

**ANNUAL REPORT 2005 - 06**

**FORTIS**

**STRATEGY**



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## CORPORATE INFORMATION

<b>BOARD OF DIRECTORS</b>	: Mr. Harpal Singh Mr. Sunil Godhwani Mr. Malvinder Mohan Singh Mr. Shivinder Mohan Singh Mr. Vinay Kumar Kaul Mr. V. M. Bhutani Mr. Umesh Kumar Khaitan	Chairman Managing Director Director Director Director Director Director
<b>CHIEF EXECUTIVE OFFICER</b>	: Mr. Maninder Singh Grewal	
<b>COMPANY SECRETARY</b>	: Ms. Rupa Radhakrishnan	
<b>AUDIT COMMITTEE</b>	: Mr. V. M. Bhutani Mr. Vinay Kumar Kaul Mr. Malvinder Mohan Singh	Chairman Member Member
<b>SHAREHOLDERS'/INVESTORS' GRIEVANCE COMMITTEE</b>	: Mr. Harpal Singh Mr. Malvinder Mohan Singh Mr. Shivinder Mohan Singh Mr. V. M. Bhutani	Chairman Member Member Member
<b>REGISTERED OFFICE</b>	: 55, Hanuman Road, Connaught Place, New Delhi-110 001.	
<b>CORPORATE OFFICE</b>	: 210, Taj Building, Dr. D. N. Road, Fort, Mumbai-400 001.	
<b>BRANCH OFFICE</b>	: <b>Calcutta :</b> 24, R.N. Mukherjee Road, Calcutta - 700 001.	
	<b>Chennai :</b> 8D, Century Plaza, Anna Salai, Teynampet, Chennai - 600 018.	
<b>BANKERS</b>	: ABN Amro Bank HDFC Bank Limited Central Bank of India	
<b>AUDITORS</b>	: R.V. Shah & Co., Chartered Accountants 28, Maheshwar Niwas 44-45, Tilak Road, Santacruz (West) Mumbai - 400 054	
<b>ANNUAL GENERAL MEETING</b>	: Venue : Shah Auditorium, 2, Raj Niwas Marg, New Delhi - 110 054 Date : September 16, 2006 Day : Saturday Time : 4.00 p.m.	

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**NOTICE**

NOTICE is hereby given that the Eleventh Annual General Meeting of Fortis Financial Services Limited will be held on Saturday, September 16, 2006 at 4 P.M. at Shah Auditorium, 2, Raj Niwas Marg, Delhi-110 054, to transact the following business:

**ORDINARY BUSINESS**

1. To receive, consider and adopt the Profit and Loss Account of the Company for the year ended March 31, 2006, the Balance Sheet as at that date and the Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. V.M. Bhutani, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. V.K. Kaul, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint M/s R. V. Shah & Co., Chartered Accountants, the retiring Auditors of the Company, as the Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting, at such remuneration, as may be decided upon by the Board of Directors.

**SPECIAL BUSINESS**

5. To consider, and if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution:

**"RESOLVED THAT** pursuant to the provisions of Sections 81 (1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), the relevant provisions of the Memorandum and Articles of Association of the Company and subject to the Rules/Regulations/Guidelines issued by the Central Government, Securities and Exchange Board of India (SEBI) and the Bombay Stock Exchange Limited (BSE) including the provisions of the Listing Agreement entered into with them and subject to the approvals, if any, required from SEBI, Reserve Bank of India (RBI) and any other appropriate and/or concerned authorities, and subject to such conditions and modification(s) as may be prescribed or imposed by any of them while granting such approvals and which may be agreed to by the Board of Directors of the Company (hereinafter

referred to as the "Board", which term shall also include any committee thereof), the consent of the Company be and is hereby accorded to the Board, to offer, issue and allot 10,71,400 Equity Shares of the face value of Rs. 10 (Rupees Ten only) each @ Rs. 70 (Rupees Seventy only) each inclusive of a premium of Rs. 60 (Rupees Sixty only) each, on preferential basis, to Mr. Sanjay Padode, on the terms and conditions as specified herein below:

1. The Equity Shares shall have a face value of Rs. 10 (Rupees Ten only) each, in terms of Chapter XIII of the SEBI (Disclosure and Investor Protection) Guidelines, 2000 (hereinafter referred to as "the SEBI Guidelines") and subsequent amendments made thereto, from time to time.
2. The 'Relevant Date' for the Preferential Issue, as per the SEBI Guidelines, as amended from time to time, for determination of applicable price for the issue of above mentioned Shares will be 30 days prior to the date of Annual General Meeting.
3. The Equity Shares shall be subject to a lock-in period of 3 years from the date of their allotment.
4. The Equity Shares to be issued and allotted shall rank pari-passu in all respects with the existing Equity Shares of the Company.

**RESOLVED FURTHER THAT** the Certificate issued by the Statutory Auditors of the Company in accordance with the SEBI Guidelines and laid before the Meeting be and is hereby noted.

**RESOLVED FURTHER THAT** to give effect to the above, Mr. Sunil Godhwani, Managing Director, Mr. V. K. Kaul, Director and Ms. Rupa Radhakrishnan, Company Secretary, be and are hereby severally authorised to do all such acts, deeds and things (including delegation of authority) as they may in their absolute discretion deem necessary, proper or desirable and to settle any questions, difficulties or doubts that may arise in this regard and to finalise and execute all such deeds, documents, agreements and writings, as may be necessary or expedient, for the purpose of giving effect to this Resolution."

**By Order of the Board of Directors**

(Rupa Radhakrishnan)

Dated: August 14, 2006 **Company Secretary**  
 Place: New Delhi

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**NOTES:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING THE PROXY SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. Explanatory Statement in respect of Special Business, as required under Section 173(2) of the Companies Act, 1956, is enclosed.
3. Information pertaining to the Directors proposed to be re-appointed at S. Nos. 2 and 3 of the Ordinary Business is given in the Report on Corporate Governance in the Annual Report.
4. The Register of Members and Transfer Books of the Company shall remain closed from September 13, 2006 to September 16, 2006 (both days inclusive).
5. Members desirous of getting any information on the accounts and operations of the Company are requested to write to the Company at least 10 days before the meeting at 55, Hanuman Road, Connaught Place, New Delhi - 110 001 addressed in the name of the Company Secretary, so that requisite information can be made available at the Meeting.
6. Members/proxies are requested to bring the Annual Report along with duly filled attendance slips sent herewith for attending the meeting. Members, who hold Shares in electronic form are requested to bring their Client ID and DP ID numbers for their identification at the Meeting.
7. Corporate members intending to send their authorised representative(s) to attend the Meeting are requested to send a duly certified copy of their Board Resolution authorising such representative(s) to attend and vote at the Meeting.
8. Members/proxies attending the Meeting are hereby informed that no gifts / coupons shall be distributed at the Meeting.
9. Equity Shares of the Company are under Compulsory Demat for trading since June 28, 2001. Members are requested to convert their holdings from physical to Demat form and send all DRF to our Registrar & Share Transfer Agents or our New Delhi office through their Depository Participants. For any queries, Members may write to the Company Secretary, Fortis Financial Services Limited. The ISIN No. of the Company is INE991C01018.
10. Members of the erstwhile Empire Finance Company Limited (EFCL) who have not surrendered their Share Certificates of EFCL are requested to surrender the same to the Company and get Share Certificates of Fortis Financial Services Limited, in exchange, as per the approved Exchange Ratio.
11. Members are requested to notify change of residential address either to the Company or its Registrar & Share Transfer Agents. In case Shares are held in demat form, this information should be sent to their Depository Participants. Members should quote their Folio Numbers/ Client ID and DP ID numbers in their correspondence with the Company.

**ANNEXURE TO THE NOTICE**

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

**Item No. 5**

The Company has entered into a Share Purchase and Subscription Agreement ("the Agreement") on August 14, 2006, inter alia, with Asian CERC Information Technology Limited (ACERC) and its Promoter Mr. Sanjay Padode, inter alia, for acquisition of controlling equity stake upto 51% of ACERC.

As per terms of the Agreement, the Company is required to issue and allot 10,71,400 Equity Shares of Rs. 10 (Rupees Ten only) each of the Company @ Rs. 70 (Rupees Seventy only) each inclusive of premium of Rs.60 (Rupees Sixty only) to Mr. Sanjay Padode. The funds raised through this Issue shall be used to part finance the acquisition of controlling equity stake in ACERC.

The Certificate from the Auditors of the Company certifying that the issue of above Equity Shares in accordance with the SEBI Guidelines in force on the date of this notice is kept open for inspection at the Registered Office of the Company on all working days during office hours and will also be so available at the Meeting.

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The information, as required to be disclosed under the SEBI Guidelines is as follows:

**i. Object of the Issue:**

The object/ purpose of the Issue is to part finance the acquisition of controlling equity stake in ACERC.

**ii. Intention of the Promoters/ Directors/ Key management persons to subscribe to the Offer:**

The Promoters, Directors and Key management persons of the Company do not intend to subscribe to the Offer.

**iii. Shareholding Pattern before and after the offer:**

Category Code	Category of Shareholders	Before issue of Equity Shares		After issue of Equity Shares	
		No. of Shares	% of holding	No. of Shares	% of holding
<b>I</b>	<b>Shareholding of Promoters</b>				
(a)	Individuals/Hindu Undivided Family(ies)	8,96,100	3.47	8,96,100	3.33
(b)	Bodies Corporate	1,96,92,149	76.14	1,96,92,149	73.12
	<b>Total Shareholding of Promoters (A)</b>	<b>2,05,88,249</b>	<b>79.61</b>	<b>2,05,88,249</b>	<b>76.45</b>
<b>II</b>	<b>Public Shareholding</b>				
(a)	Bodies Corporate	9,80,714	3.80	9,80,714	3.64
(b)	<u>Individuals</u>				
(i)	Holding nominal Share Capital up to Rs. 1 Lac	28,63,726	11.07	28,63,726	10.63
(ii)	Holding nominal Share Capital in excess of Rs. 1 Lac	3,50,205	1.35	14,21,605	5.28
(c)	<u>Any Other(s)</u>				
(i)	NRIs & OCBs	10,75,631	4.16	10,75,631	3.99
(ii)	Directors & Relatives	1,850	0.01	1,850	0.01
	<b>Total Public Shareholding (B)</b>	<b>52,72,126</b>	<b>20.39</b>	<b>63,43,526</b>	<b>23.55</b>
	<b>TOTAL (A)+(B)</b>	<b>2,58,60,375</b>	<b>100.00</b>	<b>2,69,31,775</b>	<b>100.00</b>

**iv. Proposed time within which the Allotment shall be completed:**

The Allotment of the Equity Shares as proposed shall be completed within the prescribed period of 15 days from the date of passing of the Resolution by Shareholders of the Company.

**v. The identity of the proposed allottees and the percentage of post preferential issued capital that may be held by them:**

S. No.	Name of the Allottee	No. of Equity Shares to be allotted	%age of Post issue Equity Capital
1	Mr. Sanjay Padode	10,71,400	3.98
	<b>Total</b>	<b>10,71,400</b>	<b>3.98</b>

Your Directors recommend the Resolution to be passed as a Special Resolution for approval by Shareholders.

None of the Directors, is in any way, concerned or interested in the Resolution.

**By order of the Board**

(Rupa Radhakrishnan)  
**Company Secretary**

Date: August 14, 2006  
Place: New Delhi

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## DIRECTORS' REPORT

Your Directors are pleased to present the Eleventh Annual Report along with Audited Accounts for the year ended March 31, 2006.

### FINANCIAL HIGHLIGHTS

<b>Particulars</b>	<b>(Rs. Lacs)</b>	
	<b>March 31, 2006</b>	<b>March 31, 2005</b>
Gross Income	<b>2623.16</b>	918.73
Profit Before Tax (PBT)	<b>243.59</b>	41.17
Amounts written off	<b>900.14</b>	0.00
Provision for Tax	<b>7.18</b>	0.00
Profit After Tax (PAT)	<b>236.41</b>	41.17
Reversal of Provision for Non Performing Assets/ Diminution in value of Investments	<b>1205.09</b>	894.20
Balance Brought Forward from last year	<b>(3692.35)</b>	(2975.68)
Balance Carried Forward	<b>(2224.63)</b>	(3692.34)

### MANAGEMENT DISCUSSION & ANALYSIS

#### Financial Performance

During the year, performance of the Company improved significantly as compared to the previous year. Gross Income increased by about 185% while Profit After Tax went up by about 47.4%.

During the year, the Company divested its entire equity investments in its two Wholly-owned Subsidiaries, namely, Fortis Securities Limited (now Religare Securities Limited) and Fortis Comdex Limited (now Religare Commodities Limited), resulting in a gain of Rs. 2400 Lacs.

The Company took several strategic steps to curtail expenditure with the result that interest and finance charges reduced from Rs. 319.42 Lacs in the year 2004-05 to Rs. 48.91 Lacs in the year 2005-06.

Net Worth of the Company has become positive on account of gain from divestment of Equity Shares in its Subsidiary Companies as also curtailment and reduction of expenditure.

#### Industry Overview

The Indian Economy registered GDP growth of over 8% mainly due to robust growth in construction and manufacturing sectors. The service sector also maintained its pace of growth as in the past.

The year 2005 – 06 witnessed a sharp rise in global crude prices, slowdown in reserve inflows and increase in interest rates. Despite the above

factors, the growth prospects for Indian Economy continue to be bright due to strong fundamentals. The financial sector is amongst the most competitive segments of the economy with the banking sector forming a significant presence.

NBFCs are at present in the competing fields of vehicle financing, hire-purchase, lease, personal loans, working capital loans, consumer loans, housing loans, loans against Shares, investments, distribution of financial products, etc. NBFCs function where the risks are higher than returns, recovery has to be the focus area, loan-ticket size is small, appraisal and disbursement has to be speedy and where flexibility in terms of loan size and tenor is required.

Entry of new NBFCs has resulted in a strong competitive environment. Under this scenario, NBFCs are now under pressure to cut costs and to develop a focused marketing approach on select customer segments by offering more personalized services.

#### Opportunities & Future Outlook

The activities of the Company were hitherto curtailed due to its negative Net Worth, high debt and accumulated losses. With the divestment referred above, the Company was able to unlock substantial value and reduce its debt significantly.

The Company now intends to enlarge its areas of business and make strategic investments in select sectors such as Information Technology.

The Company has entered into a Share Purchase and Subscription Agreement on August 14, 2006, inter alia, for the acquisition of controlling equity stake upto 51% in Asian CERC Information Technology Limited (ACERC) which is engaged in the business of Information Technology providing online and offline information relating to financial markets and software development including software consultancy.

#### Risks & Concerns

The Company is exposed to risks that are specific to its business and the environment within which it operates, like hardening of interest rates, market and credit risks, competitiveness of the financing industry etc. The Company manages these risks by maintaining a conservative financial profile and by following prudent business and risk management practices.

#### Internal Control Systems and their adequacy

The Company has proper and adequate systems of Internal Control commensurate with its size and business. The Company ensures adherence to Internal Control Policies and Procedures as well as all regulatory compliances.

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The Company has an Audit Committee of the Board of Directors which meets regularly to review, inter-alia, adequacy of Internal Controls and Audit Findings on various aspects of the business.

**Dividend**

The Directors do not recommend any Dividend for the financial year 2005-06.

**Changes in Capital Structure**

**(a) Alteration of Authorised Share Capital**

During the year under review, the Authorised Share Capital of the Company was altered from Rs. 47,00,00,000 (Rupees Forty Seven Crores only) divided into 2,10,00,000 (Two Crores Ten Lacs) Redeemable Preference Shares of Rs.10 each and 2,60,00,000 (Two Crores Sixty Lacs) Equity Shares of Rs. 10 each to Rs. 47,00,00,000 (Rupees Forty Seven Crores only) divided into 4,70,00,000 (Four Crores Seventy Lacs) Equity Shares of Rs. 10 each by cancellation of the un-issued 2,10,00,000 (Two Crores Ten Lacs) Redeemable Preference Shares of Rs.10 each and in lieu thereof, by the creation of additional 2,10,00,000 (Two Crores Ten Lacs) Equity Shares of Rs.10 each.

**(b) Rights Issue**

The Board of Directors and the Shareholders of the Company at their meetings held on February 23, 2006 and March 22, 2006 respectively approved the Issue of Equity Shares on Rights basis, in the ratio of 1 (one) Equity Share for every 2 (two) Equity Shares in terms of the provisions of Section 81(1A) of the Companies Act, 1956.

The Company is in the process of complying with the applicable Guidelines issued by SEBI and shall complete all the formalities in this regard in due course.

**Fixed Deposits**

During the year under review, the Company has not accepted any fixed deposits within the meaning of Section 58A of the Companies Act, 1956 read with the Companies (Acceptance of Deposits) Rules, 1975.

**Directors**

In terms of Article 153 of the Articles of Association of the Company, Mr. V. K. Kaul and Mr. V. M. Bhutani, Directors of the Company retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The requisite disclosure regarding the above Directors has been made in the Report on Corporate Governance which forms part of this Report.

**Chief Executive Officer**

Mr. Maninder Singh Grewal was appointed as the Chief Executive Officer of the Company with effect from June 1, 2006. Mr. Grewal holds a degree in Mechanical Engineering and B. Tech (Hons.) from the Indian Institute of Technology, Kharagpur. He has more than 33 years of experience in the Information Technology Industry.

**Company Secretary**

Ms. Rupa Radhakrishnan, an Associate Member of the Institute of the Company Secretaries of India, was appointed as the Company Secretary with effect from June 19, 2006 consequent to the resignation of Ms. Bhumika Sood, who was appointed on February 21, 2006 in place of Mr. Sunil Kumar Garg, who resigned on February 21, 2006, from the position of Company Secretary.

**Listing**

The Equity Shares of the Company continue to remain listed on the Bombay Stock Exchange Limited (BSE). The Company has paid the requisite Annual Listing Fee to BSE for the financial year 2006-07.

**Directors' Responsibility Statement**

In terms of the provisions of Section 217(2AA) of the Companies Act, 1956, the Directors hereby state and confirm as under:

- (i) that in the preparation of the annual accounts for the year ended on March 31, 2006, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) that the Directors had selected appropriate 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 2005-2006 and of the profit of the Company for that period;
- (iii) that the Directors had 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;
- (iv) that the Directors had prepared the annual accounts of the Company on a going concern basis.

**Particulars of Employees**

The information as required in accordance with Section 217(2A) of the Companies Act, 1956



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read with the Companies (Particulars of Employees) Rules, 1975, as amended, is set out in **Annexure A** to this Report.

**Corporate Governance**

A separate Report on Corporate Governance as stipulated under Clause 49 of the Listing Agreement is annexed as a part of this Report along with the Auditors' Certificate thereon.

**Auditors and Auditors' Report**

M/s R.V. Shah & Co., Chartered Accountants, Statutory Auditors of the Company, hold office till the conclusion of the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment. The Company has received a letter from the Auditors to the effect that their re-appointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956.

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

The Company is not engaged in manufacturing activities and, therefore, the particulars as required

under Section 217(1)(e) of the Companies Act, 1956 read with the Companies' (Disclosures of Particulars in the Report of the Board of Directors) Rules, 1988 regarding Conservation of Energy, Research and Development and Technology Absorption are not applicable.

There were no Foreign Exchange Earnings and Outgo during the year.

**Acknowledgement**

The Directors wish to place on record their sincere appreciation for the continued assistance, support and co-operation extended to the Company by the Financial Institutions, Banks, Government Authorities and Employees during the year under review.

The Directors acknowledge with gratitude the encouragement and support extended by our valued Shareholders.

On behalf of the Board of Directors

Place: New Delhi

Date: August 14, 2006

**Harpal Singh**  
Chairman

**ANNEXURE A**

**Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies' (Particulars of Employees) Rules, 1975 forming part of Directors' Report for the year ended March 31, 2006.**

Name of Employee	Age (Yrs.)	Designation (Nature of Duties)	Gross Remuneration (Rs.)	Qualification	Experience (Years)	Date of Employment	Last Employment
Mr. J.S. Grewal	50	President - Operations	37,86,767	Masters in Economics	25	17.03.1993	Credit Manager - BCCI Hongkong

**Notes:**

1. Gross Remuneration includes Basic Salary, Additional Allowance, HRA, Education Allowance, Uniform Allowance, Performance Bonus, Leave Encashment, Medical Reimbursement, LTA, contribution towards Provident Fund, Gratuity and Personal Accident Insurance, Telephone Reimbursement, Entertainment Expenses, Driver's Salary, etc.
2. The nature of employment of Mr. J.S. Grewal is non-contractual in nature.
3. Mr. J.S. Grewal does not hold any equity shares in the company.



**REPORT ON CORPORATE GOVERNANCE****Company's Philosophy on Corporate Governance**

Your Company believes that the fundamental objective of Corporate Governance is to enhance Shareholders' value, while keeping in view the interest of all stakeholders. The Company endeavours to fulfil its commitment towards its investors and therefore lays emphasis on the values of transparency, efficiency and fair dealings.

In India, the Securities and Exchange Board of India (SEBI) stipulates the Corporate Governance Standards for Listed Companies through Clause 49 of the Listing Agreement of Stock Exchanges. SEBI, through Circulars dated October 29, 2004 and March 29, 2005, revised the Clause 49 and mandated Listed Companies to comply with the revised Clause 49 by December 31, 2005. Your Company has established systems and procedures to adhere to the mandated regulations in its true spirit and is fully compliant with the revised Clause 49.

**Board of Directors****Composition of the Board**

The Board of Directors of the Company consists of seven (7) Directors, out of which three (3) are Independent Directors.

The composition and categories of the Directors on the Board, their attendance at Board Meetings during the year and at the last Annual General Meeting and the number of Directorships and Committee membership(s) (Chairmanship(s) held by them in other Public Companies as on March 31, 2006 are presented in Table 1.

**Table 1**

Name of the Director	Category #	Attendance Particulars			No. of other Directorship, Committee Membership and Chairmanship		
		Number of Board Meetings		Last AGM	Other Directorship	Committee Membership	Committee Chairmanship
		Held	Attended				
Mr. Harpal Singh - Chairman	NED	9	9	Yes	9	4	Nil
Mr. Sunil Godhwani	ED	9	9	No	4	Nil	Nil
Mr. Malvinder Mohan Singh	NED/ PD	9	8	No	13	8	1
Mr. Shivinder Mohan Singh	NED/ PD	9	9	Yes	13	4	Nil
Mr. U.K. Khaitan	NED/ ID	9	Nil	No	13	Nil	Nil
Mr. V.K. Kaul	NED/ ID	9	8	No	13	10	Nil
Mr. V.M. Bhutani	NED/ ID	9	6	Yes	6	4	3

# PD - Promoter Director; NED - Non-Executive Director; ID - Independent Director; ED - Executive Director

**Notes :**

1. Private limited companies, foreign companies and companies under section 25 of the Companies Act, 1956 are excluded for the above purpose.
2. Only Audit Committee and Shareholder's/Investors' Grievance Committee are considered for the purpose of committee positions as per listing agreement.
3. As mandated by Clause 49, none of the Directors are members of more than ten Board level Committees nor Chairman of more than five Committees of which they are members.

**Board Meetings**

During the financial year ended on March 31, 2006, the Board of Directors of the Company met nine (9) times on April 30, 2005, May 16, 2005, July 29, 2005, August 17, 2005, October 31, 2005, November 2, 2005, January 31, 2006, February 21, 2006 and March 22, 2006.

**Remuneration paid to Directors**

During the financial year 2005-06, the Company has not paid any remuneration to its Directors.

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**Shareholding of Non-Executive Directors**

The details of Equity Shares held by Non-Executive Directors in the Company as on March 31, 2006 are given below in Table 2.

**Table 2: Details of Equity Shares held by Non-Executive Directors**

S. No.	Name of the Director	Number of Equity Shares held
1	Mr. Harpal Singh	Nil
2	Mr. Malvinder Mohan Singh	442650
3	Mr. Shivinder Mohan Singh	441650
4	Mr. U.K. Khaitan	Nil
5	Mr. V.K. Kaul	1100
6	Mr. V.M. Bhutani	100

During the year 2005-06, the Company did not issue any stock options.

**Code of Conduct**

The Board of Directors has adopted the Code of Conduct for Members of the Board and for Senior Management Personnel. The Code lays down, in detail, the standards of business conduct, ethics and governance.

The Code has been circulated to all Members of the Board and Senior Management Personnel. Compliance has been affirmed by all of them. A declaration signed by the Chief Executive Officer (C.E.O.) to this effect is given at the end of this Report.

**Information supplied to the Board**

The Board has complete access to all information of the Company. The information being provided to the Board include quarterly results of the Company, minutes of the meetings of the Committees of the Board, non-compliance of any regulatory, statutory or listing requirements etc.

**Committees of the Board**

The Company has two Board-level Committees – Audit Committee and Shareholders'/Investors' Grievance and Share Transfer Committee.

As the Company does not pay any remuneration to its Directors, the Company has not constituted any Remuneration Committee.

All decisions pertaining to the constitution of Board level Committees, appointment(s) of members and fixing of terms of service for members of Committees is taken by the Board of Directors.

Details of the role and composition of these committees, including number of meetings held during the financial year and attendance thereat are provided below:

**a) Audit Committee**

As on March 31, 2006, the Audit Committee comprised of Mr. V.M. Bhutani, Non-Executive Independent Director as the Chairman, Mr. V.K. Kaul, Non-Executive Independent Director and Mr. Malvinder Mohan Singh, Promoter Non-Executive Director as Members.

The Audit Committee met four (4) times during the financial year on April 21, 2005, July 22, 2005, October 24, 2005 and January 18, 2006. The details of the Audit Committee are given in Table 3.

**Table 3**

Name of the Member	Category	Status	No. of Meetings	
			Held	Attended
Mr. V.M. Bhutani	Non-Executive Independent Director	Chairman	5	5
Mr. V.K. Kaul	Non-Executive Independent Director	Member	5	5
Mr. Malvinder Mohan Singh	Promoter Non-Executive Director	Member	5	5

The Statutory Auditors are permanent invitees to all meetings of the Committee. The Company Secretary acts as the Secretary of the Committee. The Chairman, Mr. V.M. Bhutani, attended the Annual General Meeting (AGM) held on September 23, 2005 to answer queries of the Shareholders.