents in physical form, you are requested to intimate us through email at [hconsul@vlsfinance.com](mailto:hconsul@vlsfinance.com). You may kindly note that as a Member of the Company, you will be entitled to be furnished, free of cost, a printed copy of the Annual Report of the Company, upon receipt of a requisition from you, at any time.

Members are advised to convert their shares from Physical form to Dematerialized form. Dematerialization of shares provides several benefits to the shareholders. The transaction of shares can be carried out quickly and in an easy way. Holding securities in Demat form helps the investors to get immediate transfer of securities. No stamp duty is payable on transfer of shares held in Demat form and the brokerage involved is also generally lower. The incidence of non-delivery or bad delivery and the risks associated such as forged transfers that occurs for the shares when held in physical format is totally avoided.

Further, the sale and purchase of Company's shares is possible if the shares are held in dematerialized form only. Hence members holding in physical form can not sell the shares through stock exchange unless the physical shares are converted in dematerialized form.

#### 13. Subsidiary Companies

Statement pursuant to Section 212(1) (e) read with sub-section (3) of the said section of the Companies Act, 1956 for the financial year ended 31/3/2014 in respect of the Subsidiary Companies, is enclosed with Annual Accounts of the Company.

#### 14. 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.

#### 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 : 11/8/ 2014

K. K. Soni  
Director-Finance & CFO

S. K. Agarwal  
Managing Director

## Annexure-1

### REPORT ON CORPORATE GOVERNANCE

#### Our Mission:

To be one of the top ranking Corporate 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 which enjoins the highest standard of ethical and responsible conduct of business to create value for all stake holders. 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 not only ensures that the Company operates within the regulatory framework but also strive to achieve more transparency in management and institutional soundness.

#### 1. BOARD OF DIRECTORS

- a) The total strength of the Board is 11 Directors all being non-executive, except the Managing Director and Director-Finance & CFO. The Board of your Company consist of 2 (Two) Promoter Directors, 7 (Seven) Independent Directors and 2 (Two) Non-Independent Directors. With over two third members being Independent Directors, the present constitution of Board adequately complies with present requirement of Clause-49 of Listing Agreement. The Independent Directors aforesaid adequately meet the criteria laid down in section 149 of Companies Act, 2013, in the opinion of Board and their appointment as Independent Directors for five years in terms of aforesaid statute has been recommended by the Board.

The attendance record of Directors for the year ended on 31/03/2014 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 2013-2014	Whether attended AGM held on 25/09/2013	No. of Directorships in other Public Limited Companies as on 11/8/2014	No. of Committee positions held in other Public Limited Companies	
						Chairman	Member
1)	Shri Ajit Kumar (Chairman)	Non-Executive, Independent	5	NO	1	-	1
2)	Shri S. K. Agarwal (Managing Director)	Executive, Non-Independent	5	YES	3	1	-
3)	Shri Somesh Mehrotra	Non-Executive, Promoter	2	NO	2	-	-
4)	Shri A. K. Puri	Non-Executive, Independent	4	NO	-	-	-
5)	Shri M. G. Diwan	Non-Executive, Independent	2	NO	4	-	1
6)	Dr. S. Ramesh	Non-Executive, Independent	5	YES	1	-	1
7)	Shri B. M. Oza	Non-Executive, Independent	5	NO	-	-	-
8)	Shri M. P. Mehrotra	Non-Executive, Promoter	5	NO	9	2	2
9)	Shri Gian Vijeshwar	Non-Executive, Independent	0	NO	7	-	2
10)	Shri B. B. Tandon	Non-Executive, Independent	4	NO	11	2	7
11)	Shri K.K. Soni	Executive, Non-Independent	2	YES	5	-	2

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 Company under Section 25 of the Companies Act, 1956 (or Section 8 of the Companies Act, 2013).

- b) During the year ended 31/03/2014, 5 (Five) Board Meetings were held with one meeting in every quarter on 28/05/2013, 22/07/2013, 14/11/2013, 10/12/2013 and 13/02/2014.
- 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 forming part of financial statement" in the Annual Accounts for the year under review.
- d) Information supplied to the Board:  
The Board has unfettered and complete access to any information within the Company and to any employee of the Company. 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 of Listing Agreement.
- e) Details of remuneration paid to the Directors during the year ended on 31.03.2014:

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.	1,40,000	N.A.	1,40,000
2)	Shri S.K. Agarwal	19,50,000	5,51,462	N.A.	N.A.	25,01,462
3)	Shri Somesh Mehrotra	N.A.	N.A.	30,000	N.A.	30,000
4)	Shri B.M. Oza	N.A.	N.A.	1,54,000	N.A.	1,54,000
5)	Dr. S. Ramesh	N.A.	N.A.	1,50,000	N.A.	1,50,000
6)	Shri A.K. Puri	N.A.	N.A.	1,10,000	N.A.	1,10,000
7)	Shri M.G. Diwan	N.A.	N.A.	30,000	N.A.	30,000
8)	Shri M. P. Mehrotra	N.A.	N.A.	1,30,000	N.A.	1,30,000
9)	Shri Gian Vijeshwar	N.A.	N.A.	0	N.A.	0
10)	Shri B. B. Tandon	N.A.	N.A.	1,54,000	N.A.	1,54,000
11)	Shri K. K. Soni (w.e.f. 14/11/2013)	3,03,683	69,938	N.A.	N.A.	3,73,621

#### 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 and Shri Somesh Mehrotra held 285 and 884691 equity shares of the Company respectively as on 31.03.2014. No other director held any shares of the Company on that date for self or for others on beneficial basis. None of the Directors except Shri M.P. Mehrotra and Shri Somesh Mehrotra are related to each other.
- iv) The service contract in case of Managing Director is 3 years with notice period of 3 months. The tenure of Director-Finance & CFO is upto 30/01/2016 with notice period of one month. Presently, all the Directors other than Executive Directors are liable to retire by rotation. However, after the proposed modification in terms of appointment of Executive Directors and appointment of Independent Directors in terms of Section 149 of the Companies Act, 2013 is made, all the directors except Independent Directors will be 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 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 31/03/2014.

Date: 11/8/2014  
Place: New Delhi

S. K. Agarwal  
Managing Director

**g) Disclosures regarding appointment or re-appointment of Directors**

The relevant information about Directors retiring by rotation has been furnished in notice convening the ensuing Annual General Meeting.

**2. AUDIT COMMITTEE**

**a) Composition**

As on 1/4/2013 the Audit Committee consisted of Dr. S. Ramesh (Chairman of the Committee) with Shri Ajit Kumar, Shri A.K. Puri, Shri M. P. Mehrotra and Shri B. B. Tandon as members. The majority of the members are Independent Directors including chairman of the committee. All the members of committee are financially literate in terms of relevant stipulation under Clause- 49 of the Listing Agreement and two members have extensive experience in areas of finance, taxation and other financial services.

**b) Terms of reference**

The role, terms of reference, authority and powers of the Committee were in conformity with the Listing Agreement read with Section 292A of the Companies Act, 1956. The Audit Committee inter-alia advises the management on areas where systems, processes, measures for controlling and monitoring revenue, internal audit and risk management can be improved. 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. The terms of reference of Audit Committee had been revised by the Board on 26/05/2014 to conform to provisions of Section 177 of the Companies Act, 2013 and Clause 49 of Listing Agreement which is envisaged to be effective from 1/10/2014. No change in constitution of committee was made as present constitution complies with the extant norms.

**c) Meetings and attendance**

During the year ended on 31/03/2014, 4 (Four) Audit Committee Meetings were held on 28/05/2013, 22/07/2013, 14/11/2013 and 13/02/2014. The summary of attendance of members is as under:

Name	Shri A.K. Puri	Shri Ajit Kumar	Shri M.P. Mehrotra	Dr. S. Ramesh	Shri B.B. Tandon
Attendance in Four Meetings	3	4	4	4	3

**3. SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE**

**a) Composition and terms of reference**

The Committee consists 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.

The Board in its meeting held on 26/05/2014 had renamed the said committee as Stakeholders Relationship Committee under Section 178 of Companies Act, 2013. The composition of the said committee remained unchanged as present constitution complies with the requirements of applicable regulations.

**b) Meetings and attendance**

During the year under review, 13 (Thirteen) meetings of Shareholders/ Investors Grievance Committee were held on 08/04/2013, 07/05/2013, 28/05/2013, 27/06/2013, 22/07/2013, 21/08/2013, 12/10/2013, 14/11/2013, 10/12/2013, 26/12/2013, 22/01/2014, 27/02/2014 and 24/03/2014.

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 13 meetings	12	13	12

**c) Shareholders Complaints**

The Company had received 3 complaints during the financial year ended 31<sup>st</sup> March, 2014. 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	0	0
Non-receipt of Annual Report	3	3
Non-receipt of Bonus Shares	0	0
Non-receipt of Name change sticker	0	0
Loss of shares/for duplicate shares	0	0
Non- receipt of share certificate after Rejection of Demat request	0	0
<b>Total</b>	<b>3</b>	<b>3</b>

\*\* 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. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE**

**Composition and terms of reference**

The Board in its meeting held on 11/08/2014 had constituted Corporate Social Responsibility Committee in compliance with section 135 of the Companies Act, 2013 and applicable Companies (Corporate Social Responsibility) Rules, 2014. The Committee consists of Shri Ajit Kumar, Shri B. B. Tandon –Directors and

Shri S. K. Agarwal-Managing Director as members. The terms of reference of CSR Committee are in compliance with the applicable regulations.

## 5. GENERAL BODY MEETINGS

### a) Details of the last three Annual General Meetings

Financial year ended	Date	Time	Venue
March 31, 2013	September 25, 2013	3.30 p.m.	Sri Sathya Sai International Centre Auditorium, Institutional Area, Lodhi Road, Pragati Vihar, New Delhi-110003.
March 31, 2012	September 28, 2012	3.30 p.m.	Sri Sathya Sai International Centre Auditorium, Institutional Area, Lodhi Road, Pragati Vihar, New Delhi-110003.
March 31, 2011	September 29, 2011	3.30 p.m.	Sri Sathya Sai International Centre Auditorium, Institutional Area, Lodhi Road, Pragati Vihar, New Delhi-110003.

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

- In the AGM held on 25.9.2013, no agenda item was required to be approved by special resolution.
- In the AGM held on 28.9.2012, no agenda item was required to be approved by special resolution.
- In the AGM held on 29.9.2011, no agenda item was required to be approved by special resolution.

### c) Postal ballots

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

## 6. 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 forming part of financial statements'.

### 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:

- None

### 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) 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 01/04/2013 comprised Shri B.M. Oza - Chairman of the Committee with Shri Somesh Mehrotra, Dr. S. Ramesh and Shri A. K. Puri as Members. The Company Secretary acts as Secretary of the Committee. The Committee formulates the remuneration package for managerial personnel including Executive Director(s) for approval of the Board and performs other roles detailed out in the Listing Agreement executed with the Stock Exchanges or as assigned by the Board from time to time. During the year under review Two meetings of remuneration committee were held on 22/07/2013 and 14/11/2013. Dr. S Ramesh and Shri B. M. Oza attended both the meetings. Shri A. K. Puri attended one meeting and Shri Somesh Mehrotra attended none of the above meetings.

The Board in its meeting held on 26/05/2014 had renamed the said committee as Nomination and Remuneration Committee to comply with the provisions of Section 178 of Companies Act, 2013 and revised its terms of reference accordingly. There was no change in constitution of Committee since the existing Committee complied with requirements of applicable regulations.

#### iii) Buyback Committee

The Board in its meeting held on 10/12/2013 had considered buyback of Company's own shares pursuant to the provisions of Article 5(iv) and (v) of the Articles of Association of the Company, as amended and the provisions of Sections 77A, 77AA, 77B and all other applicable provisions, of the Companies Act, 1956 (to the extent applicable) and Sections 69, 70 and other applicable provisions, of the Companies Act, 2013 (to the extent notified) and in compliance with the Securities and Exchange Board of India (Buy-back of Securities) Regulations, 1998 ("SEBI Buyback Regulations"), approved the buy back by the Company of its fully paid-up equity shares of Rs.10/- each not exceeding 99,48,750 (Ninety Nine Lacs Forty Eight thousand Seven Hundred and Fifty) equity shares (representing 25% of the total paid-up equity capital of the Company) at a price of Rs.14.50/- (Fourteen rupees and Paise Fifty Only) per equity share (the "Buy Back Offer Price") payable in cash for an aggregate amount of Rs. 14,42,56,875 (Rupees Fourteen Crores Forty Two Lacs Fifty Six Thousand Eight Hundred Seventy Five Only) (the "Buyback Offer Size") which was within 10% of the fully paid-up equity share capital and free reserves of the Company as per the audited accounts of the Company for the year ended March 31, 2013, from the shareholders of the Company on a proportionate basis, through the **Tender Offer** route as prescribed under the SEBI Buyback Regulations (hereinafter referred to as the "Buyback").

Accordingly the board had constituted Buyback committee for monitoring the said activity by nominating Shri B. M. Oza, Shri B. B. Tandon - Directors, Shri S. K. Agarwal- Managing Director and Shri K. K. Soni- Director- Finance & CFO as members as member of the said committee. The Board also appointed SMC Capitals Limited as Merchant Banker and RCMC Share Registry Pvt. Ltd. as registrar to the Buyback.

During the year under review two meetings of Buyback committee were held on 18/12/2013 and 03/01/2014.

The entire process of Buyback was completed on 11/02/2014. The Company had bought back 11,32,983 Fully Paid-up Equity Shares of Rs.10/-each of the Company from the existing share holders at a price of Rs.14.50/- per share. Accordingly, the Paid up Capital of the Company stood reduced by Rs.1,13,29,830/-.

iv) The Company does not have a documented 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. The Whistle blower policy or Vigil Mechanism as envisaged under the provisions of Companies Act, 2013 and Listing Agreement is being formulated.

v) The Board has so far not adopted Peer group evaluation of Directors and restricting the tenure of Independent Directors to nine years in aggregate as recommended in Listing Agreement.

vi) The individual contribution of Directors in fulfilling their responsibilities as Director interalia in strategic management of Company forms basis of internal evaluation by the Board. The Nomination and Remuneration Committee is now empowered to do necessary evaluation in accordance with policy of the Company being formulated for this purpose.

- vii) There was no qualification in the Auditor's Report on the Annual Accounts of the Company for the year under review.
- viii) The Company has adhered to the directions of Reserve Bank of India (RBI) for Non Banking Finance Companies as applicable to the Company at the relevant point of time and the following committees were constituted on 22/01/2009.

a. Asset Liabilities Committee, b. Nomination Committee, c. Risk Management Committee

The Asset Liability Committee was reconstituted on 28/05/2013 with Shri Ajit Kumar, Shri B. B. Tandon – Directors and Shri S. K. Agarwal- Managing Director as Members. The Risk Management Committee was reconstituted on 28/05/2013 with Shri Ajit Kumar, Shri B. B. Tandon – Directors and Shri S. K. Agarwal- Managing Director as Members. The Nomination Committee was reconstituted on 28/05/2013 with Shri B. M. Oza, Shri B. B. Tandon, Shri A. K. Puri – Directors and Shri S. K. Agarwal- Managing Director as Members.

## 7. COMMUNICATION TO SHAREHOLDERS

The Company does not send newsletter to shareholders on quarterly or half yearly basis. The Company publishes un-audited quarterly results and annual audited results in prescribed format, in two newspapers viz. The Financial Express and Jansatta regularly. The said results and other quarterly compliances under listing agreement alongwith Reconciliation of Capital had also been uploaded on NEAPS a platform provided by NSE and <http://listing.bseindia.com> a platform provided by BSE Ltd. as well as emailed to [corp.relations@bseindia.com](mailto:corp.relations@bseindia.com), [cmlist@nse.co.in](mailto:cmlist@nse.co.in), [listing@cse-india.com](mailto:listing@cse-india.com) and [listing.mseindia.com](mailto:listing.mseindia.com) the official email ID of BSE Limited, The National Stock Exchange of India Ltd., Mumbai, The Calcutta Stock Exchange Ltd., Kolkata and The Madras Stock Exchange Ltd., Chennai, respectively. The said results are also made available on the Company's website <http://www.vlsfinance.com> and [www.corpfiling.co.in](http://www.corpfiling.co.in) in terms of Clause 52 & 54 of Listing Agreement. Further, disclosures pursuant to the Listing Agreement are promptly communicated to the concerned Stock Exchanges. The documents filed by the Company with Registrar of Companies can be inspected at MCA's website namely [www.mca.gov.in](http://www.mca.gov.in) and the Company Identification Number (CIN) of Company is **L65910DL1986PLC023129**.

- a) 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.
- b) 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.
- c) 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](mailto:hconsul@vlsfinance.com) which is also displayed on the Company's website [www.vlsfinance.com](http://www.vlsfinance.com) under heading 'contact us'.

## 8. SHAREHOLDERS INFORMATION

### a) Annual General Meeting

-	<b>Date and time</b>	: Thursday, 25 <sup>th</sup> September, 2014 at 3.30 PM
-	<b>Venue</b>	: The Auditorium, Sri Sathya Sai International Centre, Institutional Area, Lodhi Road, Pragati Vihar, New Delhi-110003
-	<b>Financial Year</b>	: April to March
-	<b>Book Closure</b>	: From 18-09-2014 to 25-09-2014 (both days inclusive)
-	<b>Buy back of shares</b>	: During the year under review, 11,32,983 Fully Paid-up Equity Shares of Rs.10/-each have been bought back by the Company from the existing share holders at a price of Rs.14.50/- per share. Accordingly, the Paid up Capital of the Company stand reduced by Rs.1,13,29,830/-.
-	<b>Dividend payment date</b>	: 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. BSE Ltd. (formerly The Bombay Stock Exchange), Mumbai. (Code:511333)
2. The National Stock Exchange of India Ltd., Mumbai. (Code: VLSFINAC)
3. The Calcutta Stock Exchange Ltd., Kolkata. (Code:032019)
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 2014-2015. However, de-listing confirmation is yet to be received from the Calcutta Stock Exchange Ltd. and the Madras Stock Exchange Ltd.

### c) Stock Market data

Monthly highs, lows and trading volume for the Financial Year 2013-2014:

(Source: Metastock)

Months	NSE			BSE		
	High Rs.	Low Rs.	Volume Nos.	High Rs.	Low Rs.	Volume Nos.
Apr-13	11.80	9.25	181821	11.80	9.50	108903
May-13	11.45	9.15	215184	11.20	9.41	133397
Jun-13	10.30	7.40	256931	10.50	7.99	105864
Jul-13	10.65	8.25	290644	10.50	8.01	172638
Aug-13	11.15	8.25	440229	10.34	8.61	133661
Sep-13	12.60	9.75	675913	12.60	9.55	272439
Oct-13	12.50	10.05	397926	12.45	10.05	168327
Nov-13	12.85	10.35	308469	12.64	10.50	175469
Dec-13	14.40	10.80	1709220	14.40	10.80	759078
Jan-14	14.40	11.80	231109	14.25	11.67	192605
Feb-14	13.50	11.90	99297	13.65	11.63	92640
Mar-14	13.85	12.00	387737	13.89	12.03	189161
<b>Total</b>			5194480			2504182



**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.**



**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. 01/04/2014 for entire shareholder services viz. processing request for transfer, other shareholder services, dematerialisation of holding, providing connectivity services with depositories in compliance of SEBI's circular No.D&CC/F/TTC/CIR-15/2002 dated 27/12/2002.

**e) Investors Correspondence**

For any query relating to transfer/transmission of shares, dematerialisation, change of address etc. please write to M/s. RCMC Share Registry Pvt. Ltd., (the "Registrar") at B-25/1 First Floor, Okhla Industrial Area Phase-II, New Delhi-110020 (Phone Nos. 011 – 26387320, 26387321, 26387323 and Fax 011-26387322). 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, 2014**

Slab of share holdings (No. of shares)	No. of share holders	%age	Nominal value of shares held (Rs.)	%age
1-500	13177	51.1291	29728270.00	7.6893
501-1000	9380	36.3961	61778740.00	15.9792
1001-2000	1833	7.1124	26665190.00	6.8970
2001-3000	510	1.9789	13183870.00	3.4100
3001-4000	203	0.7877	7362020.00	1.9042
4001-5000	178	0.6907	8430590.00	2.1806
5001-10000	276	1.0709	20816860.00	5.3843
10001 and above	215	0.8342	218654630.00	56.5554
<b>Total</b>	<b>25772</b>	<b>100.0000</b>	<b>386620170.00</b>	<b>100.0000</b>

**According to categories of shareholders as on March 31, 2014**

Sl. No.	Categories	No. of shares	Amount in Rs.	Percentage of shareholding
1	Promoters, Directors and Relatives	16083242	160832420.00	41.5996
2	Financial Institution and Banks	9500	95000.00	0.0246
3	Mutual Fund	100	1000.00	0.0003
4	FIs	300	3000.00	0.0008
5	Corporate Bodies	1716881	17168810.00	4.4407
6	Clearing Members	161865	1618650.00	0.4187
7	Indian Public	20407719	204077190.00	52.7849
8	Trust	30000	300000.00	0.0776
9	NRI/OCBs/FN	252410	2524100.00	0.6529
	<b>Grand Total</b>	<b>38662017</b>	<b>386620170.00</b>	<b>100.0000</b>

**g) Dematerialisation of Shares and liquidity**

89.68% of the total share capital of Company was held in dematerialized form as on 31/03/2014. The shares of Company are actively traded in BSE Ltd. and The National Stock Exchange of India Ltd.. The shares of the Company are traded only in demat segment w.e.f. 28<sup>th</sup> August 2000.

**h) There were no ADRs/ GDRs/ Warrants or other convertible instruments out standing as on 31/03/2014.**

**i) Reconciliation of capital**

The requisite 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, 2014	Mid of August, 2014
Quarter ending September 30, 2014	Mid of November, 2014
Quarter ending December 31, 2014	Mid of February, 2015
Year ending March 31, 2015 #	End of May, 2015
Annual General Meeting for the year ended March 31, 2014	25 <sup>th</sup> September, 2014

# For the quarter ending 31/03/2015 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 2013-14.

**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 31<sup>st</sup> March, 2014, as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination has been limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance as stipulated in the said clause. 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 and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the abovementioned Listing Agreement.

We state that no investor grievance was pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/Investors Grievance Committee.

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

For and on behalf of  
 Agiwal & Associates  
 (Firm Registration No: 000181N)  
 Chartered Accountants  
 (P.C. Agiwal)  
 (Partner)  
 Membership No. 80475

Date: 11/8/2014  
 Place: New Delhi

**Covering letter of the annual audit report to be filed with the stock Exchange**

**FORM A**

1.	Name of the Company	VLS Finance Limited
2.	Annual financial statement for the year ended	31st March 2014
3.	Type of Audit observation	Un-Qualified
4.	Frequency of Observation	Not Applicable

S.K. Agarwal  
 Managing Director

K.K. Soni  
 Director-Finance & CFO

P.C. Agiwal  
 Representative of Statutory Auditor

Dr. S. Ramesh  
 Chairman-Audit Committee

**Independent Auditor's Report**

**TO THE MEMBERS OF VLS FINANCE LIMITED**

**REPORT ON THE FINANCIAL STATEMENTS**

1. We have audited the accompanying financial statements of **VLS FINANCE LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2014, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

2. The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ("the Act") and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants

of India. Those Standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Significant Accounting Policies and Notes to Accounts 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:

- (a) in the case of the Balance Sheet, of the state of affairs of the company as at March 31, 2014;
- (b) in the case of the Statement of Profit and Loss, of the profit of the company for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows of the company for the year ended on that date.

**Report on Other Legal and Regulatory Requirements**

7. As required by the Companies (Auditor's Report) Order, 2003 as amended by "the Companies (Auditor's Report) (Amendment) Order 2004", issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act (herein after referred to as the "Order"), and on the

basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

8. As required by section 227(3) of the Act, 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 account as required by law have been kept by the Company so far as appears from our examination of those books;
- (c) The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of accounts.
- (d) In our opinion, the Balance Sheet, the Statement of Profit and Loss and the 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 March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of section 274(1) (g) of the Act.

**FOR AGIwal & ASSOCIATES  
CHARTERED ACCOUNTANTS  
(FRN: 000181N)  
(P.C.Agiwal)  
Partner  
(M. No. 080475)**

Place: New Delhi  
Date: 26<sup>th</sup> May, 2014

**ANNEXURE TO INDEPENDENT AUDITOR'S REPORT  
REFERRED TO IN PARAGRAPH (7) OF OUR REPORT OF EVEN DATE  
Re: VLS Finance Ltd. for the year ended 31st March 2014**

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>(i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.</li> <li>(b) All the fixed assets <i>except assets on lease, which are in the possession of the lessee</i>, have been physically verified by the management at the reasonable interval. No material discrepancies were noticed on such verification as informed to us.</li> <li>(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.</li> <li>(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.</li> <li>(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.</li> <li>(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.</li> <li>(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 31.03.2014 is Rs.9,19,595/-.</li> <li>(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.</li> <li>(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.</li> <li>(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.</li> <li>(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</li> </ul> | <ul style="list-style-type: none"> <li>(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.</li> <li>(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.</li> <li>(vi) The Company has not accepted any deposits from the public during the year. Hence provisions of section 58A &amp; 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.</li> <li>(vii) In our opinion, the Company has an internal audit system, commensurate with its size and nature of its business.</li> <li>(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.</li> <li>(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 31.03.2014.</li> <li>(b) According to the records and information and explanations given to us, there is no outstanding of any disputed statutory dues as on 31.03.2014.</li> <li>(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.</li> <li>(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.</li> <li>(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.</li> <li>(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.</li> <li>(xiv) The Company has not raised any Term Loan during the year.</li> <li>(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.</li> <li>(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.</li> <li>(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.</li> </ul> <p>The Para Nos. 4 (xii), (xiii), (xix) and (xx) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.</p> <p style="text-align: right;">For Agiwal &amp; Associates<br/>Chartered Accountants<br/>(FRN: 000181N)<br/>(P.C. Agiwal)<br/>Partner<br/>(M.No. 080475)</p> |
|---|---|

Place: New Delhi  
Date: 26th May, 2014

**BALANCE SHEET AS AT 31st March, 2014**

(Amount in Rupees)

Particulars	Note No.	As at 31st March, 2014	As at 31st March, 2013
<b>I. EQUITY AND LIABILITIES</b>			
<b>(1) Shareholders' Funds</b>			
(a) Share Capital	2	38,78,42,420	39,91,72,250
(b) Reserves & Surplus	3	165,07,02,500	162,09,80,147
<b>(2) Non-current liabilities</b>			
(a) Other Long Term Liabilities		8,00,00,000	8,00,00,000
(b) Long Term Provisions	4	21,05,40,691	20,14,73,968
<b>(3) Current liabilities</b>			
(a) Trade payables	5	25,90,484	9,35,989
(b) Other Current Liabilities	6	11,27,988	6,68,514
(c) Short Term Provisions	7	2,77,254	2,77,945
<b>Total</b>		<b>233,30,81,337</b>	<b>230,35,08,813</b>
<b>II. ASSETS</b>			
<b>(1) Non-current assets</b>			
(a) Fixed Assets			
- Tangible Assets	8	6,74,92,329	7,13,61,166
- Intangible Assets	8	51,785	86,307
(b) Non-current Investments	9	171,14,40,052	102,94,81,776
(c) Deferred tax assets (Net)	10	1,48,73,175	1,92,99,548
(d) Long-term loans and advances	11	12,93,86,085	16,55,77,885
<b>(2) Current assets</b>			
(a) Inventories- Share stock-in-trade	12	4,05,31,451	1,03,14,615
(b) Trade receivables	13	16,69,44,194	80,04,60,903
(c) Cash and cash equivalents	14	3,48,57,306	13,13,67,631
(d) Short-term loans and advances	15	16,58,07,511	7,29,89,935
(e) Other current assets	16	16,97,449	25,69,047
<b>Total</b>		<b>233,30,81,337</b>	<b>230,35,08,813</b>
<b>Significant Accounting Policies</b>	1		

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: 080475

S.K.Agarwal  
 Managing Director

May 26th, 2014  
 New Delhi

K.K.Soni  
 Director-Finance & CFO

H.Consul  
 Company Secretary

**STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31st March, 2014**

(Amount in Rupees)

	Note No.	For the Year ended 31st March, 2014	For the Year ended 31st March, 2013
<b>I Revenue from operations</b>	17	3816,35,15,614	2322,12,87,580
<b>II Other Income</b>		1,37,243	62,518
<b>III Total Revenue (I+II)</b>		<u>3816,36,52,857</u>	<u>2322,13,50,098</u>
<b>IV Expenses</b>			
Purchase of Shares/Securities/Commodities		3807,36,44,086	2313,13,51,885
Change in stock of shares	18	(30,216,836)	11,68,097
Employee benefits expenses	19	1,19,19,058	1,03,21,069
Finance costs	20	1,96,508	15,55,398
Depreciation and Amortisation expense	8	41,97,817	48,73,393
Administrative & Other Expenses	21	6,23,54,039	3,49,21,621
<b>V. Total Expenses</b>		<u>3812,20,94,672</u>	<u>2318,41,91,463</u>
<b>VI. Profit before tax (IV-V)</b>		4,15,58,185	3,71,58,635
<b>VII. Less: Tax Expenses</b>			
Current Tax/MAT		23,11,035	71,04,995
Deferred Tax		44,26,373	1,15,94,251
<b>VIII. Profit for the year (VI-VII)</b>		<u>3,48,20,777</u>	<u>1,84,59,389</u>
<b>EARNING PER SHARE</b>			
Basic Earning per Share (Rs.)		0.90	0.46
Diluted Earning per Share (Rs.)		0.88	0.46
Face Value per Share (Rs.)		10.00	10.00
<b>Significant Accounting Policies</b>	1		

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:080475

 S.K.Agarwal  
 Managing Director

 May 26th, 2014  
 New Delhi

 K.K.Soni  
 Director-Finance & CFO

 H.Consul  
 Company Secretary

**NOTES FORMING PART OF FINANCIAL STATEMENTS for the year ended 31st March, 2014**

**COMPANY OVERVIEW**

The company is a public limited company registered under the Companies Act, 1956 and is listed on the National Stock Exchange (NSE), Bombay Stock Exchange (BSE), Calcutta Stock Exchange and Madras Stock Exchange. The company was Non-Banking Finance Company (NBFC) duly registered with Reserve Bank of India. The NBFC Certificate of Registration (CoR) with Reserve Bank of India (RBI) has voluntarily been surrendered by the Company during the year under review which has been accepted by RBI vide its letter dated 13/02/2014 w.e.f. 29/01/2014. The Company had applied for membership of Bombay Stock Exchange (BSE) during the year under review and the same has been approved by BSE vide letter dated 14/05/2014. The SEBI Registration Certificate in connection thereto is awaited.

**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 ASSETS**

- Assets under Lease and Hire Purchase are accounted in the books at invoice value and the difference between the invoice price and disbursed amount is accounted as Security Deposits 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:

**a) On Own Assets:**

On Written Down Value Method as per the rates prescribed under Schedule XIV of the Companies Act, 1956.

**b) 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 Non-current investments and current investments.
- Non-current 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**

**1. 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.

**2. 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.

**3. 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 Statement of profit and loss.

(Amount in Rupees)

	As at 31st March, 2014	As at 31st March, 2013
<b>2 SHARE CAPITAL</b>		
<b>AUTHORISED CAPITAL</b>		
15,00,00,000 Equity Shares of Rs.10/- each	<u>150,00,00,000</u>	<u>150,00,00,000</u>
(Previous year 15,00,00,000 Equity shares of Rs.10/-each)		
<b>ISSUED CAPITAL</b>		
4,02,62,500 Equity Shares of Rs.10/- each	<u>40,26,25,000</u>	<u>40,26,25,000</u>
(Previous year 4,02,62,500 Equity shares of Rs.10/-each)		
<b>SUBSCRIBED &amp; PAID-UP CAPITAL</b>		
3,97,95,000 Equity Shares of Rs.10/- each		
fully paid up for cash	<u>39,79,50,000</u>	39,79,50,000
(Previous year 3,97,95,000 Equity Shares of Rs.10/- each)		
Less: 11,32,983 Equity Shares of Rs. 10/-each		
fully paid-up for cash bought back on 11-02-2014	<u>1,13,29,830</u>	0
	<u>38,66,20,170</u>	39,79,50,000
Add: Amount forfeited on 4,67,500 equity shares		
(Previous year 4,67,500 equity shares)	<u>12,22,250</u>	12,22,250
	<u>38,78,42,420</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)		

**(a) Reconciliation of Number of Shares at the beginning and at the end of the reporting period**

	As at 31/03/ 2014		As at 31/03/ 2013	
	Number	in Rupees	Number	In Rupees
Equity Shares at the beginning of the year	3,97,95,000	39,79,50,000	3,97,95,000	39,79,50,000
Less : Equity Shares bought back	11,32,983	1,13,29,830	0	0
Equity Shares at the end of the year	3,86,62,017	38,66,20,170	3,97,95,000	39,79,50,000

NOTES FORMING PART OF FINANCIAL STATEMENTS for the year ended 31st March, 2014.

(Amount in Rupees)

**(b) List of shareholders holding more than 5% of the total number of shares issued by the Company**

Name of the Shareholder	As at 31st March, 2014		As at 31st March, 2013	
	No of Share held	% of Holding	No. of Share held	% of Holding
VLS Capital Limited	1,23,42,227	31.92	1,23,26,339	30.97

The Company has issued only one class of equity shares having a par value of Rs.10/- per share. Each holder of Equity Share is entitled to one vote per share. The Company declares dividends in Indian Rupees. The dividend, whenever, proposed by the Board of Directors is subject to the approval of the shareholders at the Annual General Meeting.

(Amount in Rupees)

	As at 31st March, 2014	As at 31st March, 2013
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**3 RESERVES & SURPLUS**

**a) GENERAL RESERVE**

As per last Balance Sheet	29,68,83,930	29,68,83,930
Total (a)	29,68,83,930	29,68,83,930

**b) STATUTORY RESERVE**

Opening Balance	13,02,13,355	12,65,21,477
Add: Transfer from surplus in the Statement of Profit & Loss	0	36,91,878
Closing Balance	13,02,13,355	13,02,13,355
Total (b)	13,02,13,355	13,02,13,355

**c) SECURITY PREMIUM RESERVE ACCOUNT**

As per last Balance Sheet	96,78,46,235	96,78,46,235
Less: Premium @ 4.50/- per share on 11,32,983 shares bought back on 11-02-2014	50,98,424	0
Total (c)	96,27,47,811	96,78,46,235

Of the above amount of Rs.96,27,47,811/-, an amount of Rs.4,74,33,750 is relating to share premium received on forfeited shares

**d) CAPITAL REDEMPTION RESERVE ACCOUNT**

Opening Balance	0	0
Add: Transfer from Surplus in the Statement of Profit & Loss towards 11,32,983 Equity Shares of Rs 10/- each fully paid up for cash bought back on 11-02-2014	1,13,29,830	0
Total (d)	1,13,29,830	0

**8 FIXED ASSETS**

(Amount in Rs.)

Sl. No.	Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		Cost As at 01.04.2013	Additions during the year	Sales/ Adjustments	Cost As at 31-03-2014	Upto 31.03.2013	For the Year	Sales/ Adjustments	Upto 31-03-2014	As at 31-03-2014	As at 31.03.2013
<b>TANGIBLE ASSETS</b>											
<b>Assets for own use:</b>											
1	A Buildings	9,78,64,951	66,200	0	9,79,31,151	2,97,47,696	34,09,172	0	3,31,56,868	6,47,74,283	6,81,17,255
	B Temporary Structures	6,88,735	0	0	6,88,735	6,88,734	0	0	6,88,734	1	1
	C Vehicles	42,00,931	0	0	42,00,931	23,90,101	4,68,622	0	28,58,723	13,42,208	18,10,830
	D Office Equipments	7,79,850	89,743	36,663	8,32,930	4,20,687	56,371	14,393	4,62,665	3,70,265	3,59,163
	E Furniture & Fixtures	8,75,623	70,694	0	9,46,317	7,45,246	23,665	0	7,68,911	1,77,406	1,30,377
	F Air Conditioners	10,74,892	6,500	0	10,81,392	5,58,379	72,486	0	6,30,865	4,50,527	5,16,513
	G Computers	12,25,803	83,591	0	13,09,394	9,47,832	1,26,156	0	10,73,988	2,35,406	2,77,971
	H Electrical Installations	2,44,954	0	0	2,44,954	2,28,094	2,345	0	2,30,439	14,515	16,860
	I Generator	4,30,905	0	0	4,30,905	3,98,709	4,478	0	4,03,187	27,718	32,196
2	Assets on Lease	120,66,66,568	0	0	120,66,66,568	120,66,66,568	0	0	120,66,66,568	1,00,000	1,00,000
Grand Total		131,43,57,212	3,16,728	36,663	131,43,33,277	124,29,09,739	41,97,817	14,393	124,70,93,163	6,75,44,114	7,14,47,473
Previous Year		131,41,24,661	16,76,347	14,43,796	131,43,57,212	123,93,29,539	48,73,393	12,93,193	124,29,09,739	7,14,47,473	7,47,95,122
<b>INTANGIBLE ASSETS</b>											
	Computer Software	3,04,000	0	0	3,04,000	2,17,693	34,522	0	2,52,215	51,785	86,307
Grand Total		131,43,57,212	3,16,728	36,663	131,46,37,277	124,29,09,739	41,97,817	14,393	124,70,93,163	6,75,44,114	7,14,47,473
Previous Year		131,41,24,661	16,76,347	14,43,796	131,43,57,212	123,93,29,539	48,73,393	12,93,193	124,29,09,739	7,14,47,473	7,47,95,122

**9. NON-CURRENT INVESTMENTS (at cost)**

PARTICULARS	FACE VALUE	QUANTITY		AMOUNT (In Rs.)	
		AS AT 31.03.2014	AS AT 31.03.2013	AS AT 31.03.2014	AS AT 31.03.2013
<b>A. IN EQUITY SHARES</b>					
<b>1. Un-quoted &amp; Fully Paid</b>					
Indhradhan Agro Ltd.	10	1,50,000	1,50,000	15,00,000	15,00,000
InvestIndiaEconomicFoundationPrivateLtd.	10	2,000	2,000	20,000	20,000
B S Traders P Ltd	100	0	2,55,000	0	3,50,00,000
Sunair Hotels Ltd.	10	95,94,824	95,94,824	23,59,48,240	23,59,48,240
Appu Ghar Entertainment Pvt Ltd	10	2,77,100	2,77,100	13,85,50,000	13,85,50,000
VLS Capital Ltd	10	88,20,833	48,20,833	19,38,53,947	7,38,53,947
Dewdrop Career Solutions Pvt Ltd.	10	10,000	0	12,50,000	0
MPL Enterprises Ltd (+)	10	5,482	5,482	0	0
BMS IT Institute Pvt. Ltd.	10	56,00,000	56,00,000	24,92,00,000	24,92,00,000
SUB TOTAL (A-I)				82,03,22,187	73,40,72,187
<b>2. Quoted &amp; Fully Paid</b>					
ICDS Ltd (+)	10	21,929	21,929	0	0
KASHIPUR SUGAR MILLS LTD	10	89,767	89,767	7,99,032	7,99,032
ARTSON ENGINEERING LTD	1	4,104	4,104	1,00,376	1,00,376
ACCLEYA KALE SOLUTIONS LTD.	10	3,00,000	87,337	12,42,69,774	3,07,29,484
ADITYA BIRLA CHEMICALS (INDIA) LTD.	10	2,00,000	0	2,82,35,226	0
BANK OF BARODA	10	1	1	251	251
BHARAT HEAVY ELECTRICALS LTD.	2	0	1,500	0	3,12,414
BLISS GVS PHARMA LTD	1	3,26,000	21,990	1,00,85,795	6,65,638

**NON-CURRENT INVESTMENTS (at cost)**

PARTICULARS	FACE VALUE	QUANTITY		AMOUNT (In Rs.)	
		AS AT 31.03.2014	AS AT 31.03.2013	AS AT 31.03.2014	AS AT 31.03.2013
BANCO PRODUCTS (INDIA) LTD.	2	5,00,000	0	3,16,06,167	0
CEAT LTD.	10	7,70,414	0	17,13,10,278	0
CENTUM ELECTRONICS LTD.	10	43,849	0	76,02,421	0
DOLPHIN OFFSHORE					
ENTERPRISES (India) LTD	10	1,00,000	0	82,59,949	0
ESSEL PROPACK LTD.	2	1,50,000	0	74,24,960	0
GUJARAT HOTELS LTD	10	5,134	5,134	2,71,813	2,71,813
GODAVARI POWER & ISPAT LTD.	10	0	200	0	20,196
HIND OIL EXPLORATION LTD.	10	0	1,200	0	3,76,253
HIMATSINGKA SEIDE LTD	5	0	1,000	0	38,073
HDFC BANK LTD	2	0	100	0	64,318
HT MEDIA LTD.	2	5,00,000	0	3,98,30,997	0
INDRAPRASTHA MEDICAL CORPORATION LTD.					
ITC LTD	1	500	500	97,020	97,020
ICICI BANK LTD	10	0	100	0	1,09,374
IFGL REFRACTORIES LTD.	10	2,02,810	0	1,24,22,867	0
IGARASHI MOTORS INDIA LTD.	10	2,00,000	0	2,50,80,769	0
JP ASSOCIATES LTD.	2	0	2,750	0	2,02,155
JSW ENERGY LTD.	10	0	700	0	43,356
NTPC LTD.	10	0	250	0	38,879
MERCATOR LINES LTD.	1	0	3,000	0	87,440

**NOTES FORMING PART OF FINANCIAL STATEMENTS (Contd..)**

<b>NON-CURRENT INVESTMENTS (at cost)</b>					
<b>PARTICULARS</b>	<b>FACE VALUE</b>	<b>QUANTITY</b>		<b>AMOUNT (In Rs.)</b>	
		<b>AS AT 31.03.2014</b>	<b>AS AT 31.03.2013</b>	<b>AS AT 31.03.2014</b>	<b>AS AT 31.03.2013</b>
MUNJAL SHOWA LTD.	2	2,00,000	0	1,53,60,017	0
NANDAN DENIM LTD.	10	3,40,199	0	1,18,67,097	0
NEO CORP. INTERNATIONAL LTD	10	13,54,436	0	1,57,66,409	0
ORISSA SPONGE LTD.	10	2,936	2,936	16,13,828	16,13,828
ORIENT REFRACTORIES LTD	1	5,00,000	0	2,78,28,797	0
POLARIS FINANCIAL TECHNOLOGY LTD.	5	2,50,000	0	3,89,81,264	0
RELAXO FOOTWEAR LTD (++)	1	45,28,880	9,05,776	3,41,85,749	3,41,85,749
RELIANCE INDUSTRIES LTD.	10	900	1,000	8,88,432	9,91,343
RELIANCE MEDIA WORKS LTD.	5	0	500	0	1,11,689
RUNEECHA TEXTILES LTD..	10	3,57,600	3,57,600	17,88,000	17,88,000
SUJANA METAL LTD..	5	0	4,000	0	32,383
SURANA INDUSTRIES LTD.	10	0	4,50,000	0	6,41,67,120
TATA MOTORS LTD.	10	0	500	0	1,34,769
TATA STEEL LTD.	10	300	300	2,05,413	2,05,413
TAMILNADU NEWSPRINT AND PAPERS LTD.	10	4,00,000	0	5,20,91,292	0
TECHNOCRAFT INDUSTRIES (INDIA) LTD.	10	6,992	0	6,31,703	0
UFLEX LTD.	10	1,400	1,400	2,12,700	2,12,700
TCI INDUSTRIES LTD.	10	9,699	9,699	5,76,607	5,76,607
WELSPUN INDIA LTD.	10	5,000	0	3,41,333	0
CLARIS LIFESCIENCES LTD.	10	800	0	1,56,635	0
STRIDES ARCOLAB LTD.	10	72,527	0	6,38,27,883	0
<b>SUB-TOTAL (A-2)</b>				<b>73,38,22,456</b>	<b>13,81,14,180</b>
<b>B. IN EQUITY SHARES OF SUBSIDIARIES</b>					
<b>Un-quoted &amp; Fully Paid-up</b>					
VLS Securities Ltd.	10	1,49,50,000	1,49,50,000	14,95,00,000	14,95,00,000
VLS Asset Management Ltd.	10	70,100	70,100	7,01,000	7,01,000
<b>SUB-TOTAL B</b>				<b>15,02,01,000</b>	<b>15,02,01,000</b>
<b>TOTAL C (A1+A2+B)</b>				<b>1,70,43,45,643</b>	<b>102,23,87,367</b>
I. Aggregate value of quoted investments			At Cost	73,38,22,456	13,81,14,180
			Market Value	232,47,72,766	61,60,12,038
II. Aggregate value of un-quoted investments - In Subsidiaries			At Cost	15,02,01,000	15,02,01,000
- Others			At Cost	82,03,22,187	73,40,72,187
<b>E. INVESTMENT IN IMMOVABLE PROPERTIES:-</b>				<b>70,94,409</b>	<b>70,94,409</b>
<b>TOTAL (D)</b>				<b>70,94,409</b>	<b>70,94,409</b>
<b>GRAND TOTAL (C+D)</b>				<b>1,71,14,40,052</b>	<b>102,94,81,776</b>

(+) Bonus Shares received, hence cost of acquisition is NIL

(++) Face value has been reduced from Rs. 5 to Rs. 1 on account of Split and there is corresponding increase in number of shares

(Amount in Rupees)

	<b>As at 31st March, 2014</b>	<b>As at 31st March, 2013</b>
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**10 Deferred tax**

a) Deferred tax Assets		
i) Accumulated Losses	3,52,70,590	4,08,31,712
ii) Employee Benefits	1,91,935	1,70,511
<b>Total (a)</b>	<b>3,54,62,525</b>	<b>4,10,02,223</b>
b) Deferred tax Liabilities		
i) Depreciation on Fixed Assets	2,05,89,350	2,17,02,675
<b>Total (b)</b>	<b>2,05,89,350</b>	<b>2,17,02,675</b>
<b>Deferred tax assets (net)</b>	<b>(Total a-b) 1,48,73,175</b>	<b>1,92,99,548</b>

**11 Long Term Loans and advances**

<b>A) Unsecured, considered good</b>		
i) Loans & Advances to Related Parties		
Loans to subsidiaries	9,19,595	9,18,572
<b>Total (i)</b>	<b>9,19,595</b>	<b>9,18,572</b>
ii) Loans & advances	8,00,00,000	8,00,00,000
<b>Total (ii)</b>	<b>8,00,00,000</b>	<b>8,00,00,000</b>
iii) Staff Loans and advances	3,17,216	1,87,373
<b>Total (iii)</b>	<b>3,17,216</b>	<b>1,87,373</b>
iv) Advances recoverable in cash or in kind or for value to be received-	10,01,997	27,29,093
<b>Total (iv)</b>	<b>10,01,997</b>	<b>27,29,093</b>

v) Security Deposit with Govt Department	1,500	1,500
vi) Security Deposit with others	15,92,124	14,91,324
vii) Margin Money deposit with share brokers	0	3,00,00,000
viii) Advance Income Tax and Tax Deducted at Source	6,61,12,350	6,84,97,685
Less: Tax Provisions	2,05,58,697	1,82,47,662
<b>Total (viii)</b>	<b>4,55,53,653</b>	<b>5,02,50,023</b>
<b>Total A (i+ii+iii+iv+v+vi+vii+viii)</b>	<b>12,93,86,085</b>	<b>16,55,77,885</b>

**B) Doubtful**

<b>Advances recoverable in cash or in kind or for value to be received-</b>	<b>71,26,220</b>	<b>71,26,220</b>
Less: Provision for Bad & Doubtful Debts	71,26,220	71,26,220
<b>Total B</b>	<b>0</b>	<b>0</b>
<b>Total (A+B)</b>	<b>12,93,86,085</b>	<b>16,55,77,885</b>

**12. INVENTORIES-SHARE STOCK IN TRADE**

(At Cost or market price, whichever is lower)

Name of the Company	As on 31.03.2014		As on 31.03.2013	
	Quantity	Value (Rs.)	Quantity	Value (Rs.)
<b>Stock of Quoted Equity shares (Fully Paid)</b>				
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	7,560	1,000	9,190
INTERCRAFT LTD	29,000	1	29,000	1
KOTHARI PRODUCTS LTD	10	3,903	10	3,461
SOUTH ASIAN ENTERPRISES LTD	17,11,289	2,12,19,984	17,11,289	1,03,01,960
SWEDE INDIA LTD	200	1	200	1
AXIS LIQUID FUND	13,387	1,90,00,000	0	0
RELIANCE LIQUID FUND	97	3,00,000	0	0
<b>Total</b>	<b>20,39,683</b>	<b>4,05,31,451</b>	<b>20,26,199</b>	<b>1,03,14,615</b>

(Amount in Rupees)

	<b>As at 31st March, 2014</b>	<b>As at 31st March, 2013</b>
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**13 Trade Receivables**

<b>a) Unsecured-Considered good</b>		
<b>Due from share brokers</b>		
1. Due for more than six months	0	0
2. Others	16,69,44,194	80,04,60,903
<b>Total (a)</b>	<b>16,69,44,194</b>	<b>80,04,60,903</b>
<b>b) Doubtful</b>		
<b>Instalments Receivable</b>		
1. Due for more than six months	0	30,24,030
2. Others	0	0
<b>Sub-total</b>	<b>0</b>	<b>30,24,030</b>
Less: Provision for Bad & Doubtful Debts	0	30,24,030
<b>Total (b)</b>	<b>0</b>	<b>0</b>
<b>Total (a+b)</b>	<b>16,69,44,194</b>	<b>80,04,60,903</b>

**14 Cash and Cash Equivalents**

a) Cash on Hand	14,14,614	19,70,246
b) Balances with banks		
1. In Current Accounts	1,22,67,593	18,20,638
2. In Fixed Deposits (*)	2,11,75,099	12,75,76,747
(*) Fixed Deposits with banks include deposits of Rs. NIL (Previous Year: Rs. 100.00 lacs) with maturity of more than 12 months.		
<b>Total (a+b)</b>	<b>3,48,57,306</b>	<b>13,13,67,631</b>

**15 Short Term Loans and advances**

<b>Unsecured, considered good</b>		
i) Advances to Related Parties		
Receivables from subsidiaries	44,86,287	7,42,764
Margin Money with subsidiaries	11,40,00,000	10,00,000
ii) Loans and advances	6,00,000	8,00,000
iii) Staff Loans and advances	6,78,352	6,11,529
iv) Advances Recoverable in cash or in kind or for value to be received	34,59,548	98,29,800
v) Margin Money deposit with share brokers	4,25,00,000	5,99,00,000
vi) Prepaid Expenses	83,324	1,05,842
<b>Total</b>	<b>16,58,07,511</b>	<b>7,29,89,935</b>

**16 Other Current Assets**

a) Interest Accrued but not due	16,97,449	25,63,647
b) Interest Receivables	0	5,400
<b>Total</b>	<b>16,97,449</b>	<b>25,69,047</b>



**NOTES FORMING PART OF STATEMENT OF PROFIT AND LOSS (Contd..)**
*(Amount In Rupees)*

	Period ended 31st March, 2014	Year ended 31st March, 2013
<b>17 REVENUE FROM OPERATIONS</b>		
Sale of Shares/Securities/Commodities	3805,22,35,121	2326,50,78,382
Income from Other credit operations	2,13,57,281	1,79,47,838
Income from Investments	8,99,23,212	(61,871,520)
Bad Debts Recovered (Net)	0	1,32,880
<b>Total</b>	<b>3816,35,15,614</b>	<b>2322,12,87,580</b>
<b>18 CHANGE IN STOCK OF SHARES</b>		
Closing Stock of Shares	4,05,31,451	1,03,14,615
Less: Opening Stock of Shares	1,03,14,615	1,14,82,712
Change in Stock of Shares -Increase / (Decrease)	3,02,16,836	(1,168,097)
<b>19 EMPLOYEE BENEFITS EXPENSES</b>		
Salaries	1,04,45,822	90,57,086
Staff Amenities	5,18,476	4,27,994
Employer's Contribution to PF, ESI, Gratuity Fund etc.	9,54,760	8,35,989
<b>Total</b>	<b>1,19,19,058</b>	<b>1,03,21,069</b>
<b>20 FINANCE COST</b>		
Bank / Finance Charges	25,307	10,912
Other borrowing costs	1,71,201	15,44,486
<b>Total</b>	<b>1,96,508</b>	<b>15,55,398</b>
<b>21 ADMINISTRATIVE &amp; OTHER EXPENSES</b>		
Advertisement & Business Promotion	26,07,630	17,05,898
Consultancy, Legal & Service Charges	2,52,13,385	1,50,77,346
Communication Expenses	26,99,283	8,48,412
Electricity & Water Charges	5,29,159	4,57,763
Insurance	42,639	29,155
Office Expenses	35,38,565	23,65,920
Shares Transaction Charges	16,867	11,520
Travelling Expenses & Conveyance	37,66,089	16,31,622
Rates & Taxes	56,18,670	18,93,246
Rent	42,00,000	42,00,000
Repairs & Maintenance		
—Others	10,78,973	20,95,637
Miscellaneous Expenses	34,21,389	39,38,325
Auditors' Remuneration		
a) Audit Fees	1,46,068	1,34,832
b) For Other Services		
—For Tax audit	67,416	56,180
— For certification	2,92,800	1,40,300
—Out of pocket expenses	35,000	30,000
Internal Auditors' Remuneration		
— Fees	50,000	50,000
—Out of pocket expenses	8,000	8,000
Directors' Sitting Fees	8,98,000	4,50,000
Provision for Non-performing Assets (Net)	59,75,970	(342,120)
Contingent Provisions against Standard Assets	0	10,750
Bad debts written off	21,24,030	0
Loss on sale/written off of Fixed Assets	21,820	1,26,903
Prior year expenses	2,286	1,932
<b>Total</b>	<b>6,23,54,039</b>	<b>3,49,21,621</b>

**22. NOTES FORMING PART OF FINANCIAL STATEMENT**

- 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  
Bank Deposits include fixed deposits of Rs.2,11,75,099/- (Previous Year – Rs.3,86,76,747/-) pledged with the banks as security for availing overdraft facilities.
- As for most part of the year under review, the Company was NBFC, 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 01.04.2013		Purchases		Sales		Closing Stock in trade as on 31.03.2014	
	Qty.*	Value Rs.	Qty*	Value Rs.	Qty*	Value Rs.	Qty*	Value Rs.
Shares	2026199	10314615	19519202	4583552241	19519202	4543157395	2026199	21231451
(Previous year)	2026199	11482712	190925	94483979	190925	94476646	2026199	10314615
Commodities	Nil	Nil	13004123810	119898	13024983695	Nil	Nil	Nil
(Previous year)	Nil	Nil	95094	23036867905	95094	23170601736	Nil	Nil
Liquid Fund	Nil	Nil	335370422	20485968035	335356938	20484094031	13484	19300000
(Previous year)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

\* Quantity of Shares is in numbers, Quantity of Liquid fund is in units and of Commodities is in lots.

- Income from investments include:

	Current Year (Rs.)	Previous Year (Rs.)
Dividend Income (Gross)	7,54,10,266	17,67,390

- Interest Receipts (Gross) Rs.1,76,17,281/- (inclusive of interest of Rs.81,46,851/- on Fixed Deposits and of Rs.90,20,938/- on margin money with share brokers and other interest received of Rs.4,49,492/-) (Previous Year Rs. 1,79,47,838/-, inclusive of interest of Rs.35,45,052/- on Fixed Deposits and Rs.1,42,19,788/- on margin money with share brokers and other interest received of Rs.1,82,998/-) grouped under Income from Operations includes Tax Deducted at Source amounting to Rs.17,58,779/- (Previous Year Rs. 17,92,451/-).
- The Current Assets, Loans and advances have the value on realization in the ordinary course of business at least equal to the amount at which they are stated.
- 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. (99.67%) and VLS Asset Management Ltd (99.15%),  
Key Managerial Personnel:-  
1) Shri S.K.Agarwal (Managing Director)  
2) Shri K.K.Soni (Director Finance & CFO)

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	Rs.2,96,09,72,418 (Previous year Rs. 8,28,79,356)			
Sale of Securities	Rs.2,52,13,70,965 (Previous year Rs.5,62,55,295)			
Rent and other charges received	Rs.1,34,832 (Previous year Rs.1,20,000)	Rs. NIL (Previous year Rs. 7,357)		
Other charges paid	Rs.15,06,285 (Previous year. Rs.22,96,344)			
Remuneration to Managing Director			Rs.25,01,462 (Previous year. Rs. 22,71,662)	
Remuneration to Director-Finance & CFO - part of the year w.e.f. 14/11/2013			Rs. 3,73,621 (Previous year Rs. NIL)	
Due from Subsidiaries (including margin money deposits - outstanding balance as on 31.03.2014)	Rs.11,94,05,882 (Previous year. Rs. 16,61,336)			

**11. Managerial Remuneration**

Particulars	Paid to Shri S.K. Agarwal Managing Director	Paid to Shri K. K. Soni Director-Finance & CFO (w.e.f. 14/11/2013)
Remuneration	Rs. 19,50,000/- (Previous Year –Rs. 17,82,000/-)	Rs. 3,03,683/- (Previous Year –Rs. NIL)
Perquisites	Rs. 5,51,462/- (Previous Year –Rs. 4,89,662/-)	Rs 69,938 (Previous Year – Rs. NIL)

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 <sup>st</sup> March, 2014	Year ended 31 <sup>st</sup> March, 2013
<b>Basic and Diluted</b>		
Total Shares Outstanding	3,86,62,017	3,97,95,000
Profit after Taxes	Rs. 3,48,20,777	Rs. 1,84,59,389
EPS -Basic	Rs. 0.90	Rs. 0.46
EPS -Diluted	Rs. 0.88	Rs. 0.46

- Expenditure in Foreign Exchange:-  
Foreign Travel Expenses Rs. 1,75,216/- (Previous year Rs. 41,588).
- A non interest bearing amount of Rs. 9,19,595/- (maximum amount outstanding during the year is Rs.9,18,572/-) is due from VLS Asset Management Ltd., the subsidiary of the Company.
- The Company remained an NBFC far most part of the year under review and was mainly engaged in finance business including dealing through stock Exchanges and Commodity Exchanges. As activities of the Company far most part of the year related to the 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.

16. As per Accounting Standard 15 "Employee benefits", the disclosures as defined in the Accounting Standard are given below:-

**Defined Contribution Plans**

Contribution to Defined Contribution Plans, recognised as expense for the year is as under :-

Particulars	2013-14	2012-13
	(in Rupees)	
Employer's Contribution to Provident Fund	7,05,715	6,14,768
Employer's Contribution to Pension Fund	1,11,923	1,03,171

**Defined Benefit Plans**

**A) Disclosure required under Accounting Standard 15 - Employee Benefits.- Gratuity**

(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 year of service. The Gratuity plan for the Company is a defined contribution plan where annual contributions as demanded by the insurer are deposited.

**I) Reconciliation of opening and closing balance of the present value of obligation**

	As at March 31, 2014 (in Rupees)	As at March 31, 2013 (in Rupees)
<b>Change in present value of obligation</b>		
Present value of obligation as at the beginning of the year	33,82,687	33,95,841
Current service cost	2,57,495	2,57,165
Interest cost	3,04,442	2,71,667
Actuarial ( gain ) / loss	(149,588)	(1,749,475)
Benefits paid	(37,315)	0
Present value of obligation as at the end of the year	37,57,721	21,75,198

**II) Reconciliation of opening and closing balance of the fair value of Plan Assets**

<b>Change in present value of obligation</b>		
Fair Value of Plan Assets as at the beginning of the year	42,03,068	38,50,674
Expected return on plan assets	3,65,389	3,52,339
Contributions	0	55
Benefits paid	(37,315)	0
Actuarial gain/(loss) on Plan assets	NIL	NIL
Fair Value of Plan Assets as at the end of the year	45,31,142	42,03,068

**Reconciliation of present value in "I" above and the fair value of Plan Assets in "II" above**

Present value of obligation as at the end of the year	37,57,721	21,75,198
Fair Value of Plan Assets as at the end of the year	45,31,142	42,03,068
Excess of Fair value of Plan Assets over present value of obligations	7,73,421	20,27,870

**III) Expenses charged to Profit & Loss Account**

Expenses charged to Profit & Loss Account	46,960	0
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**Main actuarial assumptions**

Discount rate	9.00%	8.00%
Salary Escalation	5.00%	6.00%

**Note:**

Actuarial valuation has been taken as per Certificate issued by Registered Actuary. Till previous year, it was based on Certificate issued by LIC

**17. Disclosure required under Accounting Standard 15 - Employee Benefits.**

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, 2014	As at March 31, 2013
<b>Change in present value of obligation</b>		
Present value of obligation as at the beginning of the year	5,25,538	4,90,909
Current service cost	49,914	45,698
Interest cost	47,298	40,389
Actuarial ( gain ) / loss	(31,180)	(51,458)
Benefits paid	0	0
Present value of obligation as at the end of the year	5,91,570	5,25,538
<b>Change in plan assets</b>	Not Applicable	Not Applicable
Plan assets at the beginning of the year		
Expected return on plan assets		

**Disclosure required under Accounting Standard 15 - Employee Benefits. (Contd.)**

	As at March 31, 2014	As at March 31, 2013
Contribution by the Company		
Benefits paid		
Actuarial ( gain ) / loss		
Plan assets at the end of the year		
<b>Liability recognised in the financial statement</b>		
Cost for the year		
Current service cost	49,914	45,698
Interest cost	47,298	40,389
Return on plan assets	0	0
Actuarial ( gain ) / loss	(31,180)	(51,458)
Net cost	66,032	34,629
Constitution of plan assets	Not Applicable	Not Applicable
Other than equity, debt, property and bank a/c Funded with LIC		
<b>Present value of obligation as at the end of the year</b>		
Current Liability	3,14,316	2,77,945
Non Current Liability	2,77,254	2,47,593
Total	5,91,570	5,25,538
<b>Main actuarial assumptions</b>		
Discount rate	9.00%	8.25%
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.

18. Provision for non-performing assets of Rs. 59,75,970/- is net off of Rs.30,24,030/- being excess provision written back of Non-performing assets/diminution in value of assets. (Previous year: Provision for Non-performing assets written back of Rs.3,42,120/- is net off of Rs.10,00,000/- being provision for Non-performing assets/diminution in value of assets).
19. 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.
20. Bad Debts written off during the year is Rs. 21,24,030/-(Previous year: Bad Debts recovery of Rs.1,32,880/- is net of bad debts written off of Rs.10,67,120).
21. 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 has not been annexed with the Balance sheet as on 31/03/2014 as the Company has voluntarily surrendered the NBFC Certificate of Registration (CoR) during the year under review which has been accepted by RBI vide its letter dated 13/02/2014 w.e.f. 29/01/2014. In view of this, Statutory Reserve u/s 451C of the RBI Act, 1934 has not been created and Contingent Provisions against Standard Assets as per relevant guidelines of RBI has not been made in the financial statements.
22. During the year, 11,32,983 Fully Paid-up Equity Shares of Rs.10/-each have been bought back by the Company from the existing share holders at a price of Rs.14.50 per share and the Paid up Capital of the Company got reduced by Rs.1,13,29,830/-.
23. Previous year's figures have been regrouped /reclassified wherever necessary to correspond with the current year's classification/disclosure.
24. Notes 1 to 22 form an integral part of financial statements.

As per our report of even date

For Agiwal & Associates

(Firm Registration No: 000181N)

Chartered Accountants

For and behalf of the Board

(P.C.Agiwal)

Partner

M.No.080475

S.K.Agarwal

Managing Director

H.Consul  
Company Secretary

K.K.Soni  
Director-Finance & CFO

May 26, 2014  
New Delhi

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

1. Name of the Subsidiary Company	VLS Securities Ltd.	VLS Asset Management Ltd.
2. Financial Year of the Subsidiary Company ended on	31.03.2014	31.03.2014
3. i) No. of shares held by VLS Finance Ltd. and/or its nominees	1,49,50,000 equity shares of Rs.10 each	70,100 equity shares of Rs.10 each
ii) Extent of Holding Company's interest in the subsidiary as on 31.3.2014	99.67%	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.	Nil	Nil
i) For the subsidiary's financial year ended on 31.3.2014	Net Profit Rs.22,98,091	Net Loss Rs.1,070
ii) For the previous Financial Year	Net Profit Rs.12,14,172	Net Loss Rs.1,068
b) Dealt within the accounts of VLS Finance Ltd.		
i) For the subsidiary's Financial Year ended on 31.3.2014	NIL	NIL
ii) For the previous financial years	NIL	NIL

**Cash Flow Statement for the Year ended 31st March, 2014**
**(Rupees in Lacs)**

	For the Year ended 31/03/2014		For the Year ended 31/03/2013	
<b>A CASH FLOW FROM OPERATING ACTIVITIES:</b>				
<b>Net Profit Before Tax</b>		<b>415.58</b>		<b>371.59</b>
<i>Adjustments for:</i>				
Interest and Finance Charges	1.97		15.55	
Depreciation	41.98		48.73	
Loss on sale of Fixed Assets	0.22		1.27	
(Income)/Loss from Investments	(145.13)		636.39	
Dividend Income	(754.10)		(17.67)	
Leave encashment Provisions	0.66		0.35	
NPA Provisions and adjustments	59.76	(794.64)	(3.32)	681.30
<b>Operating Profit before Working Capital Changes</b>		<b>(379.06)</b>		<b>1,052.89</b>
<i>Adjustments for:</i>				
Trade & Other Payables	111.79		(205.80)	
Inventories	(302.17)		11.68	
Trade & Other Receivables	5,665.41	5,475.03	1,405.46	1,211.34
<b>Cash Generated from Operations</b>		<b>5,095.97</b>		<b>2,264.23</b>
Less: Taxes Paid (Net of Refunds)		(23.85)		65.23
<b>Net Cash Flow from Operating Activities (A)</b>		<b>5,119.82</b>		<b>2,199.00</b>
<b>B CASH FLOW FROM INVESTMENT ACTIVITIES</b>				
Net Proceeds from Fixed Assets		(3.16)		(16.53)
Purchase of Shares (Net)		(6,669.62)		(940.64)
Dividend Income		754.10		17.67
<b>Net Cash used/generated from Investing Activities (B)</b>		<b>(5,918.68)</b>		<b>(939.50)</b>
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>				
Repayment of Bought back of Equity Share Capital (including securities premium)		(164.28)		0.00
Interest Paid		(1.97)		(15.55)
<b>Net Cash Flow from Financing Activities (C)</b>		<b>(166.25)</b>		<b>(15.55)</b>
<b>Net Increase/ (Decrease) in Cash &amp; Cash Equivalents(A+B+C)</b>		<b>(965.11)</b>		<b>(1,243.95)</b>
Opening Balance of Cash & Cash Equivalents		1,313.68		69.73
Closing Balance of Cash & Cash Equivalents		348.57		1,313.68

**Notes:-**

- Cash & Cash Equivalents (Closing) includes deposits with banks amounting to Rs. 211.75 lacs (Previous Year Rs.386.77 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

S.K.Agarwal  
Managing Director

K.K. Soni  
Director-Finance & CFO

H. Consul  
Company Secretary

P.C. Agiwal  
Partner  
M.No:080475

May 26th, 2014  
New Delhi

**VLS SECURITIES LIMITED**

**REGD. OFF : 2nd FLOOR, 13, SANT NAGAR, EAST OF KAILASH,  
NEW DELHI-110065, Ph: 011-46656666, FAX: 011-46656699  
CIN: U74899DL1994PLC062123,  
email: vls\_sec@rediffmail.com, website: www.vlssecurities.com**

**DIRECTORS' REPORT**

To

The Members of **VLS SECURITIES LIMITED**  
Your Directors are pleased to present the 20<sup>th</sup> Annual Report of your Company together with Audited Annual Accounts for the year ended on 31<sup>st</sup> March, 2014.

**Financial Results**

During the year under review, your Company generated gross revenue of Rs. 86.31 lacs as against Rs. 76.63 lacs in the previous year. The Company earned a post tax profit of Rs. 23.05 lacs for the year under review as against Rs. 12.18 lacs earned in the preceding year.

**Dividend**

In order to conserve resources, no dividend has been recommended.

**Operations**

Your Company earned brokerage of Rs. 31.95 lacs during the year under review, as compared to Rs. 3.39 lacs earned during the previous year. The Company is continuing its efforts to increase its retail broking business. The Company is also doing business in Future & option segment as Trading Member of National Stock Exchange of India Limited ('NSE'). It is trading and clearing Member in cash segment of NSE as well. Further, the Company is a Category – I Merchant Banker and Portfolio Manager registered with SEBI.

During the Financial year 2013-14, the company proposed to raise the capital by issue of 2,50,000 equity shares through rights issue. However, the proposal could not be implemented due to non receipt of requisite approval from National Stock Exchange ("NSE") in terms of NSE rules in time. The NSE has not granted approval as on date as the Exchange has not accepted the treatment of fractional shares arising from rights issue by the Company. In view of this the Board is contemplating to withdraw the application and shelve the issue for time being.

The Company also proposed to set up a Wholly Owned Subsidiary (WOS) in UAE and step down subsidiaries in UK/UK territories. The subsidiaries shall undertake business in the areas of Wealth Management, AMC, Broking, Investment Banking and other financial services. The Company had applied to the NSE and SEBI for grant of requisite No Objection Certificate (NOC), the approval of which is awaited.

**Future Outlook**

During the year under review, the volatility maintained its visibility in stock market. The global scenario also portrayed instability in view of downtrend in developed economies. With improvement in global situation, the Indian markets are expected to improve in current year.

The Merchant Banking Division of the Company is continuing to explore possibilities of making inroads on consultancy and similar fee based services. The activities of F & O segment is also expected to further the revenue generations of the Company. The Company is also exploring possibilities of Portfolio Management services to its clients.

**Directors**

There was no change in the Board of Directors during the year under review. During the year, 4 Board meetings were held on 27/05/2013, 07/09/2013, 30/12/2013 and 31/03/2014 respectively.

Shri K. K. Soni - 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.

Your Board has recommended subject to approval of members, the appointment of Shri P. K. Sharan and Shri R. K. Goswami as an Independent Directors in terms of Section 149 of the Companies Act, 2013, with effect from the date of the ensuing Annual General Meeting of your Company. Your Board on the recommendation of the Nomination and Remuneration Committee has also recommended for the approval of the Members for the change of terms of appointment of Shri S. K. Agarwal –Managing Director of the Company by making him liable to retire by rotation, as per the provisions of the Companies Act, 2013 with effect from the date of the ensuing AGM of your Company.

Appropriate resolutions seeking your approval to the aforesaid appointments are appearing in the Notice convening the 20<sup>th</sup> AGM of the Company. Shri P. K. Sharan and Shri R. K. Goswami by virtue of being Independent Directors of your Company in terms of the provisions of the Companies Act, 2013, will not be liable to retire by rotation during the period of their respective terms of appointment approved by the Members of the Company. The re-appointment of Independent Directors and change in the category of Executive Director has been made in order to comply with provisions of the Companies Act, 2013 which are required to the approved by the members.

**Audit Committee**

During the year, 2 meetings of the Audit Committee were held on 27/05/2013 and 30/12/2013. 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:

1. that in preparation of annual accounts for the financial year ended 31<sup>st</sup> March 2014, the applicable accounting standards have been followed;
2. 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;
3. 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;
4. that the Directors have prepared the Annual Accounts for the financial year ended 31<sup>st</sup> March, 2014 on a going concern basis.

**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 139 of the Companies Act, 2013 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. In terms of section 139 (2) read with Rule 6 of Companies (Audit and Auditors) Rules, 2014, the present auditors can be appointed for three consecutive terms of one year each starting from present proposal before being subjected to compulsory rotation of Auditors.

**Auditors Report**

The Auditors' report to the members on Annual Accounts for the year under review does not contain any qualification.

**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.

**Green initiative in Corporate Governance:**

As a continuing endeavor towards the Go Green initiative the Company proposes to send future correspondence and documents like the notice calling the general meeting, audited financial statements, directors' report, auditors' report etc. in electronic form, to the email address provided by the Members. You may kindly note that as a Member of the Company, you will be entitled to be furnished, free of cost, a printed copy of the Annual Report of the Company, upon receipt of a requisition from you, at any time.

**Statutory Disclosures**

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

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

Foreign Exchange Earning : Nil

Foreign Exchange Outgo : Nil

As none of the employees of the Company are in receipt of remuneration in excess of limits specified in Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, there are no disclosures 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 regulatory authorities, Clients, Bankers and Associates.

For and on behalf of the Board of Directors

Place : New Delhi  
Date : 24/05/2014

S.K. Agarwal  
Managing Director

K.K. Soni  
Director

## INDEPENDENT AUDITORS' REPORT

To the members of VLS Securities Ltd.

### Report on Financial Statements

We have audited the accompanying financial statements of VLS Securities Ltd. ("the Company"), which comprise the Balance Sheet as at 31st March, 2014 and the Statement of Profit and Loss and Cash Flow Statement of the year then ended and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act"), read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- (b) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows of the company for the year ended on that date.

### Report on Other Legal and Regulatory Requirements

1. As required by section 227(3) of the Act, 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, Statement of Profit and Loss and cash flow statement dealt with by this report are in agreement with the books of account;
  - d) In our opinion the Balance Sheet, Statement of Profit and Loss 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;
  - e) On the basis of written representations received from the directors as on 31<sup>st</sup> March 2014, and taken on record by the Board of directors, we report that none of the directors is disqualified as on 31<sup>st</sup> March 2014 from being appointed as a director in terms of clause (g) of subsection (1) of section 274 of The Companies Act 1956;

For Agiwal & Associates  
(Firm Registration No.000181N)  
Chartered Accountants  
(Priyanka Goel)  
Partner  
Membership No. 531837

Place: New Delhi  
Date: 24.05.2014

### ANNEXURE TO THE AUDITORS' REPORT

#### REFERRED TO IN OUR REPORT OF EVEN DATE

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) The company has a regular programme of physical verification of fixed assets which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. In accordance with this programme, certain fixed assets were physically verified by the management during the year and we are informed that no material

discrepancies were noticed on such verification.

- (c) In our opinion and according to the information and explanations given to us, the Company has not disposed off substantial part of fixed assets having effect on going concern.
- (ii) (a) This para is not applicable as the Company has not acquired any security under the stock-in-trade account during the year under review.
- (b) In view of (a) above, this para in relation to procedures of physical verification of stock-in-trade is not applicable to the Company.
- (c) Since the Company did not have any inventory during the year under review, this para is not applicable to it.
- (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 and currency derivatives. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
- (v) (a) To the best of our knowledge and belief and according to information and explanations given to us, the transactions that needed to be entered into the register maintained in pursuance to Section 301 of the Companies Act, 1956, have been so entered.
- (b) According to information and explanation given to us, the transaction, made in pursuance of contracts or arrangements entered into Register(s) maintained under section 301 of the Companies Act 1956 as aggregating during the year of Rs. 5,00,000/- (Rs. five lacs only) or more in respect of each party, have been made at the rates which are reasonable having regard to prevailing market rates.
- (vi) The Company has not accepted any deposits from the public during the year. Hence provisions of Section 58A & 58AA or any other relevant provisions of the Companies Act 1956 and rules of Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits are not applicable to the Company.
- (vii) In our opinion, the Company has an internal audit system, commensurate with the size and nature of its business.
- (viii) In our opinion and according to the information and explanations given to us, maintenance of cost records as prescribed by the Central Govt. under section 209(1)(d) of the Act is not required as the Company is not in the manufacturing activity.
- (ix) (a) The Company is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth tax, Service tax and any other statutory dues with the appropriate authorities. There was no outstanding against any undisputed statutory dues as on 31-03-2014.
- (b) According to the records and information and explanations given to us, there is no outstanding of any disputed statutory dues as on 31.03.2014.
- (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) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of securities by way of pledge of shares, debentures or other securities.
- (xii) The Company has maintained proper records for dealing and trading in shares, securities 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.
- (xiii) In our opinion and according to information and explanations given to us, the Company has not given any Guarantee for loans taken by others from Banks or Financial Institutions.
- (xiv) The Company has not raised any Term Loan during the year.
- (xv) According to the cash flow statement and other records examined by us and the information and explanations given to us, on overall basis, funds raised on short-term basis have not been used during the year for long-term investment.
- (xvi) The Company has not made any preferential allotment of shares to any party covered in the register maintained under section 301 of the Act during the year.
- (xvii) To the best of our knowledge and information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

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  
(Firm Registration No.000181N)  
Chartered Accountants

(Priyanka Goel)  
Partner  
Membership No. 531837

Place: New Delhi  
Date: 24.05.2014

**BALANCE SHEET AS AT 31.03.2014** (Amount in Rs.)

Particulars	Note No	As at 31.03.2014	As at 31.3.2013
<b>I. EQUITY AND LIABILITIES</b>			
<b>(1) Shareholder's Funds</b>			
(a) Share Capital	3	15,00,00,000	15,00,00,000
(b) Reserves and Surplus	4	1,00,44,565	7,738,788
<b>Total 1</b>		<b>16,00,44,565</b>	<b>15,77,38,788</b>
<b>(2) Non-Current Liabilities</b>			
(a) Long Term Provisions	5	2,41,796	2,27,565
<b>Total 2</b>		<b>2,41,796</b>	<b>2,27,565</b>
<b>(3) Current Liabilities</b>			
(a) Trade Payables	6	15,37,71,278	19,07,082
(b) Other Current Liabilities	7	8,90,104	4,80,314
(c) Short-Term Provision	8	7,043	6,353
<b>Total 3</b>		<b>15,46,68,425</b>	<b>23,93,749</b>
<b>Total (1+2+3)</b>		<b>31,49,54,786</b>	<b>16,03,60,102</b>
<b>II. Assets</b>			
<b>(1) Non-Current Assets</b>			
<b>(a) Fixed Assets</b>			
Tangible Assets	9	44,007	50,527
Intangible Assets		7,405	12,341
(b) Non-Current Investments	10	12,30,55,058	9,74,05,058
(c) Deferred Tax Assets (Net)	11	69,855	62,513
(d) Long-Term Loans and Advances	12	2,49,94,193	1,00,45,788
<b>Total 4</b>		<b>14,81,70,518</b>	<b>10,75,76,227</b>
<b>(2) Current Assets</b>			
(a) Trade Receivables	13	11,61,702	20,00,439
(b) Cash and Cash Equivalents	14	27,94,594	1,36,48,172
(c) Short-Term Loans and Advances	15	16,12,02,265	3,64,76,406
(d) Other Current Assets	16	16,25,707	6,58,858
<b>Total 5</b>		<b>16,67,84,268</b>	<b>5,27,83,875</b>
<b>Total (4+5)</b>		<b>31,49,54,786</b>	<b>16,03,60,102</b>

See accompanying notes forming part of financial statements

As per our report of even date

For Agiwal & Associates

(F. R. N. 000181N)

Chartered Accountants

Priyanka Goel  
Partner  
Membership No. 531837  
Place : New Delhi  
Date : 24.05.2014

For and on behalf of the Board

S.K. Agarwal  
Managing Director

K.K.Soni  
Director

T.B. Gupta  
Director

**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31.03.2014**

Particulars	Note No	Year Ended 31.03.2014	Year Ended 31.03.2013
<b>I. Revenue from Operations</b>	17	<b>32,02,133</b>	19,76,788
<b>II. Other Income</b>	18	<b>54,29,577</b>	56,86,691
<b>III. Total Revenue (I+II)</b>		<b>86,31,765</b>	<b>76,63,479</b>
<b>IV. Expenses:</b>			
Purchase (Securities)		6,702	16,35,796
Operating Expenses	19	7,21,262	8,77,546
Employee Benefit Expense	20	40,13,187	28,44,418
Depreciation and Amortization Expense		20,656	26,071
Other Expenses	21	12,84,370	10,72,099
<b>Total Expenses (IV)</b>		<b>60,46,177</b>	<b>64,55,930</b>
<b>V. Profit/(Loss) before tax (III-IV)</b>		<b>25,85,588</b>	12,07,549
<b>VI. Less: Tax Expenses</b>			
(1) Current Tax		2,87,153	-
(2) Deferred Tax		(7,342)	(10,684)
(2) Earlier Year Adjustment		-	-
<b>VII. Profit After Tax</b>		<b>23,05,777</b>	12,18,233
Less: Adjustment of Tax Provision of Earlier Year		-	-
<b>VIII. Profit(Loss) For The Year (V-VI)</b>		<b>23,05,777</b>	12,18,233
<b>VIII. Earning Per Equity Share (of Rs.10/- each)</b>			
Basic and Diluted		0.15	0.08

As per our report of even date

For Agiwal & Associates

(F. R. N. 000181N)

Chartered Accountants

Priyanka Goel  
Partner  
Membership No. 531837  
Place : New Delhi  
Date : 24.05.2014

For and on behalf of the Board

S.K. Agarwal  
Managing Director

K.K.Soni  
Director

T.B. Gupta  
Director

**NOTES FORMING PART OF FINANCIAL STATEMENTS**
**Note 1**
**Corporate Overview**

VLS Securities Ltd., is a subsidiary of VLS Finance Ltd. incorporated in 1994. It is Category-I Merchant Banker and Portfolio Manager registered with Securities and Exchange Board of India. It is registered Stock Broker with National Stock Exchange of India Ltd., in Capital Market and Future & Options Segment. Besides above providing consulting and advisory services are areas of activity of Company.

**Note 2**
**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 generally 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**
**i) Defined Contribution Plans**

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

**ii) Defined Benefit Plans**

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

**iii) Short Term Employees Benefits**

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

**f) Investments**

- Investments are classified into non-current investments and current investments.
- Non-current 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.
- For quoted shares which are not traded in the stock exchanges, the total cost has been taken as Rs. 1/-

**g) 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.

Year ended 31.03.2014	Year ended 31.03.2013
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**Note 3**
**Share Capital**

	17,50,00,000	17,50,00,000
Authorised		
1,75,00,000 Equity Shares		
(Previous Year 1,75,00,000 Equity Shares) of Rs.10/- each	17,50,00,000	17,50,00,000
Issued, Subscribed & Paid up	15,00,00,000	15,00,00,000
1,50,00,000 Equity shares (Previous Year 1,50,00,000 Equity Shares) of Rs.10/- each, fully paid up in cash	15,00,00,000	15,00,00,000

**a. Reconciliation of shares outstanding at the beginning and at the end of the reporting year**

	As at 31.03.2014		As at 31.03.2013	
Equity Shares	No. of shares	Rupees	No. of shares	Rupees
At the beginning of the year	1,50,00,000	15,00,00,000	1,50,00,000	15,00,00,000
Issued during the year	-	-	-	-
Outstanding at the end of the year	1,50,00,000	15,00,00,000	1,50,00,000	15,00,00,000

**NOTES FORMING PART OF FINANCIAL STATEMENTS (Contd..)**
**b. Terms/rights attached to equity shares**

The company has only one class of equity shares having a par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share.

**c. Shares held by holding company**

Out of equity shares issued by the company, shares held by its holding company are as follows.

	As at 31.03.2014	As at 31.03.2013
VLS Finance Ltd. (including 600 shares held through its nominees)	1,49,50,000	1,49,50,000

**d. Details of shareholders holding more than 5% shares in the company**

	As at 31.03.2014		As at 31.03.2013	
	No. of shares	% of holding	No. of shares	% of holding
VLS Finance Ltd. (including 600 shares held through its nominees)	1,49,50,000	99.67	1,49,50,000	99.67

**Note 4**
**Reserves & Surplus**
**As per Last Balance Sheet**

Opening Balance	77,38,788	65,20,555
Add: Profit for the year	23,05,777	12,18,233
<b>Total</b>	<b>1,00,44,565</b>	<b>77,38,788</b>

**NOTE 9 FIXED ASSETS**

Particulars	Gross Block				Depreciation				Net Block	
	As on 01/04/2013	Additions during the year	Deletion during the year	As at 31.03.2014	Upto 01/04/2013	For the year	Adjustments	Upto 31.03.2014	Up to 31.03.2014	As at 31/03/2013
<b>TANGIBLE ASSETS</b>										
Computers	38,57,809	9,200	-	38,67,009	38,38,863	11,258	-	38,50,121	16,888	18,946
Office Equipments	2,88,205	-	-	2,88,205	2,59,969	3,928	-	2,63,897	24,308	28,236
Furniture & Fixtures	71,112	-	-	71,112	67,767	534	-	68,301	2,811	3,345
<b>Sub-total (A)</b>	<b>42,17,126</b>	<b>9,200</b>	<b>-</b>	<b>42,26,326</b>	<b>41,66,599</b>	<b>15,720</b>	<b>-</b>	<b>41,82,319</b>	<b>44,007</b>	<b>50,527</b>
<b>INTANGIBLE ASSETS</b>										
Software	1,04,000	-	-	1,04,000	91,659	4,936	-	96,595	7,405	12,341
<b>Sub-total (B)</b>	<b>1,04,000</b>	<b>-</b>	<b>-</b>	<b>1,04,000</b>	<b>91,659</b>	<b>4,936</b>	<b>-</b>	<b>96,595</b>	<b>7,405</b>	<b>12,341</b>
<b>Total (A+B)</b>	<b>43,21,126</b>	<b>9,200</b>	<b>-</b>	<b>43,30,326</b>	<b>42,58,258</b>	<b>20,656</b>	<b>-</b>	<b>42,78,914</b>	<b>51,412</b>	<b>62,868</b>
Previous Year	43,21,126	-	-	43,21,126	42,32,187	26,071	-	42,58,258	62,868	88,939

**Note - 10**

PARTICULARS	As at 31.03.2014	As at 31.03.2013
<b>Non-Current Investments</b>	<b>Rs</b>	<b>Rs</b>
<b>Non trade -At cost-Fully paid up (QUOTED)</b>		
<b>Investment in Equity Instruments of Other entities</b>		
40,75,000 (P.Y.8,15,000 Equity Shares of Rs.5/- each)		
Equity Shares of	9,72,35,355	9,72,35,355
Rs.1/- each of Relaxo Footwear Ltd.		
200 (P.Y. 200) Equity Shares of Rs.10/- each of D Pharma Ltd.	1	1
500 (P.Y. 500) Equity Shares of Rs.10/- each of Punjab Wireless Systems Ltd.	1	1
1 (P.Y. 1) Equity Shares of Rs.10/- each of Bank of Baroda	251	251
5000 (P.Y.5000) Equity Shares of Rs.1/- each of Lanco Infratech Limited	1,66,198	166,198
200 (P.Y.200) Equity Shares of Rs.10/- each of UTI Master Plus 91	3,252	3,252
4,50,000 (P.Y.Nil) Equity Shares of Rs.10/- Surana Industries Limited.	2,56,50,000	-
<b>Total Non-Current Investment</b>	<b>12,30,55,058</b>	<b>9,74,05,058</b>
Aggregate amount of quoted investments	12,30,55,058	9,74,05,058
Aggregate market value of quoted investments	1,22,06,51,162	47,98,15,325

	As at 31.03.2014	As at 31.03.2013

**Note 11**
**Deferred Tax**

a. Deferred Tax Liabilities		
Depreciation on Fixed Assets	(7,037)	(9,768)
b. Deferred Tax Assets		
Employee Benefits	76,892	72,281
<b>Net Deferred Tax Liabilities</b>	<b>69,855</b>	<b>62,513</b>

**Note 5**
**Long Term Provisions**

Provision for Leave Encashment	2,41,796	2,27,565
<b>Total</b>	<b>2,41,796</b>	<b>2,27,565</b>

**Note 6**
**Trade Payables**

Related Party		
Holding Company	11,84,86,287	17,42,765
Others Payables	3,52,84,991	1,64,317
<b>Total</b>	<b>15,37,71,278</b>	<b>19,07,082</b>

**Note 7**
**Other Current Liabilities**

Statutory Liabilities	3,45,398	1,02,779
Others Payables	5,44,706	3,77,535
<b>Total</b>	<b>8,90,104</b>	<b>4,80,314</b>

**Note 8**
**Short-Term Provisions**

Provision for Leave Encashment	7,043	6,353
<b>Total</b>	<b>7,043</b>	<b>6,353</b>

**Note 12**
**Long-Term Loans and Advances**

<b>(Unsecured, considered good)</b>		
Deposits with Others	2,27,00,000	78,00,000
Advance Income Tax and Tax Deducted as source	18,97,581	30,13,723
Less : Provision for Taxation	(287,153)	(1,620,690)
Staff Loan and Advances	6,83,765	8,52,755
<b>Total</b>	<b>2,49,94,193</b>	<b>1,00,45,788</b>

**Note 13**
**Trade Receivables**

<b>(Unsecured, considered good)</b>		
Debts outstanding for a year exceeding 6 months from the date they are due for payment	-	-
Others	11,61,702	20,00,439
<b>Total</b>	<b>11,61,702</b>	<b>20,00,439</b>

**Note 14**
**Cash & Cash Equivalents**

Cash on Hand	11,940	6,169
Balance with Banks		
- Current Account	17,82,654	16,42,003
- Fixed Deposit with Banks*	10,00,000	1,20,00,000
<b>Total</b>	<b>27,94,594</b>	<b>1,36,48,172</b>

\* Fixed deposits with bank include deposits of Rs.10 Lacs (Previous Year Rs.120 Lacs) with maturity of more than 12 months

**Note 15**
**Short Term Loans & Advances**

<b>(Unsecured, considered good)</b>		
Margin Deposit	15,98,00,000	3,58,00,000
Prepaid Expenses	7,25,672	1,05,879
Staff Loan and Advances	6,76,593	5,70,527
<b>Total</b>	<b>16,12,02,265</b>	<b>3,64,76,406</b>

**Note 16**
**Other Current Assets**

Interest Accrued but not due	14,92,039	6,24,993
Others	1,33,668	33,865
<b>Total</b>	<b>16,25,707</b>	<b>6,58,858</b>

**Note 17**
**Revenue From Operations**

Sale (Securities & Currency Derivatives)	6,685	16,37,604
Income from Brokerage	31,95,503	3,39,184
<b>Total</b>	<b>32,02,188</b>	<b>19,76,788</b>

**NOTES FORMING PART OF FINANCIAL STATEMENTS (Contd..)**

	Year Ended 31.03.2014	Year Ended 31.03.2013
<b>Note 18</b>		
<b>Other Income</b>		
Interest on Fixed Deposit	37,41,107	44,48,403
Dividend Income	16,30,033	12,22,917
Gain on Sale of Investment in Shares	-	7,084
Income relating to earlier year	-	-
Miscellaneous Income	19,058	8,287
Misc. Provisions written back	39,379	-
<b>Total</b>	<b>54,29,577</b>	<b>56,86,691</b>

**Note 19**
**Operating Expenditure**

SEBI Fees	3,56,152	5,51,039
NSE Capital Market subscription	-	1,00,000
V-Sat Charges	8,257	1,01,674
Transaction and Other NSE Charges	3,56,853	1,24,833
<b>Total</b>	<b>7,21,262</b>	<b>8,77,546</b>

**Note 20**
**Employee Benefit Expenses**

Salaries and Wages	35,38,444	23,66,291
Staff Welfare Expenses	581	430
Contribution to Provident and other Funds	4,74,162	4,77,697
<b>Total</b>	<b>40,13,187</b>	<b>28,44,418</b>

**Note 21**
**Other Expenses**

Rent	60,000	60,000
Rates & Taxes	1,04,988	70,078
Electricity Charges	36,000	36,000
Office Maintenance	24,000	24,000
Legal and other Consultancy Charges	1,20,800	1,18,000
Repair & Maintenance	24,481	7,864
Travelling and Conveyance	4,41,769	3,89,556
Insurance	4,391	5,137
Miscellaneous Expenses	14,701	17,180
Business Promotion	1,53,830	1,03,355
News Papers, Books & Periodicals	1,12,879	78,021
Communication Expenses	1,31,180	1,10,123
Printing & Stationery	2,679	2,725
Directors Sitting Fee	8,000	8,000
Auditors Remuneration		
- Statutory Audit fees	16,854	16,545
- Tax audit fees	5,618	5,515
- Certification fees	2,200	-
- Out of pocket expenses	20,000	20,000
<b>Total</b>	<b>12,84,370</b>	<b>10,72,099</b>

**22. Commitments**

Estimated amount of contracts remaining to be executed on capital account and not provided for Rs. Nil (Previous Year Rs. Nil).

**23. Contingent Liabilities: - Nil**
**24. 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	Nil	Nil	Nil	Nil	Nil	Nil
Previous Year (F&O)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Current year (Currency Derivatives)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Previous Year (Currency Derivatives)	Nil	Nil	4,81,000	16,35,796	4,81,000	16,37,604	Nil	Nil

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

25. 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.

**26. Disclosure required under Accounting Standard 15 - Employee Benefits**
**Defined Benefit Plans**
**Long Term Compensated Absences as per actuarial valuation as on 31.03.2014**

Actuarial Assumptions	Gratuity As at 31.03.2014	Gratuity As at 31.03.2013	Leave Encashment (Amount in Rs.)	
			As at 31.03.2014	As at 31.03.2013
Discount rate (per annum)	9%	8%	9%	8.25%
Salary Growth Rate rate of	5%	6%	5%	5%
Expected return	8.75%	-	NA	NA
Mortality	IAML 2006-08 Ultimate	-	IAML 2006-08 Ultimate	LIC 94- 96 Ultimate
<b>I. Expenses recognized in statement of profit and loss</b>				
Interest cost	1,36,250	1,13,850	21,053	17,671
Current service cost	97,387	38,554	14,084	14,482
Expected return on plan assets	(1,48,091)	(1,32,969)	(20,216)	(12,425)
Net actuarial loss/ (gain) recognized in the year	1,81,054	(61,633)	-	-
<b>Net expenses recognized</b>	<b>2,66,600</b>	<b>(42,198)</b>	<b>14,921</b>	<b>19,728</b>
<b>II. Net liability/(assets) recognized in the balance sheet at the year end</b>				
Present value of obligation at the end of period	19,28,583	15,13,892	2,48,839	2,33,918
Fair value of the plan asset at the end of period	18,79,177	16,86,474	2,48,839	2,33,918
Funded status [(surplus/ (deficit))]	49,406	1,72,582	(2,48,839)	(2,33,918)
<b>Net asset/(liability) as at 31.03.2014</b>	<b>(49,406)</b>	<b>1,72,582</b>	<b>(2,48,839)</b>	<b>(2,33,918)</b>
<b>III. Change in present value of obligation during the year</b>				
Present value of obligation at the beginning of period	15,13,892	14,23,121	2,33,918	2,14,190
Interest cost	1,36,250	1,13,850	21,053	17,671
Current service cost	97,387	38,554	14,084	14,482
Benefits paid	-	-	-	-
Actuarial loss/ (gain) on obligations	1,81,054	(61,633)	(20,216)	(12,425)
<b>Present value of obligation at the year end</b>	<b>19,28,583</b>	<b>15,13,892</b>	<b>2,48,839</b>	<b>2,33,918</b>
<b>IV. Change in present value of fair value of plan assets</b>				
Fair value of plan assets as at the beginning of period	16,86,474	14,68,066	-	-
Expected return on plan assets	1,48,091	1,32,969	-	-
Contributions	44,612	85,439	-	-
Benefits paid	-	-	-	-
Actuarial loss/ (gain)	-	-	-	-
<b>Fair value of plan assets at the year end</b>	<b>18,79,177</b>	<b>16,86,474</b>	<b>-</b>	<b>-</b>

**27. Related Party Disclosure**

Followings are the related parties: -

Holding Company: - VLS Finance Ltd.

Fellow Subsidiaries: - VLS Asset Management Ltd.

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		Other Related Parties	
	As at 31.03.14	As at 31.03.13	As at 31.03.14	As at 31.03.13
Brokerage earned	26,38,005/-	1,01,067/-	Nil	Nil
Reimbursement amount claimed	15,06,285/-	22,96,344/-	Nil	Nil
Rent and other charges paid	1,20,000/-	1,20,000/-	Nil	Nil
Payable to Holding Company at the year end	11,84,86,287/-	17,42,764/-	Nil	Nil

**28. Calculation of Earning per share**

Particulars	Equivalent No. of Shares Year ended 31.03.2014	Equivalent No. of Shares Year ended 31.03.2013
<b>Basic and diluted</b>		
Total Shares outstanding	15,00,000	15,00,000
Weighted Average of Shares	1,50,00,000	1,50,00,000
Profits after taxes	23,05,777/-	12,18,233/-
EPS (In Rs.)	0.15	0.08

29. Previous year's figures have been regrouped/ reclassified wherever necessary to correspond with the current year's classification/ disclosure.

As per our report of even date

**For Agiwal & Associates**

(F.R.N. 000181N)

Chartered Accountants

**Priyanka Goel**

Partner

Membership No. 531837

Place : New Delhi

Date : 24.05.2014

For and on behalf of the Board

**S.K. Agarwal**

Managing Director

**K.K.Soni**

Director

**T.B. Gupta**

Director



**CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2014**

	Amount (Rs.)	
	As at 31.03.2014	As at 31.03.2013
<b>A. Cash Flow from Operating Activities</b>		
Net Profit before Tax	25,85,588	12,07,549
Adjustments for:-		
Dividend Income	(1,630,033)	(1,22,917)
Depreciation	20,656	26,071
Profit from sale of Fixed Assets	-	-
Gain on Sale of Investments	-	(7,084)
Provision for Leave Encashment	14,921	19,728
	(1,594,456)	(1,184,202)
<b>Operating Profit before Working Capital Changes</b>	<b>9,91,132</b>	<b>23,347</b>
Adjusted for:		
Trade Payables	15,22,73,986	7,31,429
Trade and Other Receivables	(128,112)	(506,382)
Short Term Loans and Advances	124,725,859	1,27,884
	2,74,20,015	3,52,931
<b>Cash Generated from Operations</b>	<b>2,84,11,147</b>	<b>3,76,278</b>
Less: Tax Payment	(287,153)	-
<b>Cash Flow from Operating Activities</b>	<b>2,81,23,994</b>	<b>3,76,278</b>
Prior Period Items	-	-
<b>Net Cash from Operating Activities</b>	<b>2,81,23,994</b>	<b>3,76,278</b>
<b>B. Cash Flow from Investing Activities</b>		
Purchase of Investments	(25,650,000)	-
Sale of Investments	-	1,11,692
Additions in Fixed Assets	9,200	-
Long Term Loans and Advances	(14,948,405)	(967,815)
Proceeds from Sale of Fixed Assets	-	-
Dividend Income	16,30,033	12,22,917
<b>Net Cash (used in)/ Generated from Investing Activities</b>	<b>(38,977,572)</b>	<b>3,66,794</b>
<b>C. Cash Flow from Financing Activities</b>		
Proceeds from Issue of Share	-	-
Interest paid	-	-
<b>Net Cash (used in)/ Generated from Financing Activities</b>	<b>-</b>	<b>-</b>
<b>Net Increase/ (Decrease) in Cash &amp; Cash Equivalents (A+B+C)</b>	<b>(10,853,578)</b>	<b>7,43,072</b>
<b>Opening Balance of Cash &amp; Cash Equivalents</b>	<b>1,36,48,172</b>	<b>1,29,05,100</b>
<b>Closing Balance of Cash &amp; Cash Equivalents</b>	<b>27,94,594</b>	<b>1,36,48,172</b>

As per our report of even date  
**For Agiwal & Associates**  
**(F.R.N. 000181N)**  
Chartered Accountants  
**Priyanka Goel**  
Partner  
Membership No.531837  
Place : New Delhi  
Date : 24.05.2014

**For and on behalf of the Board**

<b>S.K. Agarwal</b> Managing Director	<b>K.K.Soni</b> Director	<b>T.B. Gupta</b> Director
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**VLS ASSET MANAGEMENT LTD.**

REGD. OFF : 2nd FLOOR, 13, SANT NAGAR, EAST OF KAILASH,  
NEW DELHI-110065, Ph: 011-46656666, FAX: 011-46656699  
CIN: U74899DL1995PLC065812, email: vaml@vlsfinance.com

**DIRECTORS' REPORT TO THE MEMBERS**

Your Directors present the 19<sup>th</sup> Annual Report of your Company together with the Balance Sheet as at 31<sup>st</sup> March, 2014 and the Statement of Profit & Loss for the year ended on that date.

**Financial Results**

The Company has incurred a loss of Rs. 1079/- 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 continuing efforts to identify suitable activity for operation keeping in view the means available. Accordingly the Company is being viewed as a going concern and the accounts have been prepared on the basis of the going concern assumption.

**Dividend**

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

**Directors**

There was no change in the Board of Directors during the year under review. Shri K. K. Soni and Shri Anurag Bhatnagar - Directors shall be retiring by rotation at the ensuing Annual General Meeting and being eligible has offered themselves for reappointment. Your Directors recommend their reappointment in order to have their continued valuable direction, guidance and assistance in the conduct of the affairs of your Company.

**Directors' Responsibility Statement**

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

- That in preparation of Annual Accounts for the financial year ended 31<sup>st</sup> March, 2014, 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 31<sup>st</sup> March, 2014 on a going concern basis.

**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 139 of the Companies Act, 2013 to act as the Auditors of the Company, if appointed. The Board of Directors recommends their appointment. The Board may also be authorised to fix their remuneration.

**Auditors Report**

The observations made by Auditors M/s. Agiwal & Associates, Chartered Accountants in their report have been adequately dealt with in relevant Notes on Accounts and in this report under the head - Financial Results. No further comments or explanations are required from Directors as there is no qualification in the Auditor's report for the year under review.

**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 : 21/5/2014**

<b>S. K. Agarwal</b> Director	<b>S. C. Agarwal</b> Director
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**INDEPENDENT AUDITORS' REPORT**

**To the members of VLS Asset Management Limited**

We have audited the accompanying financial statements of VLS Asset Management Limited ("the Company") which comprise the balance sheet as at 31st March, 2014 and the statement of Profit & Loss and Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act"), read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Accounting issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for audit opinion.

**Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act 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 31<sup>st</sup> March 2014;
- In the case of Statement of Profit and Loss, of the loss for the year ended on that date;
- In the case of the Cash Flow Statement, of the cash flows for the year ended on that date; and

**Report on Other Legal and Regulatory Requirements**

- as required by section 227(3) of the Act, 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 account as required by law have been kept by the Company so far as appeared from our examination of those books;
  - the Balance Sheet, Statement of Profit and Loss dealt with by this report are in agreement with the books of account;
  - in our opinion, the Balance Sheet, Statement of Profit and Loss and the cash flow statement comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956
  - on the basis of written representations received from the directors as on 31<sup>st</sup> March 2014 and taken on record by the Board of Directors, none of the directors is disqualified as on 31.03.2014 from being appointed as a director in terms of clause (g) of sub-section (a) of section 274 of the Companies Act, 1956.
- 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.

**For Agiwal & Associates**  
**(Firm Registration No.000181N)**  
Chartered Accountants  
**(Priyanka Goel)**  
Partner  
Membership No. 531837

**Place: New Delhi**  
**Date: 21.05.2014**



BALANCE SHEET AS AT 31st MARCH, 2014		Amount in Rs.	
Particulars	Note No	As at 31.3.2014	As at 31.3.2013
<b>I. EQUITY AND LIABILITIES</b>			
<b>(1) Shareholder's Funds</b>			
(a) Share Capital	3	7,07,000	7,07,000
(b) Reserves and Surplus	4	(1,616,047)	(1,614,968)
		<u>(909,047)</u>	<u>(907,968)</u>
<b>(2) Non-Current Liabilities</b>			
Long-Term Borrowings	5	9,19,954	9,18,932
		<u>9,19,954</u>	<u>9,18,932</u>
<b>(3) Current Liabilities</b>			
Other Current Liabilities	6	5,431	5,431
		<u>5,431</u>	<u>5,431</u>
<b>Total</b>		<u><u>16,338</u></u>	<u><u>16,395</u></u>
<b>II. Assets</b>			
<b>(1) Non-current assets</b>			
		-	-
<b>(2) Current assets</b>			
Cash and Cash Equivalents	7	16,338	16,395
		<u>16,338</u>	<u>16,395</u>
<b>Total</b>		<u><u>16,338</u></u>	<u><u>16,395</u></u>
Significant Accounting Policies	1		
Other notes forming part of the accounts	9 to 12		
As our report of even date <b>For Agiwal &amp; Associates</b> (F.R.N. 000181N) Chartered Accountants		<b>For and on behalf of the Board</b>	
<b>Priyanka Goel</b> Partner	<b>S.K.Agarwal</b> Director	<b>S.C.Agarwal</b> Director	
Membership No. 531837 Place : New Delhi Date : 21.05.2014			

STATEMENT PROFIT AND LOSS FOR THE YEAR ENDED ON 31st MARCH, 2014			
Amount in Rs.			
Particulars	Note No	Year Ended 31.3.2014	Year Ended 31.3.2013
I. Revenue from Operations		-	-
II. Other Income		-	-
<b>III. Total Revenue (I +II)</b>		<u>-</u>	<u>-</u>
<b>IV. Expenses:</b>			
Employee Benefit Expense		-	-
Financial Costs		-	-
Depreciation and Amortization Expense		-	-
Other Expenses	8	1,079	1,077
<b>Total Expenses (IV)</b>		<u>1,079</u>	<u>1,077</u>
V. Profit/(Loss) before tax (III-IV)		(1,079)	(1,077)
		<u>(1,079)</u>	<u>(1,077)</u>
VI. Profit/(Loss) for the year		(1,079)	(1,077)
VII. Earning per equity share (OF Rs.10/- each)			
Basic and Diluted		(0.015)	(0.015)
Significant Accounting Policies	1		
Other notes forming part of the accounts	9 to 12		
As our report of even date <b>For Agiwal &amp; Associates</b> (F.R.N. 000181N) Chartered Accountants		<b>For and on behalf of the Board</b>	
<b>Priyanka Goel</b> Partner	<b>S.K.Agarwal</b> Director	<b>S.C.Agarwal</b> Director	
Membership No. 531837 Place : New Delhi Date : 21.05.2014			

**NOTES FORMING PART OF FINANCIAL STATEMENTS**

**Note 1**

**Corporate Overview**

The Company was incorporated to function as Asset Management Company of the Mutual Fund proposed to be floated by VLS Finance Ltd., the Holding Company. However, it could not take up business because the said proposal was shelved due to adverse market conditions. The Company is exploring avenues available to it; however, no business activity could be taken up in past.

**Note 2**

**Significant accounting policies:**

**a) General**

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

**b) Method of Accounting**

The company is following accrual basis of accounting.

**Note 3**

**Share Capital**

	As at 31.03.2014	As at 31.3.2013
Authorised		
1,00,00,000 Equity Shares of Rs.10/- each	10,00,00,000	10,00,00,000
	<u>10,00,00,000</u>	<u>10,00,00,000</u>
Issued, Subscribed & Paid up		
70700 Equity Shares of Rs.10/- each	7,07,000	7,07,000
	<u>7,07,000</u>	<u>7,07,000</u>

**a. Reconciliation of shares outstanding at the beginning and at the end of the reporting year**

Equity Shares	As at 31.03.2014		As at 31.3.2013	
	No. of shares	Rupees	No. of shares	Rupees
At the beginning of the year	70,700	7,07,000	70,700	7,07,000
Issued during the year	-	-	-	-
Outstanding at the end of the year	<u>70,700</u>	<u>7,07,000</u>	<u>70,700</u>	<u>7,07,000</u>

**b. Terms/rights attached to equity shares**

The company has only one class of equity shares having a par value of Rs. 10 per share. Each holder of equity shares is entitled to one vote per share.

**c. Shares held by holding company**

Out of equity shares issued by the company, shares held by its holding company are as follows.

	As at 31.03.2014	As at 31.3.2013
<b>VLS Finance Ltd.</b>	7,07,000	7,07,000
(along with nominee shareholder of VLS Finance Ltd.)		

**d. Details of shareholders holding more than 5% shares in the company**

VLS Finance Ltd.	As at 31.03.2014		As at 31.3.2013	
	No. of shares	% of holding	No. of shares	% of holding
<b>VLS Finance Ltd.</b>	70,100	99.15	70,100	99.15

**Note 4**

**Reserves & Surplus**

	As at 31.03.2014	As at 31.3.2013
<b>Surplus</b>		
At the Beginning of the Accounting year	(1,614,968)	(1,613,891)
Additions during the year	(1,079)	(1,077)
<b>Total</b>	<u>(1,616,047)</u>	<u>(1,614,968)</u>

**Note 5**

**Unsecured Long Term Borrowings**

	As at 31.03.2014	As at 31.3.2013
From Holding Company i. e. VLS Finance Ltd.		
(Non- interest bearing)	9,19,594	9,18,572
Director Loan	360	360
<b>Total</b>	<u>9,19,954</u>	<u>9,18,932</u>

**Note 6**

**Other Current Liabilities**

	As at 31.03.2014	As at 31.3.2013
Audit Fee Payable	5,431	5,431
<b>Total</b>	<u>5,431</u>	<u>5,431</u>

**Note 7**

**Cash & Cash Equivalents**

	As at 31.03.2014	As at 31.3.2013
(a) Balance with Banks		
- Current Account	16,338	16,395
(b) Cash-in-Hand	-	-
<b>Total</b>	<u>16,338</u>	<u>16,395</u>

**Note 8**

**Other Expenses**

	As at 31.03.2014	As at 31.3.2013
Filing Charges	1,022	1,021
Bank Charges	57	56
<b>Total</b>	<u>1,079</u>	<u>1,077</u>

**9 Deferred Tax Liability/ Deferred Tax Asset**  
There is no deferred tax asset/liability for the company during the year.

**10 Related Party Disclosure (Accounting Standard - 18)**  
Following are the Related Parties:-  
Holding company – VLS Finance Ltd.  
Fellow Subsidiaries: - VLS Securities Ltd.  
Transaction during the year with the related party:-

Related Party	Nature of Transaction	As at 31.03.2014	As at 31.03.2013
Holding Company	Opening Balance	9,18,932	9,17,911
	Transactions during the year	1,022	1,021
	Closing Balance	9,19,954	9,18,932

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

S. No.	Particulars	Year Ended 31 <sup>st</sup> March 2014	Year Ended 31 <sup>st</sup> March 2013
1.	Net Profit/Loss after Tax	(1,079)	(1,077)
2.	Weighted Average number of Equity Shares	70,700	70,700
3.	Face value per Share	10	10
4.	Basic & Diluted Earning Per Share	(0.015)	(0.015)

12 Previous year figures have been regrouped/ reclassified wherever necessary to correspond with the current year classification.

As our report of even date

**For Agiwal & Associates**  
(F.R.N. 000181N)

Chartered Accountants

**Priyanka Goel**

Partner

Membership No. 531837

Place : New Delhi

Date : 21.05.2014

**For and on behalf of the Board**

**S.K.Agarwal**  
Director

**S.C.Agarwal**  
Director

consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the consolidated financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

6. In our opinion, based on our audit and to the best of our information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- in the case of the consolidated Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- in the case of the consolidated Statement of Profit and Loss, of the profit for the year ended on that date; and
- in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

For Agiwal & Associates  
Chartered Accountants  
(FRN : 000181N)

(P.C.Agiwal)

Partner

(M.No. 080475)

Place : New Delhi

Date: 26<sup>th</sup> May, 2014

**CONSOLIDATED BALANCE SHEET AS AT 31st March, 2014**

(Amount in Rupees)

Cash Flow Statement for the Year ended 31st March 2014		
	As at 31.03.2014	As at 31.03.2013
<b>A</b>	<b>Cash Flow from operating activities</b>	
	Net Profit (Loss) before Tax	(1079)
	Adjustment for :-	
	Operating Profit before working capital changes	(1079)
	Increase / (Decrease) in trade payables & Others	-
	Cash Generated from Operations	(1079)
	Net Cash From Operating Activities	(1079)
<b>B</b>	<b>Cash Flow From Financing activities</b>	
	Proceeds from borrowings	1079
	Net Cash From Financing Activities	1079
	Net increase in Cash & Cash Equivalents (A+B)	-
<b>C</b>	Cash & Cash Equivalents at the beginning of the Year	16395
<b>D</b>	Cash & Cash Equivalents at the end of the year	16338
	Increase/(Decrease) in Cash & Cash Equivalents (D-C)	(57)

As per our report of even date attached hereto

**For Agiwal & Associates**  
(F.R.N. 000181N)

**For & on behalf of the Board of Directors**

Chartered Accountants

**Priyanka Goel**

Partner

Membership No. 531837

Place : New Delhi

Date : 21.05.2014

**S.K.Agarwal**  
Director

**S.C.Agarwal**  
Director

**CONSOLIDATED FINANCIAL STATEMENTS**

**Independent Auditor's Report**

To the Members of **VLS FINANCE LIMITED** on the Consolidated Financial Statements of VLS Finance Limited and its Subsidiaries.

**REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS**

1. We have audited the accompanying consolidated financial statements of VLS FINANCE LIMITED ("the Parent Company"), and its subsidiaries namely VLS Securities Limited and VLS Asset Management Limited which comprise the consolidated Balance Sheet as at March 31, 2014, the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the consolidated Financial Statements**

2. The Company's Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ("the Act") and in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the

	Note No.	As at 31st March, 2014	As at 31st March, 2013
<b>I. EQUITY AND LIABILITIES</b>			
<b>(1) Shareholders' Funds</b>			
(a) Share Capital	2	38,78,42,420	39,91,72,250
(b) Reserves & Surplus	3	165,91,06,682	162,70,87,309
<b>(2) Minority Interests</b>			
(a) Share Capital		5,06,000	5,06,000
(b) Reserves & Surplus		16,658	12,606
- Opening		7,677	4,052
- Add: For the year			
		24,335	16,658
<b>(3) Non-current liabilities</b>			
(a) Other Long Term Liabilities	4	8,00,00,360	8,00,00,360
(b) Long Term Provisions	5	21,07,82,487	20,17,01,533
<b>(4) Current liabilities</b>			
(a) Trade payables	6	3,84,25,612	11,05,738
(b) Other Current Liabilities	7	14,73,386	11,48,828
(c) Short Term Provisions	8	2,84,297	2,84,298
<b>Total</b>		<b>237,84,45,579</b>	<b>231,10,22,974</b>
<b>II. ASSETS</b>			
<b>(1) Non-current assets</b>			
(a) Fixed Assets			
- Tangible Assets	9	6,75,36,336	7,14,11,693
- Intangible Assets	9	59,190	98,648
(b) Non-current Investments	10	168,42,94,110	97,66,85,834
(c) Deferred tax assets (Net)	11	1,49,43,030	1,93,62,061
(d) Long-term loans and advances	12	15,34,60,683	17,47,05,101
<b>(2) Current assets</b>			
(a) Inventories- Share stock-in-trade	13	4,05,31,451	1,03,14,615
(b) Trade receivables	14	16,81,05,896	80,24,61,342
(c) Cash and cash equivalents	15	3,76,68,238	14,50,32,198
(d) Short-term loans and advances	16	20,85,23,489	10,77,23,577
(e) Other current assets	17	33,23,156	32,27,905
<b>Total</b>		<b>237,84,45,579</b>	<b>231,10,22,974</b>
<b>Significant Accounting Policies</b>	1		

As per our report of even date.

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

For and behalf of the Board  
**S.K.Agarwal**  
Managing Director

P.C. Agiwal  
Partner

M.No. 080475

May 26<sup>th</sup>, 2014  
New Delhi

**K.K.Soni**  
Director-Finance & CFO

**H.Consul**  
Company Secretary

CONSOLIDATED STATEMENT OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st March, 2014				(Amount in Rupees)	
	Note No	For the year ended on 31st March, 2014		For the year ended 31st March, 2013	
<b>I Revenue from operations</b>	<b>18</b>	<b>3817,20,88,942</b>		<b>2322,89,42,772</b>	
<b>II Other Income</b>		<b>1,35,680</b>		<b>10,805</b>	
<b>III Total Revenue (I+II)</b>		<b>3817,22,24,622</b>		<b>2322,89,53,577</b>	
<b>IV Expenses</b>					
Purchase of Shares/Securities/Commodities		3807,36,50,788		2313,29,87,681	
Change in stock of shares	19	(30,216,836)		11,68,097	
Employee benefits expense	20	1,59,32,245		1,31,65,487	
Finance costs	21	1,97,607		15,55,454	
Depreciation and Amortisation expense	9	42,18,473		48,99,464	
Administrative & Other Expenses	22	6,42,99,652		3,68,12,287	
<b>V. Total Expenses</b>		<b>3812,80,81,929</b>		<b>2319,05,88,470</b>	
<b>VI. Profit before tax (IV-V)</b>		<b>4,41,42,693</b>		<b>3,83,65,107</b>	
<b>VII. Less: Tax Expenses</b>					
Current Tax /MAT		25,98,188		71,04,995	
Deferred Tax		44,19,031		1,15,83,567	
<b>VIII. Profit before Minority interest share of P/L (VI-VII)</b>		<b>3,71,25,474</b>		<b>1,96,76,545</b>	
Less: Minority Interest share on Profit		7,677		4,052	
<b>IX Profit for the year</b>		<b>3,71,17,797</b>		<b>1,96,72,493</b>	
<b>EARNING PER SHARE</b>					
Basic Earning per Share (Rs.)		0.96		0.49	
Diluted Earning per Share (Rs.)		0.94		0.49	
Face Value per Share (Rs.)		10.00		10.00	
<b>Significant Accounting Policies</b>	<b>1</b>				

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

P.C. Agiwal  
Partner  
M.No: 80475

May 26th, 2014  
New Delhi

For and behalf of the Board

S.K.Agarwal  
Managing Director

K.K.Soni  
Director-Finance & CFO

H.Consul  
Company Secretary

## NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS for the year ended 31st March, 2014

### HOLDING COMPANY OVERVIEW (VLS FINANCE LIMITED)

The Holding company is a public limited company registered under the Companies Act, 1956 and is listed on the National Stock Exchange (NSE), Bombay Stock Exchange (BSE), Calcutta Stock Exchange and Madras Stock Exchange. The Holding company was Non-Banking Finance Company (NBFC) duly registered with Reserve Bank of India. The NBFC Certificate of Registration (CoR) with Reserve Bank of India (RBI) has voluntarily been surrendered by the Holding Company during the year under review which has been accepted by RBI vide its letter dated 13/02/2014 w.e.f. 29/01/2014. The Holding Company had applied for membership of Bombay Stock Exchange (BSE) during the year under review and the same has been approved by BSE vide letter dated 14/05/2014. The SEBI Registration Certificate in connection thereto is awaited.

### I. SIGNIFICANT ACCOUNTING POLICIES OF CONSOLIDATED FINANCIAL STATEMENTS:-

#### 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., and VLS Asset Management Ltd.

(Amount in Rupees)

As at 31st March, 2014 As at 31st March, 2013

	As at 31st March, 2014	As at 31st March, 2013
<b>2. SHARE CAPITAL</b>		
<b>AUTHORISED CAPITAL</b>		
15,00,00,000 Equity Shares of Rs.10/- each	<u>150,00,00,000</u>	<u>150,00,00,000</u>
(Previous year 15,00,00,000 Equity shares of Rs.10/-each)		
<b>ISSUED CAPITAL</b>		
4,02,62,500 Equity Shares of Rs.10/- each	<u>40,26,25,000</u>	<u>40,26,25,000</u>
(Previous year 4,02,62,500 Equity shares of Rs.10/-each)		
<b>SUBSCRIBED &amp; PAID-UP CAPITAL</b>		
3,97,95,000 Equity Shares of Rs.10/- each fully paid up for cash	<u>39,79,50,000</u>	<u>39,79,50,000</u>
(Previous year 3,97,95,000 Equity Shares of Rs.10/- each)		
Less: 11,32,983 Equity Shares of Rs.10/- each fully paid-up for cash bought back on 11/02/2014	<u>1,13,29,830</u>	<u>0</u>
	<u>38,66,20,170</u>	<u>39,79,50,000</u>
Add: Amount forfeited on 4,67,500 Equity Shares (Previous year 4,67,500 Equity Shares)	<u>12,22,250</u>	<u>12,22,250</u>
(of the above, 3,31,62,500 equity share fully paid-up has been issued as bonus shares by way of capitalisation of share premium)	<u>38,78,42,420</u>	<u>39,91,72,250</u>

#### (a) Reconciliation of Number of Shares at the beginning and at the end of the reporting period

	As at 31/03/2014		As at 31/03/2013	
	Number	In Rupees	Number	In Rupees
Equity Shares at the beginning of the year	3,97,95,000	39,79,95,000	3,97,95,000	39,79,50,000
Less: Equity Shares bought back	11,32,983	1,13,29,830	0	0
Equity Shares at the end of the year	3,86,62,017	38,66,20,170	3,97,95,000	39,79,50,000

#### (b) List of shareholders holding more than 5% of the total number of shares issued by the Company

Name of Shareholder	As at 31st March, 2014		As at 31st March, 2013	
	No. of Shares held	% of Holding	No. of shares held	% of Holding
VLS Capital Limited	1,23,42,227	31.92	1,23,26,339	30.97

The Company has issued only one class of equity shares having a par value of Rs.10/- per share. Each holder of Equity Share is entitled to one vote per share. The Company declares dividends in Indian Rupees. The dividend, whenever, proposed by the Board of Directors is subject to the approval of the shareholders at the Annual General Meeting.

# CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED NOTES FORMING PART OF FINANCIAL STATEMENTS (Contd..)

(Amount in Rupees)

		(Amount in Rupees)		(Amount in Rupees)	
		As at	As at	As at	As at
		31st March, 2014	31st March, 2013	31st March, 2014	31st March, 2013
<b>3 RESERVES &amp; SURPLUS</b>					
<b>a) GENERAL RESERVE</b>					
As per last Balance Sheet		<u>29,68,83,930</u>	<u>29,68,83,930</u>		
	Total (a)	<u>29,68,83,930</u>	<u>29,68,83,930</u>		
<b>b) STATUTORY RESERVE</b>					
Opening Balance		13,02,13,355	12,65,21,477		
Add: Transfer from surplus in the Statement of Profit & Loss		0	36,91,878		
Closing Balance	Total (b)	<u>13,02,13,355</u>	<u>13,02,13,355</u>		
<b>c) SECURITY PREMIUM RESERVE ACCOUNT</b>					
As per last Balance Sheet		96,78,46,235	96,78,46,235		
Less: Premium @ Rs. 4.50/- per share on 11,32,983 Equity Shares bought back on 11/02/2014		<u>50,98,424</u>	<u>0</u>		
	Total (c)	<u>96,27,47,811</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>					
<b>d) CAPITAL REDEMPTION RESERVE ACCOUNT</b>					
As per last balance sheet		0	0		
Add: Transfer from surplus in the statement of Profit & Loss towards 11,32,983 Equity Shares of Rs. 10/- Each fully paid-up for cash bought back on 11/02/2014		<u>1,13,29,830</u>	<u>0</u>		
	Total (c)	<u>1,13,29,830</u>	<u>0</u>		
<b>e) SURPLUS IN STATEMENT OF PROFIT AND LOSS</b>					
Opening Balance		23,21,43,789	21,76,38,743		
Less: Transfer to Capital Redemption Reserve account		<u>1,13,29,830</u>	<u>0</u>		
Add: Transfer from statement of Profit and loss		<u>3,71,17,797</u>	<u>1,96,72,493</u>		
Add: Prior Year Tax provisions and adjustments		<u>0</u>	<u>(1,475,569)</u>		
		<u>25,79,31,756</u>	<u>23,58,35,667</u>		
<b>Less : Appropriations</b>					
-Statutory Reserve u/s 45IC of the RBI Act, 1934			0		36,91,878
Closing Balance	Total (e)	<u>25,79,31,756</u>	<u>23,21,43,789</u>		
	<b>Grand Total (a) to (e)</b>	<u>165,91,06,682</u>	<u>162,70,87,309</u>		
<b>4 Other Long-Term liabilities</b>					
- Loan from Directors		360	360		
-Others		<u>8,00,00,000</u>	<u>8,00,00,000</u>		
	Total	<u>8,00,00,360</u>	<u>8,00,00,360</u>		
<b>5 Long-Term provisions</b>					
(a) Provision for Employee benefits		5,56,112	4,75,158		
(b) Provision for diminution in value of assets		<u>21,00,00,000</u>	<u>20,10,00,000</u>		
(c) Contingent Provisions against Standard Assets		<u>2,26,375</u>	<u>2,26,375</u>		
	Total	<u>21,07,82,487</u>	<u>20,17,01,533</u>		
<b>6 Trade payables</b>					
(a) Micro, Small and Medium Enterprises		0	0		
(b) Other trade payables		<u>3,84,25,612</u>	<u>11,05,738</u>		
	Total	<u>3,84,25,612</u>	<u>11,05,738</u>		
<b>7 Other current liabilities</b>					
(a) Statutory liabilities		14,73,386	7,71,293		
(b) Others		0	3,77,535		
	Total	<u>14,73,386</u>	<u>11,48,828</u>		
<b>8 Short-Term provisions</b>					
Provision for Employee benefits		<u>2,84,297</u>	<u>2,84,298</u>		
	Total	<u>2,84,297</u>	<u>2,84,298</u>		

## 9 FIXED ASSETS

(Amount in Rupees)

Sl. No	Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
		Cost As at 01.04.2013	Additions during the year	Sales Adjustments	Cost As at 31-03-2014	Upto 31.03.2013	For the year	Sales Adjustments	Upto 31-03-2014	As at 31-03-2014	As at 31.03.2013
	<b>TANGIBLE ASSETS</b>										
<b>1 Assets for own use:</b>											
A	Buildings	9,78,64,951	66,200	0	9,79,31,151	2,97,47,696	34,09,172	0	3,31,56,868	6,47,74,283	6,81,17,255
B	Temporary Structures	6,88,735	0	0	6,88,735	6,88,734	0	0	6,88,734	1	1
C	Vehicles	42,00,931	0	0	42,00,931	23,90,102	4,68,622	0	28,58,724	13,42,207	18,10,829
D	Office Equipments	10,68,060	89,743	36,663	11,21,140	6,80,657	60,299	14,393	7,26,563	3,94,577	3,87,403
E	Furniture & Fixtures	9,46,737	70,694	0	10,17,431	8,13,011	24,199	0	8,37,210	1,80,221	1,33,726
F	Air Conditioners	10,74,892	6,500	0	10,81,392	5,58,379	72,486	0	6,30,865	4,50,527	5,16,513
G	Computers	50,83,613	92,791	0	51,76,404	47,86,703	1,37,414	0	49,24,117	2,52,287	2,96,910
H	Electrical Installations	2,44,954	0	0	2,44,954	2,28,094	2,345	0	2,30,439	14,515	16,860
I	Generator	4,30,905	0	0	4,30,905	3,98,709	4,478	0	4,03,187	27,718	32,196
<b>2 Assets on Lease</b>		120,66,66,568	0	0	120,66,66,568	120,66,66,568	0	0	120,66,66,568	1,00,000	1,00,000
		<u>131,82,70,346</u>	<u>3,25,928</u>	<u>36,663</u>	<u>131,85,59,611</u>	<u>124,68,58,653</u>	<u>41,79,015</u>	<u>14,393</u>	<u>125,10,23,275</u>	<u>6,75,36,336</u>	<u>7,14,11,693</u>
	<b>INTANGIBLE ASSETS</b>										
	Computer Software	4,08,000	0	0	4,08,000	3,09,352	39,458	0	3,48,810	59,190	98,648
	Grand Total	<u>131,86,78,346</u>	<u>3,25,928</u>	<u>36,663</u>	<u>131,89,67,611</u>	<u>124,71,68,005</u>	<u>42,18,473</u>	<u>14,393</u>	<u>125,13,72,085</u>	<u>6,75,95,526</u>	<u>7,15,10,341</u>
	Previous Year	131,84,45,795	16,76,347	14,43,796	131,86,78,346	124,35,61,734	48,99,464	12,93,193	124,71,68,005	7,15,10,341	7,48,84,061

## 10 NON-CURRENT INVESTMENTS (at cost)

PARTICULARS	QUANTITY			AMOUNT (In Rs.)	
	FACE VALUE	AS AT 31.03.2014	AS AT 31.03.2013	AS AT 31.03.2014	AS AT 31.03.2013
<b>A. IN EQUITY SHARES</b>					
<b>1. Un-quoted &amp; Fully Paid</b>					
Indhradhan Agro Ltd.	10	1,50,000	1,50,000	15,00,000	15,00,000
Invest India Economic Foundation Private Ltd.	10	2,000	2,000	20,000	20,000
B S Traders P Ltd	100	0	2,55,000	0	3,50,00,000
Sunair Hotels Ltd.	10	95,94,824	95,94,824	23,59,48,240	23,59,48,240
Appu Ghar Entertainment Pvt Ltd	10	2,77,100	2,77,100	13,85,50,000	13,85,50,000
VLS Capital Ltd	10	88,20,833	48,20,833	19,38,53,947	7,38,53,947
Dewdrop Career Solutions Pvt. Ltd.	10	10,000	0	12,50,000	0
MPL Enterprises Ltd (+)	10	5,482	5,482	0	0
BMS IT Institute Pvt. Ltd	10	56,00,000	56,00,000	24,92,00,000	24,92,00,000
		SUB-TOTAL (A-1)		<u>82,03,22,187</u>	<u>73,40,72,187</u>
<b>2. Quoted &amp; Fully Paid</b>					
ICDS Ltd (+)	10	21,929	21,929	0	0
KASHIPUR SUGAR MILLS LTD	10	89,767	89,767	7,99,032	7,99,032
ARTSON ENGINEERING LTD	1	4,104	4,104	1,00,376	1,00,376
ACCELYA KALE SOLUTIONS LTD	10	3,00,000	87,337	12,42,69,774	3,07,29,484
ADITYA BIRLA CHEMICALS (INDIA) LTD	10	2,00,000	0	2,82,35,226	0

## 11 NON-CURRENT INVESTMENTS (at cost)

PARTICULARS	QUANTITY			AMOUNT (In Rs.)	
	FACE VALUE	AS AT 31.03.2014	AS AT 31.03.2013	AS AT 31.03.2014	AS AT 31.03.2013
BANK OF BARODA	10	2	2	502	502
BHARAT HEAVY ELECTRICALS LTD	2	0	1,500	0	3,12,414
BLISS GVS PHARMA LTD	1	3,26,000	21,990	1,00,85,795	6,65,638
BANCO PRODUCTS (INDIA) LTD.	2	5,00,000	0	3,16,06,167	0
CEAT LTD.	10	7,70,414	0	17,13,10,278	0
CENTUM ELECTRONICS LTD.	10	43,849	0	76,02,421	0
DOLPHIN OFFSHORE ENTERPRISES (I) LTD.	10	1,00,000	0	82,59,949	0
D PHARMA LTD	10	200	200	1	1
ESSEL PROPAC LTD.	2	1,50,000	0	74,24,960	0
GUJARAT HOTELS LTD	10	5,134	5,134	2,71,813	2,71,813
GODAVARI POWER & ISPAT LTD	10	0	200	0	20,196
HIND OIL EXPLORATION LTD	10	0	1,200	0	3,76,253
HIMATSINGKA SEIDE LTD	5	0	1,000	0	38,073
HDFC BANK LTD	2	0	100	0	64,318
HT MEDIA LTD.	2	5,00,000	0	3,98,30,997	0
INDRAPRASTHA MEDICAL CORPORATION LTD.	10	2,937	4,000	1,01,602	1,38,506
ITC LTD	1	500	500	97,020	97,020
IFGL REFRACTORIES LTD.	10	2,02,810	0	1,24,22,867	0
ICICI BANK LTD	10	0	100	0	1,09,374
IGARASHI MOTORS INDIA LTD.	10	2,00,000	0	2,50,80,769	0
JP ASSOCIATES LTD	2	0	2,750	0	2,02,155


**CONSOLIDATED FINANCIAL STATEMENTS**
**NOTES FORMING PART OF FINANCIAL STATEMENTS (Contd..)**

<b>NON-CURRENT INVESTMENTS (at cost)</b>					
PARTICULARS	FACE VALUE	QUANTITY		AMOUNT (In Rs.)	
		AS AT 31.03.2014	AS AT 31.03.2013	AS AT 31.03.2014	AS AT 31.03.2013
JSW ENERGY LTD	10	0	700	0	43,356
LANCO INFRATECH LTD	1	5,000	5,000	1,66,198	1,66,198
NTPC LTD	10	0	250	0	38,879
MERCATOR LINES LTD	1	0	3,000	0	87,440
MUNJAL SHOWA LTD.	2	2,00,000	0	1,53,60,017	0
NANDAN DENIM LTD.	10	3,40,199	0	1,18,67,097	0
NEO CORP INTERNATIONAL LTD.	10	13,54,436	0	1,57,66,409	0
ORRISA SPONGE LTD	10	2,936	2,936	16,13,828	16,13,828
ORIENT REFRACTORIES LTD.	1	5,00,000	0	2,78,28,797	0
PUNJAB WIRELESS LTD	10	500	500	1	1
POLARIS FINANCIAL TECHNOLOGY LTD.	5	2,50,000	0	3,89,81,264	0
RELAXO FOOTWEAR LTD (++)	1	86,03,880	17,20,776	13,14,21,104	13,14,21,104
RELIANCE INDUSTRIES LTD.	10	900	1,000	8,88,432	9,91,343
RELIANCE MEDIAWORKS LTD.	5	0	500	0	1,11,689
RUNEECHA TEXTILES LTD	10	3,57,600	3,57,600	17,88,000	17,88,000
SUJANA METAL LTD.	5	0	4,000	0	32,383
SURANA INDUSTRIES LTD.	10	4,50,000	4,50,000	2,56,50,000	6,41,67,120
TATA MOTORS LTD	10	0	500	0	1,34,770
TATA STEEL LTD	10	300	300	2,05,413	2,05,413
TAMILNADU NEWSPRINT AND PAPERS LTD.	10	4,00,000	0	5,20,91,292	0
TECHNOCRAFT INDUSTRIES (INDIA) LTD.	10	6,992	0	6,31,703	0
UFLEX LTD.	10	1,400	1,400	2,12,700	2,12,700
TCI INDUSTRIES LTD.	10	9,699	9,699	5,76,607	5,76,607
WELSPUN INDIA LTD.	10	5,000	0	3,41,333	0
CLARIS LIFESCIENCES LTD.	10	800	0	1,56,635	0
STRIDES ARCOLAB LTD.	10	72,527	0	6,38,27,883	0
UTIMASTER PLUS 91	0	200	0	3,252	3,252
<b>SUB-TOTAL (A-Z)</b>				<b>85,68,77,514</b>	<b>23,55,19,238</b>
<b>Total B (A1+A2)</b>				<b>1167,71,99,701</b>	<b>96,95,91,425</b>
I. Aggregate value of quoted investments			At Cost	<b>85,68,77,514</b>	<b>23,55,19,238</b>
			Market Value	<b>354,54,23,928</b>	<b>109,58,27,363</b>
II. Aggregate value of un-quoted investments		Others	At Cost	<b>82,03,22,187</b>	<b>73,40,72,187</b>
<b>D. INVESTMENT IN IMMOVABLE PROPERTIES:-</b>				<b>70,94,409</b>	<b>70,94,409</b>
<b>TOTAL (C)</b>				<b>70,94,409</b>	<b>70,94,409</b>
<b>GRAND TOTAL (B+C)</b>				<b>1,68,42,94,110</b>	<b>97,66,85,834</b>

(+) Bonus Shares received, hence cost of acquisition is NIL

(++) Face Value has been reduced from Rs 5 to Rs. 1 on account of Split and there is corresponding increase in number of shares

(Amount in Rupees)

	As at 31st March, 2014	As at 31st March, 2013
<b>11 Deferred tax</b>		
a) Deferred tax Assets		
i) Accumulated Losses	<b>3,52,70,590</b>	4,08,31,712
ii) Employee Benefits	<b>2,68,827</b>	2,42,792
<b>Total (a)</b>	<b>3,55,39,417</b>	4,10,74,504
b) Deferred tax Liabilities		
i) Depreciation on Fixed Assets	<b>2,05,96,387</b>	2,17,12,443
<b>Total (b)</b>	<b>2,05,96,387</b>	2,17,12,443
<b>Deferred tax assets (net) (Total a-b)</b>	<b>1,49,43,030</b>	1,93,62,061
<b>12 Long Term Loans and advances</b>		
<b>A) Unsecured, considered good</b>		
i) Loans & advances	<b>8,00,00,000</b>	8,00,00,000
<b>ii) Staff Loans and advances</b>	<b>10,00,981</b>	10,40,128
iii) Advances recoverable in cash or kind or for value to be received-	<b>10,01,997</b>	27,29,093
iv) Security Deposit with Govt Department	<b>1,500</b>	1,500
v) Security Deposit with others	<b>2,42,92,124</b>	92,91,324
vi) Margin Money with Share Brokers	<b>0</b>	3,00,00,000
vii) Advance Income Tax and Tax Deducted at Source	<b>6,80,09,931</b>	7,15,11,408
Less: Tax Provisions	<b>2,08,45,850</b>	1,98,68,352
<b>Total A (i+ii+iii+iv+v+vi+vii)</b>	<b>15,34,60,683</b>	17,47,05,101
<b>B) Doubtful</b>		
i) Advances recoverable in cash or kind or for value to be received-	<b>71,26,220</b>	71,26,220
Less: Provision for Bad & doubtful Debts	<b>71,26,220</b>	71,26,220
<b>Total B</b>	<b>0</b>	0
<b>Total (A+B)</b>	<b>15,34,60,683</b>	17,47,05,101

**13 INVENTORIES - SHARE STOCK IN TRADE**

(At Cost or market price, whichever is lower)

Name of the Company	As on 31.03.2014		As on 31.03.2013	
	Quantity	Value (Rs.)	Quantity	Value (Rs.)
<b>Stock of Quoted Equity shares (Fully Paid)</b>				
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	7,560	1,000	9,190
INTERCRAFT LTD	29,000	1	29,000	1
KOTHARI PRODUCTS LTD	10	3,903	10	3,461
SOUTH ASIAN ENTERPRISES LTD	17,11,289	2,12,19,984	17,11,289	1,03,01,960
SWEDE. INDIA LTD	200	1	200	1
AXIS LIQUID FUND	13,387	1,90,00,000	0	0
SWEDE. INDIA LTD	97	3,00,000	0	0
<b>Total</b>	<b>20,39,683</b>	<b>4,05,31,451</b>	<b>20,26,199</b>	<b>1,03,14,615</b>

(Amount in Rupees)

	As at 31st March, 2014	As at 31st March, 2013
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**14 Trade Receivables**

<b>a) Unsecured-Considered good</b>		
<b>Due from share brokers</b>		
1. Due for more than six months	<b>0</b>	0
2. Others	<b>16,81,05,896</b>	80,24,61,342
<b>Total (a)</b>	<b>16,81,05,896</b>	80,24,61,342
<b>b) Doubtful</b>		
<b>Instalments Receivable</b>		
1. Due for more than six months	<b>0</b>	30,24,030
2. Others	<b>0</b>	0
<b>Sub-total</b>	<b>0</b>	30,24,030
Less: Provision for Bad & doubtful Debts	<b>0</b>	30,24,030
<b>Total (b)</b>	<b>0</b>	0
<b>Total (a+b)</b>	<b>16,81,05,896</b>	80,24,61,342

**15 Cash and Cash Equivalents**

a) Cash on Hand	<b>14,26,554</b>	19,76,415
b) Balances with banks		
1. In Current Accounts	<b>1,40,66,585</b>	34,79,036
2. In Deposit Accounts-less than 12 months maturity (Previous year Rs. 1175.77 Lacs)	<b>2,11,75,099</b>	11,75,76,747
3. In Deposit Accounts- more than 12 months maturity (Previous year Rs. 220.00 Lacs)	<b>10,00,000</b>	2,20,00,000
<b>Total (a+b)</b>	<b>3,76,68,238</b>	14,50,32,198

**16 Short Term Loans and advances**

<b>Unsecured and considered good</b>		
i) Loans and advances	<b>6,00,000</b>	8,00,000
ii) Staff Loans and advances	<b>12,70,802</b>	11,82,056
iii) Advances Recoverable in cash or in kind or for value to be received	<b>35,43,691</b>	98,29,800
iv) Margin Money deposit with share brokers	<b>20,23,00,000</b>	9,57,00,000
v) Prepaid Expenses	<b>8,08,996</b>	2,11,721
<b>Total</b>	<b>20,85,23,489</b>	10,77,23,577
<b>17 Other Current Assets</b>		
a) Interest Accrued but not due	<b>31,89,488</b>	31,88,640
b) Interest Receivables	<b>0</b>	5,400
c) Others	<b>1,33,668</b>	33,865
<b>Total</b>	<b>33,23,156</b>	32,27,905

(Amount in Rupees)

	Year ended 31st March, 2014	Year ended 31st March, 2013
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**18 REVENUE FROM OPERATIONS**

Sale of Shares/Securities/Commodities	<b>3805,22,41,806</b>	2326,67,15,986
Income from Other credit operations	<b>2,82,93,891</b>	2,27,35,425
Income from Investments	<b>9,15,53,245</b>	(60,641,519)
Bad Debts Recovered	<b>0</b>	1,32,880
<b>Total</b>	<b>3817,20,88,942</b>	2322,89,42,772

**19 CHANGE IN STOCK OF SHARES**

Closing Stock of Shares	<b>4,05,31,451</b>	1,03,14,615
Less: Opening Stock of Shares	<b>1,03,14,615</b>	1,14,82,712
<b>Change in Stock of Shares - Increase/(Decrease)</b>	<b>3,02,16,836</b>	(1,168,097)

**20 EMPLOYEE BENEFIT EXPENSES**

Salaries	<b>1,39,84,266</b>	1,14,23,377
Staff Amenities	<b>5,19,057</b>	4,28,424
Employer's Contribution to PF, ESI, Gratuity Fund etc.	<b>14,28,922</b>	13,13,686
<b>Total</b>	<b>1,59,32,245</b>	1,31,65,487

**21 FINANCE COST**

Bank/Finance Charges	<b>26,406</b>	10,968
Other borrowing costs	<b>1,71,201</b>	15,44,486
<b>Total</b>	<b>1,97,607</b>	15,55,454



**CONSOLIDATED FINANCIAL STATEMENTS**

**NOTES FORMING PART OF FINANCIAL STATEMENTS (Contd...)**

(Amount in Rupees)

	Year ended 31st March, 2014	Year ended 31st March, 2013
<b>22 ADMINISTRATIVE &amp; OTHER EXPENSES</b>		
Advertisement & Business Promotion	27,61,460	18,09,253
Consultancy, Legal & Service Charges	2,52,99,185	1,51,55,346
Communication Expenses	28,30,488	9,58,535
Electricity & Water Charges	5,65,159	4,93,763
Insurance	5,47,030	34,292
Office Expenses	37,09,027	24,46,666
Shares Transaction Charges	3,81,977	2,38,027
SEBI Membership Fees	3,56,152	5,51,039
NSE Capital Market Subscription	0	1,00,000
Travelling Expenses & Conveyance	39,04,574	17,24,422
Rates & Taxes	56,24,524	19,64,345
Rent	42,00,000	42,00,000
Repairs & Maintenance		
Others	14,30,738	24,24,257
Miscellaneous Expenses	34,80,276	39,55,505
Auditors' Remuneration		
a) Audit Fees	1,62,922	1,51,377
b) For Other Services		
— For Tax audit	73,034	61,695
— For certification	2,95,000	1,40,300
— Out of pocket expenses	55,000	50,000
Internal Auditors' Remuneration		
— Fees	85,000	90,000
— Out of pocket expenses	8,000	8,000
Directors' Sitting Fees	9,06,000	4,58,000
Provision for Non-Performing Assets (Net)	59,75,970	(342,120)
Contingent Provisions against Standard Assets	0	10,750
Bad debts written off	21,24,030	0
Loss on sale/transfer of Fixed Assets	21,820	1,26,903
Prior year expenses	2,286	1,932
<b>Total</b>	<b>6,42,99,652</b>	<b>3,68,12,287</b>

**23. NOTES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENT**

- a) Contingent Liability:- Nil  
b) Estimated amount of contracts remaining to be executed on Capital Account: 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  
Bank Deposits include fixed deposits of Rs.2,11,75,099/- (Previous Year – Rs.3,86,76,747/-) pledged by VLS Finance Ltd with the banks as security for availing overdraft facilities.
- As for most part of the year under review, the Company was NBFC, 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 (Holding Company).
- 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 intrade as on 01.04.2013		Purchases		Sales		Closing Stock intrade as on 31.03.2014	
	Qty.*	Value Rs.	Qty*	Value Rs.	Qty*	Value Rs.	Qty*	Value Rs.
Shares	2026199	10314615	19519252	4583558943	19519252	4543164080	2026199	21231451
(Previous year)	2026199	11482712	190925	94483979	190925	94476646	2026199	10314615
Commodities	Nil	Nil	119898	13004123810	119898	13024983695	Nil	Nil
(Previous year)	Nil	Nil	95094	23036867905	95094	23170601736	Nil	Nil
Liquid Fund	Nil	Nil	335370422	20485968035	335356938	20484094031	13484	19300000
(Previous year)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Currency Derivatives	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(Previous Year)	Nil	Nil	481	1635796	481	1637604	Nil	Nil

- \* Quantity of Shares is in numbers Liquid Funds is in Units and of Commodities and Currency Derivatives is in lots.
- The Current Assets, Loans and advances have the value on realization in the ordinary course of business at least equal to the amount at which they are stated.
  - The term of lease agreements in all Leased Assets have expired and the assets continue in the possession of lessees. However, the said assets have been included in the block of fixed assets of the Company pending the transfer of titles.
  - Related Party Disclosure : Followings are the related parties:-  
Key Managerial Personnel:-  
1) Shri S.K. Agarwal (Managing Director in VLS Finance Ltd. & VLS Securities Ltd.)  
2) Shri K.K. Soni (Director-Finance & CFO in VLS Finance Ltd)  
Associates:- South Asian Enterprises Ltd.  
Summary of transactions with the above related parties is as follows:-

(Amount in Rs.)

Particulars	Associates	Key Managerial Personnel	Others
Remuneration to Managing Director.		25,01,462 (Previous year: 22,71,662)	
Remuneration of Director-Finance & CFO-Part of the year w.e.f. 14-11-2013		3,73,621 (Previous year: )	
Other Charges received	NIL (Previous year:7,357)		

**9. Managerial Remuneration**

Particulars	Paid to Shri S.K. Agarwal Managing Director	Paid to Shri K. K. Soni Director-Finance & CFO
Remuneration	Rs. 19,50,000 (Previous Year – Rs. 17,82,000)	Rs. 3,03,683 (Previous Year – Rs. Nil)
Perquisites	Rs. 5,51,462 (Previous Year – Rs. 4,89,662)	Rs. 69,938 (Previous Year – Rs. Nil)

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 <sup>st</sup> March, 2014	Year ended 31 <sup>st</sup> March, 2013
<b>Basic and Diluted</b>		
Total Shares Outstanding	3,86,62,017	3,97,95,000
Profit after Taxes	Rs. 3,71,25,474	Rs. 1,96,76,545
EPS	Rs. 0.96	Rs. 0.49
EPS - Diluted	Rs. 0.94	Rs. 0.49

- The Company has made the provision for Taxation / MAT payable under the Income Tax Act, 1961 of Rs.25,98,188/- (Previous year Rs. 71,04,995/-). Out of this Rs.23,11,035/- (Previous year Rs. 71,04,995/-) relates to VLS Finance Ltd , Rs.2,87,153/- (Previous year Rs. Nil) relates to VLS Securities Ltd.

- The Holding Company remained a Non-Banking Financial Company for most part of the year under review and was mainly engaged in finance business including dealings through Stock and Commodity Exchanges. As activities of the Holding Company for most part of the year related to finance business, there are no separate segments for reporting as per the Accounting Standard AS-17 issued by The Institute of Chartered Accountants of India.

- Income from investments includes:

	Current Year (Rs.)	Previous Year (Rs.)
Dividend Income (Gross)	770,40,299	29,90,307

- Income from Other credit operations grouped under Revenue from Operations includes Interest Receipts (Gross) of Rs. 2,13,58,388/- (Previous Year Rs.2,23,96,241/-) and Tax Deducted at Source thereon of Rs. 21,32,890/- (Previous Year Rs. 22,37,291).

- Expenditure in Foreign Exchange:- Foreign Travel Expenses in respect to VLS Finance Ltd-Rs. 1,75,216/- (Previous year Rs. 41,588).

**16. 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 31.03.2014
1.	VLS Securities Ltd.	India	99.67
2.	VLS Asset Management Ltd.	India	99.15

- Provision for non-performing assets of Rs.59,75,970/- is net off of Rs.30,24,030/- being excess provision written back of Non-performing assets/diminution in value of assets (Previous year: Provision for Non-performing assets written back of Rs.3,42,120/- is net off of Rs.10,00,000/- being provision for Non-performing assets/diminution in value of assets) of VLS Finance Ltd.
- 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.
- Bad Debts written off during the year is Rs.21,24,030/- (Previous Year: Bad Debts recovery of Rs.1,32,880/- is net of bad debts written off of Rs.10,67,120/-) of VLS Finance Ltd.
- 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 has not been annexed with the Balance sheet as on 31/03/2014 as the Holding Company has voluntarily surrendered the NBFC Certificate of Registration (CoR) during the year under review which has been accepted by RBI vide its letter dated 13/02/2014 w.e.f. 29/01/2014. In view of this, Statutory Reserve u/s 45IC of the RBI Act, 1934 has not been created and Contingent Provisions against Standard Assets as per relevant guidelines of RBI has not been made in the financial statements of VLS Finance Ltd.
- During the year, 11,32,983 Fully Paid-up Equity Shares of Rs.10/-each have been bought back by the Holding Company from the existing share holders at a price of Rs.14.50 per share and the Paid up Capital of the Holding Company got reduced by Rs.1,13,29,830/-.
- Notes 1 to 23 form an integral part of financial statements.
- Previous year's figures have been regrouped/reclassified wherever necessary to correspond with the current year's classification/disclosure.

As per our report of even date  
For Agiwal & Associates  
(Firm Registration No: 000181N)  
Chartered Accountants  
(P.C.Agiwal)  
Partner  
M.No.080475

For and behalf of the Board

S.K.Agarwal  
Managing Director

May 26th, 2014  
New Delhi

K.K.Soni  
Director-Finance & CFO

H.Consul  
Company Secretary

**Consolidated Cash Flow Statement for the Year ended 31st March, 2014 (Rupees in Lacs)**

	For the Year Ended 31/03/2014	For the Year Ended 31/03/2013
<b>A CASH FLOW FROM OPERATING ACTIVITIES :</b>		
Net Profit Before Tax	441.43	383.65
Adjustments for:		
Interest and Finance Charges	1.97	15.55
Depreciation	42.18	48.99
Loss on sale of Fixed Assets	0.22	1.27
(Income)/Loss from Investments	(145.13)	636.31
Dividend Income	(770.40)	(29.90)
Leave encashment Provisions	0.81	0.55
NPA Provisions and adjustments	59.76	(3.32)
Operating Profit before Working Capital Changes	(369.16)	1,053.10
Adjustments for:		
Trade & Other Payables	1,634.54	(198.49)
Inventories	(302.17)	11.68
Trade & Other Receivables	4,267.39	1,392.01
Cash Generated from Operations	5,230.60	2,258.30
Less: Taxes Paid (Net of Refunds)	(20.98)	65.23
Net Cash Flow from Operating Activities (A)	5,251.58	2,193.07
<b>B CASH FLOW FROM INVESTMENT ACTIVITIES</b>		
Net Proceeds from Fixed Assets	(3.25)	(16.53)
Purchase of Shares (Net)	(6,926.12)	(939.52)
Dividend Income	770.40	29.90
Net Cash used/generated from Investing Activities (B)	(6,158.97)	(926.15)
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayment of Bought back of Equity Share Capital (including securities premium)	(164.28)	0.00
Interest Paid	(1.97)	(15.55)
Net Cash Flow from Financing Activities (C)	(166.25)	(15.55)
Net Increase/(Decrease) in Cash & Cash Equivalents(A+B+C)	(1,073.64)	1,251.37
Opening Balance of Cash & Cash Equivalents	1,450.32	198.95
Closing Balance of Cash & Cash Equivalents	376.68	1,450.32

Notes:-

- Cash & Cash Equivalents (Closing) includes deposits with banks amounting to Rs. 211.75 lacs (Previous Year Rs. 386.77 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  
(Firm Registration No: 000181N)  
Chartered Accountants  
(P.C.Agiwal)  
Partner  
M.No.080475

For and behalf of the Board

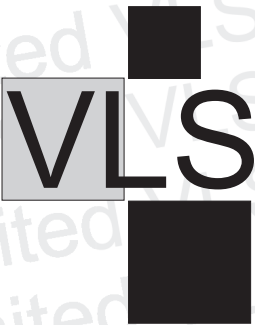
S.K.Agarwal  
Managing Director

May 26th, 2014  
New Delhi

K.K.Soni  
Director-Finance & CFO

H.Consul  
Company Secretary

**BOOK-POST**



**If not delivered, please return to :**  
**VLS FINANCE LIMITED**  
**2nd Floor, 13, Sant Nagar,**  
**East of Kailash,**  
**New Delhi-110 065**  
**Phone : 011-46656666**  
**Fax : 011-46656699**