

ANNUAL REPORT 2005-2006



G / L / F / L

GUJARAT LEASE FINANCING LIMITED

CORPORATE INFORMATION

DIRECTORS

Mr. D. Rajagopalan, IAS

Chairman

Mr. A. K. Joti, IAS

Mr. G. C. Murmu, IAS

Mr. Surendra M. Shah (From 26th May, 2006)

Mr. Deepak Dalal (Upto 26th May, 2006)

Mr. Ajay Mehta

Mr. Vasant Shah

Managing Director

AUDITORS

M/s C.C. Chokshi & Company

Chartered Accountants,

Ahmedabad

BANKERS

Bank of India

Dena Bank

Bank of Baroda

Canara Bank

Federal Bank Limited

Central Bank of India

Oriental Bank of Commerce

Calyon Bank

State Bank of India

Andhra Bank

State Bank of Saurashtra

Vysya Bank Limited

Vijaya Bank

Dhanlaxmi Bank Limited

Development Credit Bank Limited

Union Bank of India

REGD. OFFICE

6th Floor, Hasubhai Chambers,

Opp. Town Hall,

Ellisbridge,

Ahmedabad - 380 006

BRANCH OFFICES

Ahmedabad, Mumbai, New Delhi

REGISTRARS & TRANSFER AGENTS

MCS Limited

101, Shatdal Complex, Opp. Bata Show Room,

Off Ashram Road, Ahmedabad-380 009.

Telephone No. 079-30070671

Fax No. 079-30070678

email-mcsmum@vsnl.com

23rd Annual General Meeting

Date : 15th July, 2006

Day : Saturday

Time : 10.00 AM

Venue : H. T. Parekh Convention Centre,
Torrent AMA centre,
Ahmedabad Management Association,
ATIRA Campus, Dr. Vikram Sarabhai Marg,
Vastrapur, Ahmedabad 380 015

NOTICE

NOTICE IS HEREBY GIVEN THAT the 23rd Annual General Meeting of GUJARAT LEASE FINANCING LIMITED will be held on 15th July, 2006 at 10.00 AM at H. T. Parekh Convention Centre, Torrent AMA centre, Ahmedabad Management Association, ATIRA Campus, Dr. Vikram Sarabhai Marg, Ahmedabad 380 015 to transact the following business :

ORDINARY BUSINESS:

1. To receive and adopt the Directors' Report and Audited Profit & Loss Account for the year ended 31st March, 2006 and the Balance Sheet as at that date.
2. To appoint a Director in place of Shri G.C. Murmu, IAS, who retires by rotation and being eligible offers himself for re-appointment.
3. To consider and if thought fit, to pass with or without modification, the following resolution as a Special Resolution :
"RESOLVED THAT M/s. C.C. Chokshi & Co., Chartered Accountants, Ahmedabad the retiring Auditors be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of the 23rd Annual General Meeting until the conclusion of the 24th Annual General Meeting of the Company at a remuneration to be decided by the Board in consultation with the said Auditors".

Note :

In terms of Section 224A of the Companies Act, 1956, a Special Resolution is proposed to be passed for the re-appointment of the Auditors of the Company as the aggregate of the shareholdings of the Financial Institutions and Government Companies exceeds 25% of the subscribed capital of the Company.

SPECIAL BUSINESS :

4. To consider and if thought fit, to pass with or without modification, the following resolution as Ordinary Resolution :
"RESOLVED THAT Shri Surendra M. Shah who was appointed as an Additional Director under Section 260 of the Companies Act, 1956 and who holds office till the date of the Annual General Meeting and for whom the Company has received a notice in writing from a member proposing his candidature for the office of Director under Section 257 of the Companies Act, 1956 and accordingly Shri Surendra M. Shah be and is hereby appointed as a Director of the Company, liable to retire by rotation".
5. To consider and if thought fit, to pass with or without modification, the following resolution as Special Resolution :
"RESOLVED THAT pursuant to the provisions of section 198, 269 and 309 read with Schedule-XIII and other applicable provisions of the Companies Act, 1956 and any other approval that may be necessary, the Company hereby accords its approval and consent to the re-appointment of Shri Vasant Shah as Managing Director of the Company for further period of two years from 1st April, 2006 to 31st March, 2008, without any remuneration.
"FURTHER RESOLVED THAT the Board of Directors of the Company be and are hereby authorized to take all necessary steps as may be required to give effect to the above resolution."

NOTES :

1. The relevant Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of business under item 4 and 5 set above is annexed hereto.
2. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER. PROXIES, IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.**
3. The Share Transfer Books and Register of Members will remain closed from Saturday 8th July, 2006 to Saturday 15th July, 2006 (both days inclusive).
4. Members are requested to intimate immediately, change of address if any, to the Company quoting reference of their Registered Folio Number.
5. Members/Proxies are requested to produce the Attendance Slip at the entrance of the Meeting Hall.
6. Members desiring any information about Accounts at the meeting are requested to write to the Company at least 5 days prior to the Annual General Meeting.
7. To bring the copy of Annual Report at the meeting.
8. The copies of relevant documents can be inspected at the Registered office of the Company on any working day between 11.00 a.m. to 5.00 p.m. up to the date of A.G.M.

By Order of the Board of Directors

Ahmedabad
May 26, 2006

Managing Director

Registered Office :
6th Floor, Hasubhai Chambers,
Opp. Town Hall, Ellisbridge,
Ahmedabad-380 006.

EXPLANATORY STATEMENT

ITEM NO.4 - Shri Surendra M.Shah was appointed as an Additional Director under Section 260 of the Companies Act,1956 on the Board of the Company on 26th May,2006. He holds office till the date of the Annual General Meeting. The Company has received a notice under Section 257 of the Companies Act,1956,proposing his candidature for the office of the Director and is eligible for appointment.

Shri Surendra M.Shah is a Graduate from the London School of Economics and has more than 40 years experience in Banking, Textile and Pharmaceuticals Sectors. Your Directors feel that his experience, direction and guidance will help the company. Hence, your approval is sought to the proposed resolution.

The Board recommends the Resolution as set out in item no.4 of the notice to the members for their approval.

None of the Director except Shri Surendra.M.Shah, is concerned or interested in the said resolution.

ITEM NO.5 - The terms of appointment of Shri Vasant Shah as Managing Director, has expired on 31st March,2006.

Shri Vasant Shah has been the Managing Director of the Company since 1st June, 1994 and has vast experience in the field of finance and also well conversant with the affairs of the Company. The Board of Directors felt that it is in the interest of the Company to continue to avail services of Shri Vasant Shah.

As approved by the Board of Directors in their meeting held on 26th May,2006, Shri Vasant Shah, Managing Director of the Company was re-appointed for further period of two years from 1st April,2006 to 31st March,2008.

The Board recommends the Resolution as set out in item no.5 of the notice to the members for their approval.

None of the Director except Shri Vasant Shah, is concerned or interested in the said resolution.

The terms of appointment as referred in the text of the resolution be treated as an abstract of the terms of contract for reappointment of Shri Vasant Shah as Managing Director under the provisions of Section 302 of the Companies Act, 1956.

By Order of the Board of Directors

Ahmedabad
May 26, 2006

Managing Director

Report Junction.com

Registered Office :
6th Floor, Hasubhai Chambers,
Opp. Town Hall, Ellisbridge,
Ahmedabad-380 006.

DIRECTORS' REPORT

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

FINANCIAL RESULTS

The highlights of the Financial results are given below :

Particulars	Year ended 31.03.2006	(Rs. in lacs) Year ended 31.03.2005
Total Income	6	36
Add : Provisions written back as no longer required	94	62
Less: Expenditure	73	102
Less: Depreciation	5	6
Less : Bad Debt Written off	3	57
Profit/(Loss) for the year	19	(67)
Add: Exceptional items	-	6825
Taxation (FBT)	1	-
Net Profit	18	6758
Add : Profit/(Loss) brought forward	(17625)	(24383)
Less: Balance of General Reserve	2290	2290
Balance Carried to Balance Sheet	(15316)	(15335)

YEAR UNDER REVIEW

During the last year, the scheme of compromise and arrangement under section 391 of the Companies Act to discharge the liability of the banks was sanctioned by the Hon'ble High Court of Gujarat. Your company has released payment as per the court order and is in the process of assigning the charged assets in favour of the banks.

The income for the year under review has decreased to Rs.6 lacs from Rs.36 lacs in 2004-05, on account of discontinuation of business since last 5 years. As per the court's order, the income received after July,2004 is transferred to the consortium of Banks. Subsequent to the courts order, GLFL has recovered Rs.164 lacs (including Rs.74 lacs received during the year 2005-06) from the charged assets and distributed to the member banks. GLFL's subsidiary companies namely GLFL Housing Finance Ltd., has recovered Rs.6 lacs from their housing portfolio and GLFL Securities Limited has recovered Rs.26 lacs from non-performing assets (NPA) during the year.

The company earned profit of Rs.19 lacs during the year, as against loss of Rs.67 lacs during the previous year.

It is worthwhile to note that the company has **no external debt as at the end of the year.**

FIXED DEPOSITS

The company has neither accepted nor renewed any fixed deposits during the year. The outstanding principal liability of Fixed Deposits, as on 31st March, 2006, is Rs. 38 lacs, which is fully escrowed with bank.

TRANSFER TO THE INVESTOR EDUCATION FUND

In terms of Section 205 (C) of the companies Act. 1956, an amount of Rs.8,68,000/- being unclaimed Fixed Deposit has been transferred, during the year, to the Investor Education and Protection fund, formed by the Central Government.

SUBSIDIARIES**GLFL Housing Finance Limited**

GLFL Housing Finance Limited has already divested its substantial Housing Loan Portfolio, along with liabilities, in favour of LIC Housing Finance Ltd. Recovery from balance accounts has been the main thrust area during the year. The company has been able to recover Rs. 6 lacs, from the overdue /NPA accounts, during the year under report. The company has earned profit of Rs.1 lac as against loss of Rs.13.12 lacs during the previous year.

GLFL Securities Limited

The company has earned the profit of Rs.17.81 lacs on account of recovery from NPA and bad debt written-off cases.

GLFL International Limited

The Company has yet not commenced business.

EMPLOYEES

The Directors wish to place on record their appreciation for the dedication and efforts of all the employees. The company does not have any employee in the category as specified under Section 217(2A) of the Companies Act, 1956.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO.

The Company has no activities relating to conservation of energy or technology absorption. There has been no foreign exchange earning or outgo during the year under review.

DIRECTORS

The Company has re-appointed Shri Vasant Shah as Managing Director of the company with effect from 1st April, 2006 for a period of 2 years, without any remuneration.

Shri Surendra M. Shah, was appointed as an Additional Director of the company with effect from 26th May, 2006. At the same time, Shri Deepak Dalal has resigned from the Board on the same date. The Board of Directors appreciated the contribution made by him, during his tenure. Additional Director is proposed to be re-appointed as Director in the ensuing General Meeting.

Pursuant to the provisions of the Companies Act, 1956 and Articles of Association of the company, Shri G. C. Murmu, IAS, Director of the Company retires by rotation and is eligible for re-appointment.

CORPORATE GOVERNANCE REPORT

A separate report on Corporate Governance is furnished as a part of the Directors' Report and the certificate from the Company's Auditors regarding compliance of conditions of Corporate Governance is annexed to the said Report.

AUDITORS' REPORT

Notes on accounts are self-explanatory and do not require any further explanations on the Auditors' qualifications.

AUDITORS

The Board proposes to reappoint M/s. C.C. Chokshi & Company, Chartered Accountants, Ahmedabad as Statutory Auditors of the Company for the year 2006-07. They will hold office until the conclusion of the next Annual General Meeting. The Board recommends their re-appointment.

DIRECTORS' RESPONSIBILITY STATEMENT

1. In the preparation of the annual accounts, the applicable accounting standards, as specified by the Institute of Chartered Accountants of India have been followed along with proper explanation relating to material departures.
2. The Accounting Policies have been applied consistently and judgments and estimates that have been made for the preparation of the accounts are reasonable and prudent so as to give a true and fair view of the state of the affairs of the Company at the end of the financial year and of the profit of the Company for the year;
3. Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 and taken steps to safeguard the assets of the Company and to prevent fraud and irregularities;
4. Directors have prepared accounts on going concern basis.

ACKNOWLEDGEMENTS

Your Directors are grateful to GIIC Limited, the Government of Gujarat and Torrent Group for their continued guidance and support to the Company. The Directors are pleased to place on record their appreciation for the excellent support extended by the Commercial Banks.

The Board would also like to express great appreciation for the understanding and support extended by the Shareholders of the company in the difficult period.

For and on behalf of the Board

Ahmedabad
May 26, 2006

Chairman

CORPORATE GOVERNANCE REPORT

1. Philosophy on Code of Corporate Governance

The Philosophy on Corporate Governance aims at attainment of the highest levels of transparency, accountability and equity in the functioning of the Company vis-a-vis interactions with employees, shareholders, creditors and customers. The objective of the Company is not only to meet the statutory requirements of the code but also go well beyond it by instituting such systems and procedures as are required in accordance with the latest global trend of making management completely transparent and institutionally sound.

2. Board of Directors :

The Company's board comprises of 6 Directors, with a mix of executive/non-executive and promoter/independent directors. The composition of Board complies with the requirements of the Corporate Governance code with not less than 50% of the directors being non-executive directors and at least 1/3 of the directors being independent directors.

Six Board meetings were held during the financial year 2005-2006. The dates on which Board Meetings held were 12th May, 2005, 29th July, 2005, 27th October, 2005, 23rd November, 2005, 30th December, 2005 and 30th January, 2006.

The table below provides the composition of the Board, their attendance at Board meetings & AGM and number of other directorship, chairmanship/membership of other companies.

Name of the Director & Designation	Category	No. of other Directorship held in public companies in India	No. of other Board committees of which Member(M)/Chairman (C)	Board meetings attended	Attendance at the last AGM	No. of Shares held (of the Company)
Mr. D. Rajagopalan Chairman	Non Executive Independent Director	6	—	4	No	No
Mr. G. C. Murmu Director	Non Executive Independent Director	11	—	4	No	No
Mr. A.K. Joti Director	Non Executive Independent Director	10	—	—	No	No
Mr. Vasant Shah, Managing Director	Executive Non Independent Director	7	7(M) 1(C)	6	Yes	No
*Mr. Deepak Dalal Director	Non Executive Non Independent Director	3	1(M)	—	Yes	No
Mr. Ajay Mehta Director	Non Executive Non Independent Director	1	1(M)	4	No	No
\$Mr. Surendra M. Shah Director	Non Executive Independent Director	1	3(C)	NA	NA	No

* Resigned w.e.f. 26th May, 2006

\$ Appointed w.e.f. 26th May, 2006

As required by the Companies Act, 1956 and Clause 49 of Listing Agreement, none of the directors hold directorship in more than 15 public companies, membership of board committees (audit /remuneration/investors grievance committees) in excess of 10 and chairmanship of board committees as aforesaid in excess of 5.

None of the Non-executive Directors has any pecuniary relationship with the Executive Director of the Company. Non-executive Directors have no transaction with the company, and they are not paid any remuneration or sitting fees.

Details of the Directors seeking Appointment/ Re-appointment in forthcoming Annual General Meeting

Name of Director	Mr. G.C.Murmu, IAS	Mr. Vasant Shah	Mr. Surendra M. Shah
Date of Birth	21/11/1959	21/09/1943	23/11/1936
Date of Appointment	26/10/2004	28/09/1994	26/05/2006
Qualifications	IAS	B.Com, FCA	Graduate - London school of Economics
Expertise in specific functional areas	Finance and Administration	Finance and General Management	Banking & Finance
List of Public Ltd. Co. in which Directorship held	1. Guj.Venture Fin.Ltd. 2. Guj.State Machine Tools Corpn.Ltd. 3. Guj.Chemical Port Terminals Co. Ltd. 4. Gujarat Port Infrastructure & Dev. Co. Ltd. 5. Infrastructure Fin.Co. Ltd. 6. Petronet V.K Ltd. 7. Guj.State Investment Ltd. 8. Guj.Sidhee Cement Ltd. 9. Haldyn Glass Gujarat Ltd. 10.Guj. Alkalies & Chemicals Ltd. 11.Alcock Ashdown Gujarat Ltd.	1.GLFL Housing Finance Ltd. 2.GLFL Securities Ltd. 3.GLFL International Ltd. 4. Indo Col-Chem Ltd. 5. Torrent Power SEC Ltd. 6. Torrent Cables Ltd. 7. Torrent Gujarat Biotech Ltd.	1. Torrent Gujarat Biotech Ltd.
Chairman/Member of the Committees of the Board of Directors of the Company	Audit Committee-1 (M) Shareholders Grievance Committee-1 (M)	—	—
Chairman/Member of the Committees of the Board of Directors of other Company	—	Audit Committee 3(M) & 1 (C) Share holders Grievance Committee 2 (M) Remuneration Committee 2 (M)	Audit Committee 1 (C) Share holders Grievance Committee 1 (C) Remuneration Committee 1 (C)

3. Remuneration of Directors

The Remuneration Committee as a sub-committee of the Board has been constituted mainly to determine and recommend to Board, the company's policies on remuneration packages for executive and non- executive directors. The company has reconstituted Remuneration Committee consisting of three non executive independent directors with effect from 30.12.2005. The committee comprises of Shri Rajagopalan, IAS as the Chairman of the Committee and Shri G.C.Murmu, IAS and Shri A.K.Joti, IAS as Members.

During the period under review, no committee meeting was held.

The Company pays remuneration to its Managing Director by way of Salary, perquisites and allowances, as approved by the members in general meeting. The company has paid remuneration of Rs.9.14 lacs during the year 2005-06 as per the directives of the Central Government vide its letter dated 12th August, 2005. The details of remuneration are as under:-

Name of Managing Director	Remuneration	Amount (Rs. In lacs)	Appointment period
Shri Vasant Shah	1. Salary 2. Contribution to PF 3. Other perquisites	7.68 p.a. 0.58 p.a. 0.88 p.a.	01-07-2004 to 31-3-2006
	Total	9.14 p.a	

4. Audit Committee

The company has reconstituted Audit Committee consisting of two third independent directors and one third dependent directors with effect from 30.12.2005. The Manager (Finance) acts as the Secretary of the Audit Committee. The Audit Committee shall consist of following :-

Name	Designation	Attendance
@ Shri Rajagopalan, IAS	Chairman of the Committee Non Executive – Independent	-
Shri G.C.Murmu, IAS	Non Executive – Independent (Chairman upto 30.12.05)	2
*Shri Deepak Dalal	Non-Executive – Dependent	2
Shri Ajay Mehta	Non-Executive – Dependent	4

@Appointed w.e.f 30/12/2005

*resigned w.e.f 30/12/2005

The above composition meets all the requirements of Clause 49 of the Listing Agreement and Section 292A of the Companies Act,1956.

The terms of reference for the Audit Committee are as stipulated in clause 49 of the Listing Agreement and as laid down in Circular No.SEBI/CFD/DIL/CG/1/2004/12/10 dated 29th October,2004- Annexure 1- Clause II (D).

The functions of the Audit Committee are as per Company Law and Listing Agreement with Stock Exchanges. Broadly, the same are (i) oversee company's financial reporting process, (ii) recommend the appointment or removal of External Auditors, decide the audit fee as well as approve fees for other services, discuss the nature and scope of audit and ascertain the areas of concern, (iii) review the annual and quarterly financial statement, (iv) review changes in the accounting policies and practices of major accounting entries, (v) review adjustments in financial statements, highlighted by audit findings, (vi) review disclosure of related party transactions, (vii) review with the Management the performance of statutory and internal audit and adequacy of internal control system, (viii) review the adequacy of internal audit function and discuss with them, significant findings (if any) (ix) review the findings of internal investigations in case of suspected fraud or irregularity and (x) probe into the reasons for substantial default in payment of declared dividend.

During the period under review, four meetings were held on 12th May,2005, 29th July,2005, 27th October, 2005 and 30th January,2006. The chairman of Audit Committee had not attended last Annual General Meeting of the company held on 25th June,2005 due to pressing engagement. The Audit Committee at its meeting held on 12th May,2005, reviewed the Annual Accounts for the year 2004-05 and recommended the accounts for approval by the Board of Directors. The Audit Committee at its meeting held on 29th July,2005, on 27th October,2005 and 30th January,2006, reviewed the unaudited financial results for the quarter ended on June 30, 2005 and 30th September,2005 and 31st December,2005.

5. Shareholders / Investors Grievance Committee

The Shareholders Grievance Committee as a sub-committee of the Board has been constituted mainly to focus on the redressal of Shareholders / Investors Grievances, if any, like Transfer / Transmission / Demat of Shares; Loss of Share Certificates; Non-receipt of Annual Report; Dividend Warrants; repayment of principal and/or interest on Fixed Deposits / Debentures, etc.

The company has reconstituted Shareholders Grievance Committee consisting of all non-executive Directors out of which two independent directors and one dependent director with effect from 30.12.2005. During the year, 4 meetings were held on 12th May,2005, 29th July,2005, 27th October, 2005 and 30th January,2006. The Company had received 55 complaints from the Shareholders, all of them have been resolved and no complaint was pending as on 31st March, 2006. The Company has no transfers pending at the close of the financial year.

Manager (Finance), provides secretarial support to the Committee and is also the designated Compliance Officer for such matters.

Name	Designation	Attendance
Shri D. Rajagopalan, IAS @	Chairman of the Committee Non Executive – Independent	-
Shri G.C.Murmu, IAS	Non Executive – Independent (Chairman upto 30-12-2005)	2
Shri Deepak Dalal *	Non Executive – Dependent	2
Shri Ajay Mehta	Non Executive – Dependent	4

@Appointed w.e.f 30-12-2005

* resigned w.e.f 30-12-2005

The company is in process of appointing a Company Secretary and till such time, Mr.A.K.Jhaveri, Manager (Finance) is shouldering the responsibility of Compliance Officer.

6. Subsidiary Companies

The Company does not have a material non-listed Indian subsidiary whose turnover or net worth (i.e. paid up capital and free reserves) exceeds 20% of the consolidated turnover or net worth respectively, of the listed holding company and its subsidiaries in the immediately preceding accounting year.

Copies of the Minutes of the Audit Committee/ Board Meetings of the Subsidiary Companies will be tabled at the subsequent Board Meetings.