

### AUDITORS' REPORT

To The Members of M/s. First Financial Services Limited,

1. We have audited the attached Balance Sheet of M/s. First Financial Services Limited, Chennai (the Company) as at 31<sup>st</sup> August 2008, the Profit and Loss Account and the Cash Flow 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.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) order 2003, as amended by the Companies (Auditor's Report) Amendment Order 2004 (together the 'order') issued by the Central Government in terms of sub-section (4A) of section 227 of the Companies Act 1956 (the Act), we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - i) 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.
  - ii) 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.
  - iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
  - iv) In our opinion, the Balance Sheet, Profit and Loss Account and 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, to the extent applicable.

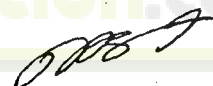
**FIRST FINANCIAL SERVICES LTD.**

*[Signature]*  
DIRECTOR

- v) On the basis of written representations received from the Directors, as on 31<sup>st</sup> August 2008 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31<sup>st</sup> August 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956, and
- vi) In our opinion and the best of our information and according to the explanation given to us, the said 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 31<sup>st</sup> August 2008.
  - b) In the case of the Profit and Loss Account, of the profit for the year ended on that date, and
  - c) In the case of the Cash Flow Statement, of the Cash flow for the year ended on that date.

Report Junction

For V.A.S.MANI&CO  
Chartered Accountants



Place: Chennai  
Date: 31st January 2009

V.A.S.MANI  
Proprietor  
Membership No.19395

**Annexure to the Auditors' Report  
(Referred to in Paragraph (3) of our Report of Even Date)**

- 1 (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
  - (b) The Company has a phased Programme of physical verification of fixed assets, which in our opinion, is reasonable having regard to the size of the company and nature of fixed assets. In accordance with the Programme, the fixed assets have been physically verified by the management during the year. The discrepancies noticed on such verification were not material and have been properly dealt with in the books of account.
- (C) No Fixed assets were disposed off during the year
2. a) In our opinion and according to the information and explanations given to us, the company has taken interest free unsecured loans from promoters covered in the register maintained under section 301 of the Act as follows:
  - a. N JAYANTHI RS 16,13,000
  - B. P NATARAJAN RS 7,55,450
- b) (i) The company has not granted unsecured loans to companies covered in the register maintained under section 301 of the Act.
- (ii) The rate of interest and other terms and conditions of the loan are, prima facie, not applicable since no outstanding loans as mentioned under section 301 of the Companies Act, 1956.
- (iii) The payment of interest and the repayment of principal does not apply.
- (iv) There is no amount overdue on the loans.
3. In our opinion and according to the information and explanations given to us, there are no purchase of fixed assets and sale of goods and service.
4. To the best of our knowledge and belief and according to the information and explanations given to us, we are of the opinion that the particulars of the above contract stated in 2(a) has been entered referred to in section 301 of the Act.
5. According to the information and explanations given to us, the company registration as NBFC has been cancelled, the company has been directed by RESERVE BANK OF INDIA to coordinate with COMPANY LAW BOARD for the fulfilling the requirements and directives of RBI and provisions of section 58A and 58 AA and the rules framed there under with regard to deposit accepted from public.
6. The company ceased to operate on account of cancellation of NBFC registration by RESERVE BANK OF INDIA, hence no internal audit has been performed.
7. The Central Government has not prescribed the maintenance of cost records under section 209(1) (d) of the Act.



8. (a) According to the records of the company and the information and explanations given to us, since the company has not done any business during the year under audit, payment of undisputed statutory dues including provident fund, employees state insurance, income tax, wealth tax, service tax, sales tax, customs duty and excise duty is not applicable.

(b) According to the information and explanations given to us, there are no undisputed amounts payable in respect of income tax, wealth tax, service tax, sales tax, excise duty and cess which are outstanding as at 31<sup>st</sup> August 2008 for a period of more than six months from the date they became payable.

The Central government has not notified the rules pertaining to the quantum and means of payment of Cess payable under section 441A of the Act and therefore, no remittance has been made.

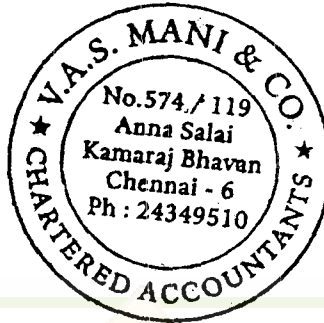
9. According to the records of the company and the information and explanations given to us, there are no dues of wealth tax, customs duty, excise duty and cess which have not been deposited on account of dispute.
10. The company has accumulated losses at the end of the financial year and has incurred cash losses during the current and immediately preceding financial year, and its accumulated losses at the end of the financial year are more than fifty percent of the paid up capital reserves of the company.
11. Based on the information and explanations given by the management, we are of the opinion that the company is negotiating for settlement of all the banks towards their dues defaulted earlier to the extent of Rs.18.58 lacks towards the various banks.
12. According to the information and explanations given to us, the company has not granted loans or advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The company is not a chit fund/nidhi/mutual/benefit fund or society.
14. Based on our examination of records and the information and explanations given to us the company does not deal/trade in shares, securities, debentures and other investments.
15. In our opinion and according to the information and explanation given to us, the company has not given guarantees for loans taken by others from banks and financial institutions.
16. To the best of our knowledge and belief and according to the information and explanations given to us, the company has not availed any term loans.
17. Based on the information given to us, since the company ceased operations neither short term/long term funds has been raised
18. According to the information and explanations given to us, the company did not issue any debentures of any kind.
19. The company has not raised money by public issues during the year.



20. To the best of our knowledge and according to the information and explanations given to us, during the year no fraud by the company and no material fraud on the company was noticed or reported during the course of our audit.
21. In our opinion and according to the information and explanations given to us, the nature of the company's business/activities during the year have been such that clauses ii. xiii and xviii of paragraph 4 of the Companies (Auditors' Report) Order, 2002 are not applicable to the company for the year.

For V.A.S.MANI&CO  
Chartered Accountants

Place: Chennai  
Date: 31st January 2009



V.A.S.MANI  
Proprietor  
Membership No.19395

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**AUDITORS CERTIFICATE ON CORPORATE GOVERNANCE**

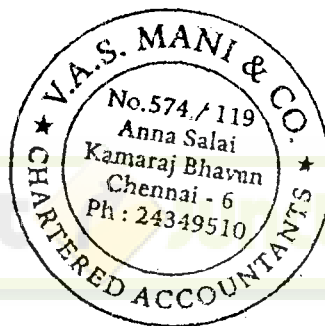
To the Members of M/s.First Financial Services Limited,

We have examined the compliance of the conditions of corporate governance by M/s. First Financial Services Limited for the year ended 31<sup>st</sup> August 2008 stipulated in clause 49 of the Listing Agreement for the Stock Exchanges.

The compliance of the conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of corporate Governance. It is neither an Audit nor an expression of opinion on the financial statement of the company.

The requirements of Corporate Governance as stipulated under clause 49 of the Listing Agreement became applicable to the company with effect from 1<sup>st</sup> September 2002 to be fully implemented on or before 31<sup>st</sup> August 2008. We have been given to understand that the company is still in the process of complying with the requirements of Corporate Governance.

Place: Chennai  
Date: 31st January 2009



For V.A.S.MANI&CO  
Chartered Accountants

V.A.S.MANI  
Proprietor  
Membership No.19395

**REPORT ON CORPORATE GOVERNANCE****INTRODUCTION**

The Securities and Exchange Board of India has introduced a code of Corporate Governance for implementation according to prescribed schedule by companies listed with Stock Exchanges. The paid up capital of the company is Rs.375lakhs and as such your company is required to implement the code within the financial year 2006-07 but not later than August 31,2007. Your Company has already started to implement the code, step by step, during the current financial year 2007-08.

**1.COMPANY PHILOSOPHY ON CODE OF GOVERNANCE**

Your Company's philosophy on Corporate governance is to comply with it is both letter and spirit. However, due to the financial crisis suffered by the company, the company could not fully comply with the requirements of Corporate Governance.

## 2. BOARD OF DIRECTORS

The Company is being managed under the overall superintendence and control of the Board of Directors who formulate the overall strategies and policies to be followed by the company. The Board periodically reviews and implementation of policies and strategies.

The composition of and attendance at the Board meetings and at the Annual General Meeting during the year were as under:

Name of the Director/ Member	Prompters/ Non Promoters	Relationship with other Directors	Executive/Non Executive/ Independent	No of Board Meetings Attended	Last AGM attended Yes/No	No of outside Directorship held
P.NATARAJAN	Promoter	Related	Executive/ Non-Independent	5	Yes	2
N.JAYANTHI	Promoter	Related	Non-Executive/ Non-Independent	5	Yes	2
N.JOSHI	Non-Promoter	Not Related	Non-Executive/ Independent	4	Yes	1

\*Committees considered are Audit, remuneration and Shareholders grievance Committee in other Companies.

## Independent Director is defined as one who is not a formal executive and has no professional relationship with the company not a large customer and/or vendor of the company not a close relative of the promoter and/or Executive director not holding a significant stake, not a nominee of any large shareholder/creditor.

The company is in the process of inducting Non-executive Independent Directors in order to comply with the requirements of Corporate Governance Code.

## 3. BOARD MEETINGS

During the year under report, 5 Board Meetings were held on 28.09.2007, 30.11.07, 31.01.08, 28.03.08, 28.06.08.

## 4. AUDIT AND REMUNERATION COMMITTEES

The Company is in the process of constituting an Audit committee. The company will not be constituting a Remuneration committee since it proposes to place the matters relating to the remuneration of the Directors as and when the need arises to the Board of Directors for approval and such Board Meeting will be chaired by an Independent-Non-Executive Director.

## 5. REMUNERATION OF DIRECTORS

None of the Directors are paid any remuneration.

**6 .SHARE TRANSFER AND INVESTORS/SHAREHOLDERS GRIEVANCE COMMITTEE**

During the year, the Share Transfer and Investor Grievance Committee met once on 20.12.08.

**7. DETAILS OF ANNUAL GENERAL MEETINGS FOR THE LAST THREE YEARS:**

1.Location and time, where last three AGM held:

Year	Location	Date	Time
2005-2006	1,2&3 Kasiarcade, 116,Thiyagaraya Road, T.Nagar,Chennai 600 017	30.12.2006	4.00 P.M.,
2006-2007	1,2&3 Kasiarcade, 116,Thiyagaraya Road, T.Nagar, Chennai 600 017	28.02.2008	4.00 P.M.,
2007-2008	1,2&3 Kasiarcade, 116,Thiyagaraya Road, T.Nagar, Chennai 600 017	28.02.2009	4.00 P.M.,

**8. DISCLOSURES:**

- A. Disclosures on materially significant related party transaction i.e., transactions of the Company of material nature with its promoters. Directors or Management, their subsidiaries or relative etc., that may have potential conflict with the interest of the company large.
- B. Details of non-compliance by the company, penalties, strictures imposes on the company by Stock Exchanges or SEBI or any statutory authority, on any matter related to capital market during the last three years.

The Company's Equity shares were suspended for trading by the Stock Exchange, Mumbai

**FIXED DEPOSITS**

The Company Law Board has passed an order on 27<sup>th</sup> January 1999 fixing the scheme of repayment of deposit by the company. The company due to unavoidable business circumstances, was at times unable to adhere to the schedule of repayments of deposits fixed by this company Law Board. The company is periodically informing the Company Law Board above the payments made to depositors according to its schedule and the extent to which it could not meet the repayment schedule.

**9. THE COMPANY'S WEBSITE:**

The Company does not have a website.

**10. MEANS OF COMMUNICATION:**

The Company regularly notifies the quarterly and annual results to the stock Exchanges.