

ANNA FINANCE LIMITED

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13th ANNUAL REPORT
2004-2005

ANNA FINANCE LIMITED

Board of Directors

Directors	Ashok Mittal (Chairman)
	Ramesh Chand Agarwal
	Rakesh Mittal
	Anil Kumar Agarwal
	Dr. Shambhu Dayal Agarwal
	Madan Mohan Agarwal
	Ramesh Chand Gupta
	Shalabh Singh

Auditors	Mehra Sanjay & Co
	Chartered Accountants

Agra

Bankers	Canara Bank
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Registered Office	16-B/9, Dev Nagar, D.B. Gupta Road, Karolbagh, New Delhi – 110005. Tel. : 011-25784322.
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Corporate Office	E-14/6, Shanta Tower, 1 st Floor, Sanjay Place, Agra – 282002. Tel. : 0562-2526650, 2527004, 2527062. E-mail : afl@sanchernet.in
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Registrar & Share Transfer Agent	Beetal Financial & Computer Services Pvt. Ltd. 321-S, Chirag Delhi, New Delhi –110017. Tel. : 011-29251990, 29250390. E-mail : beetal@beetal.com
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ANNA FINANCE LIMITED

NOTICE

Notice is hereby given that the Thirteen Annual General Meeting of the Shareholders of Anna Finance Limited will be held at the Registered Office of the Company at 16-B/9, Dev Nagar, D.B. Gupta Road, Karolbagh, New Delhi-- on Wednesday, 17th August, 2005 at 10 A.M. to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2005 and the Profit & Loss Account for the year ended on that date and the Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Sri Ashok Mittal who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Sri Ramesh Chand Agarwal who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Sri Anil Kumar Agarwal who retires by rotation, and being eligible, offers himself for re-appointment.
5. To appoint Auditors of the Company and to fix their remuneration. M/s Mehra Sanjay & Co., Chartered Accountants, the retiring Auditor are eligible for re-appointment.

SPECIAL BUSINESS

To consider and if thought fit, to pass with or without modification the following resolution as ordinary resolution:

6. Re-appointment of Mr. Anil Kumar Agarwal as a Whole-Time Director

Mr. Anil Kumar Agarwal was appointed as a Whole-Time Director of the Company for a period of five years with effect from 26th May, 2000 and therefore, his current term as Whole-Time Director has expired on 25th May, 2005.

It is notified for the information of the members that subject to the provisions of Section 198, 269, 309 and Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 and approval of the Shareholders of the Company in General Meeting, the Board of Directors of the Company at a meeting held on 24th May 2005 have appointed Mr. Anil Kumar Agarwal, as Whole-Time Director of the Company w.e.f. 26th May, 2005 for a period of 5(five) years i.e. upto 25th May, 2010.

An abstract of the terms of appointment of Mr. Anil Kumar Agarwal are :

Terms of Appointment

The Whole-Time Director shall conduct the day to day management of the Company subject to the supervision and control of the Board of Directors.

I. Period of Appointment

Mr. Anil Kumar Agarwal, has been appointed for a period of 5(five) years from May 26, 2005 till May 25, 2010

II. Salary

Rs. 18000-2000-26000/- per month.

III. Perquisites

Perquisites are classified into three categories 'A', 'B' and 'C'.

Category 'A'

(a) Reimbursement of Medical Expenses

Medical Expenses incurred by the Whole-Time Director for self and family subject to the ceiling of 1 month salary per year or 3 months salary in block of 3 years shall be reimbursed.

(b) Club Fees

Subscription to two clubs except admission and life membership fees.

(c) Personnel Accident Insurance

Personnel accident insurance subject to payment of premium not exceeding Rs 4000/- p.a. These shall be evaluated as per Income Tax Rules wherever applicable and at actual cost to the Company.

(d) Leave Travel

For the Whole-Time Director and his family, once in two year incurred in accordance with any rules specified by the Company.

Explanation

Family means the spouse, the dependent children and dependent parents of the Whole-Time Director.

Category 'B'

Contribution to Provident Fund, Superannuation Fund or Annuity Fund will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act, Gratuity payable shall not exceed half a month's salary for each completed year of service.

Category 'C'

Provision of Cars for use on Company's business and telephone at residence will not be considered as perquisites. Personnel long distance call on telephone and use of car for private purpose shall be billed by the company to the Whole Time Director.

All other expenses incurred by him, in connection with the business of the Company be reimbursed.

RESOLVED FURTHER THAT in the event of any further relaxation by the Central Govt. in the guidelines or ceilings on managerial remuneration, the consent of the company be and is hereby accorded to the Board of Directors to increase the remuneration and / or perquisites to Shri Anil Kumar Agarwal, Whole-Time Director in its absolute discretion, within such guidelines or ceilings and subject to obtaining the approval of the Central Govt. where applicable.

SPECIAL RESOLUTION

To consider and if thought fit, to pass with or without modification the following resolution as special resolution

7. Resolved that pursuant to section 17 and other applicable provision, if any of the Companies Act, 1956 and subject to the confirmation by the Registrar of Companies, New Delhi.

The sub clause 1 to 5 of clause III (A) of the Memorandum of Association

- (a) To carry on and undertake the business of finance and to finance lease operation of all kinds that the company may think fit and to assist in deferred payment on similar transactions and to subsidize, finance or assist in subsidizing or financing of any goods, articles or commodities of all and every kind and description upon any terms whatsoever and against the security of all forms of immovable and movable property such as land and buildings plant and machinery, equipments, ships, aircrafts, automobiles, computers and all consumer, commercial and industrial items.
- (b) To advance, deposit or lend money, to any company, firm, person or association whether falling under the same management or otherwise in accordance with and to the extent permissible under the provision contained in the Companies Act, 1956, without security or on such terms as may be determined from time to time and to lend and negotiate loans of every description and to transact business as promoters and financiers and monetary agents in India and elsewhere provided that company shall not carry on the business of Banking as defined under Banking Regulation Act, 1949.

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- (c) To carry out financing operation and perform financing services such as making of loans both short term and long term with provision of financing software such as computer programme and to provide advisory/ counselling services to other entities on all matters of financing.
- (d) To carry on the business as financiers under hire purchase scheme of vehicles, vessels plant and machinery, tools, jigs, fixtures, furniture, office equipments, electrical and electronic appliances, medical appliances, household appliances, air conditioners, refrigerators, for industries, commercial establishment, household, institutions of all kind and individuals in any part of India or abroad.
- (e) To build, contract, establish, own, purchase, sell, take on lease or exchange or otherwise acquire, hold, maintain and manage industrial, commercial or residential buildings, and plots, apartment houses, hotels, motels, hostels, restaurants, factory premises godowns, golas, warehouses, flats, hostels, boarding houses, clubs, pleasure grounds and amusement parks, theatres cinemas or other show houses, meeting or lecture halls, libraries, dharmshalas and sarais, health resorts and sanatoriums, gardens, swimming pools and baths, huts Bazars and markets, melas and exhibition and to let, sublet, give on lease or otherwise to permit use and occupation of the same for rent on hire charges and to provide for the tenants and occupiers thereof al or any of the conveniences commonly provided in residential, commercial and industrial quarters.
- Of Clause III(A) of the Memorandum of Association are deleted and be and are hereby added as sub clause 50 To 54 of Clause III (C).
- Note : The resolution requires the consent of the shareholders through Postal Ballot for which necessary steps have been taken as per the companies (passing of the Resolution by postal ballot) Rules, 2001.
8. Resolved that pursuant to section 17 and other applicable provision, if any of the Companies, Act, 1956 and subject to confirmation by the Registrar of Companies, New Delhi.
- To consider and if thought fit, to pass with or without modification, the following resolution as a special resolution
- The following sub clauses from 1 To 5 of Clause III(A) of the Memorandum of Association are to be added as main object of the Company in place of above mentioned old main object:
- (a) To carry on the business as real estate developers, promoters, builders, contractors, colonizers and to lay out, develop, construct, built, erect, demolish, re-erect, alter, repair, remodel or do any other activity relating to construction of any building or building scheme, roads, highways, docks, ships, bridges, canals, wells, springs, serais, dams, power plants, wharves, ports, reservoirs, embankments, tramways, railways, irrigations, reclamations, improvements, sanitary, water, gas, electric light, telephonic, telegraphic and power supply works or any other structural or architectural work of any kind whatsoever.
- (b) To purchase, acquire, take on lease, or in exchange or in any other lawful manner any area, land, buildings, structures and to turn the same into account, develop the same and dispose off or maintain the same and to built townships, commercial complex, or other buildings or conveniences thereon and to equip the same or any part thereof with all or any amenities or conveniences and to deal with the same in any manner whatsoever.
- (c) To carry on the business of construction and operations of design centre, shopping malls, complexes and retailing outlets individually or in combination formats comprising shops, offices and /or units for commercial, retail or shopping purposes, for all products and services, multipurpose convention centers, exhibition and/or display platforms, arenas or spaces in whatsoever forms, theatres, art galleries, cafeterias, hotels, restaurants, parking spaces etc. and to arrange or give on rental, lease or on hire, have a business conducting arrangement or undertaking actual retailing activities or sell the shops, offices and/or units etc. to manufactures, trade bodies, traders, service providers including architects, engineering consultancy firms, finance companies, banks and /or any other persons or organizations /legal entities and render services for running such shopping malls, complexes or departmental stores as also conducting events directly or through event management companies, providing services as event managers, holding exhibitions, seminars, competitions, conferences, movie festivals, theatres showing, music and dance recitals, cultural events and regional/national festivals, art shows and other related events in the mall complex for its promotion or independently.
- (d) To carry on the business as planners, designers, architects, engineers, promoters, consultants, advisors, interior decorators, real estate agents in all the matters connected with real estate and building construction.
- (e) To promote, manage and administer co-operatives, groups housing societies for buying, holding, maintaining and developing lands, buildings, hereditaments, facilities, amenities and to manage, sell, allot lease out houses, apartments, flats, shops, offices to the shareholders, members, participants of such co-operatives, groups, societies or to any other persons on their behalf.
- Note : The resolution requires the consent of the shareholders through Postal Ballot for which necessary steps have been taken as per the companies (passing of the Resolution by postal ballot) Rules, 2001.
9. Resolved that pursuant to the provisions of Section 149(2A) and other applicable provisions if any, of the companies act, 1956, approval of the members be and is hereby accorded to the company in commencing and undertaking all or any of the business specified in the newly introduced sub clause 1 to 5 of clause III(A) of the Memorandum of Association of the Company as and when deemed fit by the Board of Directors. upon the aforesaid sub clause becoming effective at law.

Notes

- The Explanatory Statement, as required by section 173 of the Companies Act, 1956 in respect of the business under item no. 6 to 9 are annexed hereto.
- A member entitled to attend and vote at a meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company. A proxy form is sent herewith. Proxy Form duly completed must be received by the Company at the Registered /Corporate Office of the Company not less than 48 hours before the time of the meeting.
- In respect of the special resolution as per item no. 7, 8 & 9 of the notice, this resolution is required to be passed through postal ballot pursuant to the provisions of companies (Passing of the Resolution by Postal Ballot) Rules, 2001. A separate notice has been issued to the members in respect of the latter. The chairman will announce the result at the annual general meeting. If the resolution is assented to by the requisite majority of the shareholders in the postal ballot, it shall be deemed to have been passed at the said annual general meeting [sub section (4) of section 192A of the Companies Act, 1956].
- Members are requested to bring their copy of the Annual Report along with them at the Annual General Meeting. No Copy of the report will be distributed at the meeting.
- Members are requested to notify immediately change in their address, if any, to the Company.
- The Register of Members and Share Transfer Books of the Company will remain closed from 16th August 2005 to 17th August 2005 (both days inclusive) in terms of Section 154 of the Companies Act, 1956.
- Members can avail of the Nomination Facility by filling form No. 2B (in duplicate) with the Company.

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8. All Unpaid/Unclaimed Dividends in respect of financial year 1997-98 are pending in the Unclaimed Dividend Accounts with the Scheduled Bank. Members who have not encashed their dividend warrants for the aforesaid financial years may claim the duplicate dividend warrant to the Registered / Corporate Office of the Company at earliest. Members may further note that in accordance with the amended Section 205A of the Companies Act, 1956, Unpaid/Unclaimed Dividend in respect of financial year 1997-98 would be transferred to the Investor Education and Protection Fund (IEPF) in October 2005. Once the amount is transferred to IEPF, those members, who have not encashed their dividend warrants in respect of that year, would not be able to claim the amount.

Place : New Delhi
Date : 28th June 2005

By Order of the Board
Ashok Mittal
Chairman

EXPLANATORY STATEMENT

Explanatory Statement under Section 173(2) of the Companies Act, 1956, Annexed to notice dated 28.06.2005.

Item No. 6 of Special Business

The Board of Directors, at their meeting held on 28th June, 2005 renewed the term of appointment of Shri Anil Kumar Agarwal as Whole Time Director of the Company w.e.f. 26.05.2005 for further five years subject to the consent of the members at the next General Meeting of the Company.

Your Directors consider that his experience and audience will be of great value to the company and accordingly recommend this resolution for your approval.

None of the Directors except Anil Kumar Agarwal is interested in this resolution.

Item No. 7 of Special Resolution

As per RBI directions it is necessary to delete the finance business clause from main objects because Company's exposure to financial assets has reduced to below 50% of total assets hence it is necessary to surrender the RBI license. Therefore, all the main object relating to finance business has been deleted from the main object clause and added to the other object clause of the Company.

Your Directors, therefore recommend the resolution for your approval.

None of the Directors of the Company is in any way concerned or interested in the resolution.

Item No. 8 & 9 of Special Resolution

The directors of your company have proposed, subject to approval of shareholders by a special resolution, to change the main object clause of the memorandum of association of the company that the Company has diversified in the Real Estate Business and exposure to real estate business has been increased to more than 50% of total assets hence it is necessary to induct the Real Estate Business clause to the main object of the Company. The alteration in the object clause of the Memorandum of Association as set out in the resolution would be in the overall interest of the company. Pursuant to the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001, the said alteration is required to be approved by the shareholders by special resolution by postal ballot. Necessary notice has been sent to the members in that connection.

Your Directors, therefore recommend the resolution for your approval.

None of the Directors of the Company is in any way concerned or interested in the resolution.

Place : New Delhi
Date : 28th June 2005

By Order of the Board
Ashok Mittal
Chairman

Registered Office : 16-B/9, Dev Nagar, D.B. Gupta Road, Karolbagh, New Delhi – 110005.
Corporate Office : E-14/6, First Floor, Shanta Tower, Sanjay Place, Agra – 282 002.

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DIRECTORS' REPORT

TO THE MEMBERS

Your Directors have pleasure in presenting the Twelfth Annual Report on the business operation of your company and the Audited Financial Accounts for the year ended 31st March, 2005.

FINANCIAL RESULTS

The financial results of the company are given below:-

	As At 31.03.2005 (Rs.)	As At 31.03.2004 (Rs.)
Profit before Tax, Interest & Depreciation	17,43,441	20,79,133
Less : Depreciation	2,53,651	1,51,008
Less : Finance Charges	3,72,802	1,11,763
Profit before Tax	11,16,988	23,41,904
Provision for Tax	1,64,000	4,77,000
Profit after Tax	9,52,988	18,64,904
Add : Balance B/f from last year	1,45,51,687	1,33,94,645
Less: Adjustment relating to previous year	1,08,296	3,34,862
Profit available for appropriation	1,53,96,379	1,49,24,687
Appropriations:		
Special Reserve for Deposits	1,91,000	3,73,000
Balance carried to Balance Sheet	1,52,05,379	1,45,51,687
	1,53,96,379	1,49,24,687

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

(a) Industry Structure & Developments

Your Company is a Registered NBFC and has duly complied with the guidelines issued by Reserve Bank of India on Prudential Accounting Norms covering inter alia income recognition, investment accounting and provisioning for non-performing assets. As I have informed in my earlier communications that due to continuous recessions in the Non Banking financial business, your company has diversified into Real Estate Business. Gradually company is increasing its focus in Real Estate Business from the NBFC Business.

(b) Opportunities & Challenges

There are excellent opportunities for growth in Real Estate Business in the country. As Housing Loans are going cheaper day by day so the public at a large are interested to buy its own house.

Anna Finance Limited is well positioned to take advantage of emerging growth opportunities in the Indian economy.

The present depression in financial services sector poses a grave threat to the investment activities as whole. However, Anna Finance Limited is adopting appropriate business strategies to perform satisfactorily despite adverse conditions.

(c) Outlook

Anna Finance Ltd. is likely to maintain its focus on Real Estate Business activity and will also seek opportunities in other areas in the financial services sector.

(d) Adequacy of Internal Control

The Company has adequate internal control and systems commensurate with the size and nature of the business. The Company adheres to all internal control policies and procedures as well as complies with regulatory guidelines. The Audit Committee of the Board of Directors reviews the efficacy of internal controls.

(e) Human Resource Development

Your Company continued to have cordial and harmonious relations with all its employees.

DIVIDEND

In order to strengthen the Reserves of the Company the Directors do not recommend any dividend.

DEPOSITS

Fixed Deposit outstanding as on 31st March, 2005 stood at Rs. NIL (Previous Year: Rs. NIL). There are Deposits amounting to Rs. NIL, which remained unclaimed and unpaid as on 31.03.2005 (Previous Year :Rs. NIL). The Company has complied with all the requirements of Reserve Bank of India Directions .

AUDITORS REPORT

Report and observations of auditors are self explanatory or are suitably explained in notes to accounts. Further, the auditors have given a report to the Directors as directed by the Reserve Bank of India which is general in nature and does not call for any further comments.

DIRECTORS

In accordance with the provision of the Companies Act, 1956 and Articles of Association of the company Shri Ashok Mittal, Shri Ramesh Chand Agarwal and Shri Anil Kumar Agarwal, Directors of the Company retire by rotation and being eligible offer themselves for reappointment. The necessary resolutions for their reappointment are placed before you for approval.

APPOINTMENT OF AUDITORS

M/s Mehra Sanjay & Co., Auditors of the Company, will retire at the ensuing Annual General Meeting and are eligible for re-appointment. M/s Mehra Sanjay & Co. have confirmed their appointment, if made, shall be within the limits under section 224(1B) of the Companies Act, 1956 . The Board of Directors recommends reappointment of auditors and fix their remuneration.

CORPORATE GOVERNANCE

Pursuant to clause 49 of the Listing Agreement with the Stock Exchange, a Management Discussion & Analysis, Corporate Governance Report and Auditors' Certificate regarding compliance of conditions of Corporate Governance are made a part of the Annual Report.

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PARTICULARS OF THE EMPLOYEES

Provisions of section 217(2A) of the Companies Act, 1956 read with the companies (Particulars of Employees) Rules, 1975 are not applicable as there was no employee in receipt of or entitled to receive emoluments exceeding the limits prescribed under said section.

THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES 1988.

In terms of the requirement of clause (e) of sub section (1) of section 217 of the Companies Act, 1956 read with the companies (disclosure of particulars in the report of Board of Directors) Rules, 1988 the particulars are given as follows:

The Company is engaged in the business of Financing, and Real Estate, hence provisions relating to Energy conservation and Technology absorption are not applicable. There is no foreign exchange earnings/outgo during the year.

DIRECTORS RESPONSIBILITY STATEMENT PURSUANT TO SECTION 217(2AA) OF THE COMPANIES ACT, 1956

As required u/s 217 (2AA) of the companies Act, 1956, we hereby confirm:

- (i) that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanations relating to material departures;
- (ii) 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 a true and fair view of the state of affairs of the company as at 31st March 2005 and the Profit & Loss for the year ended 31st March 2005;
- (iii) that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the directors have prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENT

The Directors wish to place on record our valued clients, Bankers, Shareholders for their continues support. The Directors also wish to express their sincere appreciation to all the staff members for their contribution to the performance of the company.

Place : New Delhi
Date : 28.06.2005

By order of the Board
ASHOK MITTAL
chairman



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CORPORATE GOVERNANCE REPORT

In Compliance with Clause 49 of the Listing Agreement with Stock Exchanges, the Company is pleased to submit this report on the matters mentioned in the said clause and the practices followed by the Company in this regard.

1. Company's philosophy on Code of Governance

Corporate Governance refers to systems by which the Company is managed, directed and controlled, keeping in view the long term interests of shareholders. It refers to various regulations which enable the Company to attract financial and human capital and to generally perform efficiently. Corporate Governance therefore generates long term economic value for its shareholders.

Anna Finance Ltd. believes that the implementation of Corporate Governance principles generates public confidence in the corporate system. With this belief, the Company has initiated significant measures for making disclosures in the Annual Report 2004-2005.

2. Board of Directors

- Composition

The Company has a Executive Chairman and the number of independent Directors are more than 50% of the total number of directors.

During the year, 2004-2005, the Board met 7 times on following dates, namely 1st April 2004, 3rd June 2004, 25th June 2004, 30th July 2004, 11th October 2004, 29th October 2004 and 28th January 2005.

The names and categories of the Directors on the Board, their attendance at Board Meetings during the year and at the last Annual General Meeting, as also the number of Directorships and committee memberships held by them in other companies are given below :

Name	Category	Attendance Particulars		No. of Other Directorship and Committee Member /Chairmanship		
		Board Meeting	AGM	Other Directorship	Committee Membership	Committee Chairmanship
Ashok Mittal	Chairman, Executive, Not Independent	6	Yes	1	1	NIL
Rakesh Mittal	Director, Executive, Not Independent	7	Yes	1	NIL	NIL
Anil Kumar Agarwal	Director, Executive, Not Independent	7	Yes	1	2	NIL
Ramesh Chand Agarwal	Director, Non Executive, Independent	5	Yes	None	1	1
Ramesh Chand Gupta	Director, Non Executive, Independent	4	Yes	None	1	NIL
Dr. Shambhu Dayal Agarwal	Director, Non Executive, Independent	6	Yes	None	1	1
Madan Mohan Agarwal	Director, Non Executive, Independent	4	Yes	None	NIL	1
Shalabh Singh	Director, Non Executive, Independent	5	Yes	1	1	NIL

3. Audit Committee

The Audit Committee consisted of three Directors viz. Mr Madan Mohan Agarwal as Chairman, Dr. Shambhu Dayal Agarwal and Mr Shalabh Singh as members.

The terms of reference specified by the Board for the Audit Committee are as follows :

- to review the Company's financial reporting process and its financial statements.
- to review the accounting and financial policies and practices.
- to review the efficiency of the internal control mechanism and monitor risk management.
- Policies adopted by the company and ensure compliance with regulatory guidelines.
- To review report furnished by the Statutory Auditors and ensure suitable follow-up thereon.

All the three Committee members have attended all the three Audit Committee meetings held during the year.

4. Remuneration Committee

- Terms of Reference

- To review, assess and recommend the appointment of Whole Time Directors
- To periodically review the remuneration package of Whole Time Directors and recommend suitable revision to the Board.

- Composition

The Remuneration Committee consisted of four Directors viz. Dr. Shambhu Dayal Agarwal as Chairman, Mr Ramesh Chand Agarwal, Mr Ramesh Chand Gupta and Mr. Anil Kumar Agarwal as members.