

ANNUAL REPORT FOR THE YEAR 2005-2006

DIRECTORS

Shri Shiva Nath Prasad
Shri Umesh Khaitan
Shri Ramgopal Mundra
Shri Athul Singhi
Shri Sushil Kumar Daga
Shri Pramod Kumar Chand

AUDITORS

M. M. NISSIM AND CO.
Chartered Accountants
Mumbai

BANKERS

BANK OF BARODA
UNION BANK OF INDIA

REGISTERED OFFICE

Industry House, 2nd Floor
159, Churchgate Reclamation
Mumbai - 400 020

CORPORATE OFFICE

Birla Building, 4th Floor
9/1, R. N. Mukherjee Road
Kolkata - 700 001



BIRLA FINANCIAL CORPORATION LIMITED

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NOTICE

TO THE SHAREHOLDERS

NOTICE is hereby given that the Annual General Meeting of the Shareholders of the Company will be held at the Registered Office of the Company at Industry House, 159, Churchgate Reclamation, Mumbai - 400 020 on Friday, the 15th September, 2006 at 2.30 p.m. for the following purposes :

AS ORDINARY BUSINESS :

1. To receive and consider the Report of the Directors and to pass the audited Accounts of the Company for the year ended 31st March, 2006 ;
2. To appoint Directors in place of Shri Umesh Khaitan and Shri R. G. Mundra, who retire by rotation, and being eligible, offer themselves for re-appointment ;
3. To appoint Auditors and to fix their remuneration.

By Order of the Board

S. K. DAGA
Director

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Corporate Office :

'BIRLA BUILDING'
9/1, R. N. Mukherjee Road
Kolkata - 700 001

Kolkata, 30th June, 2006.

Note :

1. A member entitled to attend and vote at the above Meeting is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a member.

DIRECTORS' REPORT

TO THE SHAREHOLDERS

Your Directors present their Annual Report, together with the Audited Accounts of the Company for the year ended 31st March, 2006.

Accounts & Financial Matters

	For the year ended 31st March, 2006 Rs.	For the year ended 31st March, 2005 Rs.
The year's working shows a Gross Profit / (Loss) of -	29,53,850	33,77,250
Out of which, provision has been made for :		
Taxation	<u>5,50,882</u>	<u>8,90,000</u>
	24,02,968	24,87,250
To which is added :		
Excess Provision for Income Tax Written Back	<u>30,314</u>	<u>—</u>
	24,33,282	24,87,250
Balance brought forward from previous year	<u>1,84,13,561</u>	1,64,23,761
Leaving a total disposal surplus of -	2,08,46,843	1,89,11,011
Which has been appropriated as follows :		
Transfer to Reserve Fund (under RBI Act, 1934)	<u>4,87,000</u>	<u>4,97,450</u>
and Balance carried to Balance Sheet	<u><u>2,03,59,843</u></u>	<u><u>1,84,13,561</u></u>

Dividend

With a view to conserve the resources of the Company, the Board has decided not to declare dividend on Equity Shares for the year.

Directors' Responsibility Statement

As required under section 217(2AA) of the Companies Act, 1956, your Directors state :

- i) that in the preparation of the annual accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures ;
- ii) that the such accounting policies selected and applied are consistent and the judgements and estimates made 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 or loss of the company for that period ;
- iii) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company

BIRLA FINANCIAL CORPORATION LIMITED

and for preventing and detecting fraud and other irregularities ;

iv) that the annual accounts have been prepared on a going concern basis.

Deposits

The Company has not accepted any deposit from the public.

Auditors

M/s. M. M. Nissim & Company, Chartered Accountants retire as Auditors of the Company and being eligible, offer themselves for re-appointment.

Particulars of Employees

Particulars of Employees in accordance with the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, are not given, as none of the employees qualify for such disclosure.

Conservation of Energy, Technology Absorption & Foreign Exchange Earnings and Outgo

Provisions of Section 217(1)(e) of the Companies Act, 1956, and rules made thereunder are not applicable to your Company. There was no foreign exchange outflow during the year.

Directors

Shri. R. K. Damani tendered his resignation from the Board of Directors of the Company with effect from 6th June, 2006. The Board placed on record its deep appreciation of the valuable services rendered by Shri R. K. Damani during his association with the Company.

Shri Umesh Khaitan and Shri R. G. Mundra, Directors of the Company, retire from the Board by rotation and, being eligible, offer themselves for re-appointment.

Appreciation

The Directors place on record their appreciation for the co-operation and assistance rendered by the Company's Bankers.

Yours faithfully,

SHRI S. N. PRASAD

SHRI S. K. DAGA

SHRI P. K. CHAND

Directors

Kolkata, 4th July, 2006.

AUDITORS' REPORT

TO THE SHAREHOLDERS

We have audited the attached Balance Sheet of **BIRLA FINANCIAL CORPORATION LIMITED**, as at 31st March, 2006 and also the Profit & Loss Account Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As required by the Companies (Auditors' Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Companies Act, 1956, we give below a statement on the matters specified in paragraphs 4 and 5 of the said order.

- i) In respect of Fixed Assets :
 - a) The Company has maintained proper records showing full particulars, including quantitative detail and situation of fixed assets (Computer).
 - b) As explained to us, the computer acquired during the year, has been physically verified by the management and no discrepancy was noticed on such verification. The frequency of such verification is reasonable considering the size and nature of its business.
 - c) The company has not disposed off any fixed assets during the year.
- ii) The Company did not carry any inventory at any time during the previous year. Accordingly, the clauses 4 (ii) (a) to (c) of the Order are not applicable.
- iii)
 - a) The company has not granted any loans, secured or unsecured, to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the clauses 4 (iii) (a) to (d) of the Order are not applicable.
 - b) 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 Companies Act, 1956. Accordingly, the clauses 4 (iii) (f) to (g) of the Order are not applicable.
- iv) In our opinion there are adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase and sale of securities. During the course of our audit, no major weakness has been noticed in the internal controls.
- v)
 - a) There are no transactions made in pursuance of contracts or arrangements, that need to be entered into the register maintained under section 301 of the Companies Act, 1956.
 - b) There are no transactions of purchase and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act, 1956 aggregating during the year to Rs. 5 lacs or more in respect of each party.
- vi) The Company has not accepted any deposits from public within the meaning of section 58 A, 58-AA of the Companies Act, 1956.
- vii) The Company does not have an internal audit system. However, the internal controls are adequate considering the size of the Company and the nature of its business.
- viii) We are informed that the Central Government has not prescribed maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956.
- ix)
 - a) The Company has been regular in depositing undisputed statutory dues, including Provident Fund, Investor Education and Protection Fund, Employee State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and any other statutory dues during the year with appropriate authorities, where applicable: