



Regd. Office: Syndicate House, Manipal – 576 104

44th Annual Report

2014 – 2015



Chairman & Whole-time Director	: T. Mohandas Pai
Directors	: H. N. S. Rao Bharath K. Nayak K. M. Udupa A. Giridhar Pai U. Harish P. Shenoy Vimal C. Kamath
CFO	: G. R. Nayak
Auditors	: M/s Chaturvedi & Shah <i>Chartered Accountants, Mumbai</i>
Registered Office	: Syndicate House, Upendra Nagar Manipal – 576 104 CIN - L65993KA1971PLC002106
Bankers	: SYNDICATEBANK CORPORATION BANK ICICI BANK LTD.
Registrar and Share Transfer Agent (For Physical and Demat Shares)	: Cameo Corporate Services Ltd. Subramanian Building No. 1, Club House Road Chennai – 600 002

NOTICE

NOTICE is hereby given that the 44th ANNUAL GENERAL MEETING of Members of ICDS Limited will be held on Monday, **the 28th September, 2015 at 4.00 p.m.** at Rotary Hall, Ananth Nagar, Manipal – 576 104, Udupi District to transact the following business:

ORDINARY BUSINESS

1. To consider and adopt the Balance Sheet as at 31st March, 2015 and Statement of Profit and Loss for the year ended on that date and reports of the Board of Directors and Auditors.
2. To appoint a Director in place of Mr. H. N. S. Rao who retires by rotation and being eligible offers himself for reappointment.
3. To consider and if thought fit to pass with or without modification(s) the following resolution as an Ordinary Resolution:
"RESOLVED THAT pursuant to the provisions of Section 139, 142 and all other applicable provisions of the Companies Act, 2013 (the "Act") read with Rule 3(7) of the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), pursuant to the recommendations of the audit committee of the Board of Directors, and pursuant to the resolution passed by the members at the AGM held on 26-09-2014 the appointment of M/s Chaturvedi & Shah, Chartered Accountants, Mumbai, (Firm Registration No. 101720W), as the Statutory Auditors of the Company to hold office till the conclusion of the AGM to be held in the Calendar year 2017 be and is hereby ratified and that the Board of Directors be and is hereby authorised to fix the remuneration payable to them for the financial year ending March 31, 2016 as may be determined by the audit committee and agreed upon between the auditors and the Board of Directors."

SPECIAL BUSINESS

4. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:
"RESOLVED THAT Subject to the provisions of Sec.196, Sec. 203 and other applicable provisions, if any, of the Companies Act, 2013, read with Schedule V thereto, the appointment of Mr. T. Mohandas Pai as Whole-time Director for a period of 5 years from 1st September, 2015 without remuneration for the time being be and is hereby approved.
RESOLVED FURTHER that Mr. T. Mohandas Pai shall not be liable to retire by rotation during the period he holds the position of Whole-time Director."
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 Section 149, 152, 160 of the Companies Act, 2013 and the Rules made there under, as amended including any statutory modification(s) or any substitution or any re-enactment thereof for the time being in force and Clause 49 of the Listing Agreement, Mrs. Vimal Chandrashekar Kamath (DIN 07182821), who was appointed as additional director on the Board on May 19, 2015, and who holds office upto the date of this Annual General Meeting and being eligible for appointment as a Director and in respect of whom the Company has received a notice in writing under Section 160 of the Act, from a member signifying its intention to propose her candidature for the office of Director, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

By Order of the Board

Registered Office:

Syndicate House
Manipal – 576 104
Date : 07-08-2015

Sd/-

T. Mohandas Pai
Chairman & Whole-time Director

NOTES

1. The relevant Explanatory Statement pursuant to Section 102 (1) of the Companies Act, 2013, in respect of Special Business at the meeting, is annexed hereto and forms part of this notice.
2. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member. Proxies in order to be effective must be received by the company not later than forty eight (48) hours before the meeting. Proxies submitted on behalf of limited companies, societies, etc., must be supported by appropriate resolutions/ authority, as applicable.
A person can act as proxy on behalf of Members not exceeding fifty (50) and holding in the aggregate not more than 10% of the total share capital of the Company. In case a proxy is proposed to be appointed by a Member holding more than 10% of the total share capital of the Company carrying voting rights, then such proxy shall not act as a proxy for any other person or shareholder.

3. A person can act as a proxy on behalf of Members not exceeding fifty in number and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. A Member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as a proxy and such person shall not act as proxy for any other person or shareholder.
4. Members are requested to bring their attendance slips duly completed and signed mentioning therein details of Folio No.
5. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote at the Meeting.
6. Corporate Members intending to send their authorized representatives to attend the Meeting pursuant to Section 113 of the Companies Act, 2013 are requested to send to the Company, a certified copy of the relevant Board Resolution together with their respective specimen signatures authorizing their representative(s) to attend and vote on their behalf at the Meeting.
7. The Company has transferred unclaimed dividend declared upto the financial year ended 31st March, 1995 to the General Revenue Account of the Central Government. Those who have not encashed their dividend warrants, for whatever reason, for the period to and including 31st March, 1995 are requested to claim the amount from the Registrar of Companies, Karnataka, Bangalore.

Unclaimed dividend for the year ended 31st March, 1996, 31st March, 1997 and 31st December, 1997 has been transferred by the Company to "Investor Education and Protection Fund" set up by the Central Government and no claims shall lie against the fund or the Company in respect of the amounts so transferred.

8. Members who wish to obtain any information on the Company or view the accounts for the Financial Year ended 31st March, 2015 may visit the Company's corporate website www.icdslimited.com or send their queries at least 10 days before the Annual General Meeting to the Secretarial Department at the Registered Office of the Company.
9. The information as required to be provided under the Listing Agreement with the Stock Exchanges, regarding the Directors who are proposed to be appointed/re-appointed is given hereunder:

- | | | | |
|-----|---|---|---|
| (A) | Name | : | Mr. H. N. S. Rao |
| | Date of Birth | : | 04-10-1938 |
| | Date of Appointment | : | 12-01-2009 |
| | Expertise in specific functional areas | : | Retd. Dy. G.M. of Syndicate Bank, He has experience of over 35 years in Nationalised Bank and Financial Institution in various areas like administration, finance, especially in credit management and recovery. He worked as General Manager of the Company for over 10 years and his work was focused on credit and recovery besides general administration. |
| | List of other directorships held | : | MPL Enterprises Limited
Blue Cross Builders and Investors Ltd.
Manipal Properties Limited
Sri Ramakrishna Theatre Ltd. |
| | Chairman/Member of the Committees of the Board | : | Nil |
| | Chairman / Member of the Committees of the Board of other Companies in which he is Director | : | Member, Stakeholders Relationship Committee of MPL Enterprises Ltd. |
| (B) | Name | : | Mrs. Vimal Chandrashekar Kamath |
| | Date of Birth | : | 21-06-1944 |
| | Expertise in specific functional areas | : | Basically Mrs. Vimal C. Kamath is a social worker and donor to various cultural, social and educational associations and is deeply involved in their activities. Worked as Chemist in British Drug House, Bombay, worked as Life Insurance Agent and Consultant for nearly 20 years in Goa. She was AIR Panaji, Goa and Panaji Doordarshan artist for 20 years.
She was a member of SAG (Sports Authority of Goa) for 2 years and was Goa State Tennis Player and represented in Nationals for nearly 15 years. Presently she is a Trustee in Bharathiya Vikas Trust, Manipal. |

List of other directorships held : Nil
Chairman/Member of the
Committees of the Board : Nil
Chairman / Member of the : Nil
Committees of the Board of other
Companies in which he is Director.

10. The register of members and Share Transfer Book will remain closed from Friday, 25th September, 2015 to Monday, 28th September, 2015 (both days inclusive) in connection with 44th Annual General Meeting.

11. The instructions for shareholders voting electronically are as under:

- (i) The voting period begins on 25-09-2015 10.00 a.m. and ends on 27-09-2015 upto 5.00 p.m. During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of 21-09-2015, may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
- (ii) The shareholders should log on to the e-voting website www.evotingindia.com.
- (iii) Click on Shareholders.
- (iv) Now Enter your User ID
 - a. For CDSL: 16 digits beneficiary ID,
 - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
 - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
- (v) Next enter the Image Verification as displayed and Click on Login.
- (vi) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.
- (vii) If you are a first time user follow the steps given below:

For Members holding Shares in Demat Form and Physical Form	
PAN	<p>Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both Demat Shareholders as well as Physical Shareholders)</p> <p>Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the 8 digits of the sequence number in the PAN field.</p> <p>In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg.: If your name is Ramesh Kumar with sequence number 1 then enter RA00000001 in the PAN field.</p>
DOB	Enter the Date of Birth as recorded in your demat account or in the Company records for the said demat account or folio in dd/mm/yyyy format.
Bank Details	<p>Enter the Dividend Bank Details as recorded in your demat account or in the Company records for the said demat account or folio.</p> <p>Please enter the DOB or Bank Details in order to login. If the details are not recorded with the depository or company please enter the Member ID / Folio Number in the Dividend Bank details field as mentioned in instruction (iv).</p>

- (viii) After entering these details appropriately, click on "SUBMIT" tab.
- (ix) Members holding Shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other Company on which they are eligible to vote, provided that Company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (x) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (xi) Click on the EVSN for the relevant <Company Name> on which you choose to vote.



- (xii) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xiii) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
- (xiv) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
- (xv) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
- (xvi) You can also take out print of the voting done by you by clicking on "Click here to print" option on the Voting page.
- (xvii) If Demat account holder has forgotten the same password then Enter the User ID and the image verification code and click on Forgot Password and enter the details as prompted by the system.
- (xviii) Note for Non-Individual Shareholders and Custodians:
Non-Individual shareholders (i.e., other than Individuals, HUF, NRI etc.) and Custodians are required to log on to www.evotingindia.com and register themselves as Corporates and Custodians respectively.
A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
After receiving the login details they should create compliance user using the admin login and password. The Compliance user would be able to link the depository account(s) / folio numbers on which they wish to vote.
The list of accounts should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
- (xix) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.com under help section or write an email to helpdesk.evoting@cdslindia.com.

Explanatory Statement pursuant to Section 102 (1) of the Companies Act, 2013

Item No. 4

Mr. T. Mohandas Pai was appointed as Director of the Company on 13th June, 1981. Later he became Joint Managing Director from 3rd August, 1984 upto 2nd August, 1999. He became Managing Director on 10th April, 1995. He was reappointed as Managing Director for a further period of 5 years from 1st September, 1997. He continued to be Managing Director till 1st September, 2002 when he was redesignated as Whole-time-Director of the Company for a period of 3 years. Again in 39th Annual General Meeting held on 27th September, 2010 the members reappointed him as Chairman and Whole-time Director for a period of 5 years with effect from 1st September, 2010 upto 31st August, 2015. Accordingly his term of office as Whole-time Director will expire on 31st August, 2015.

Mr. T. Mohandas Pai offered to reduce his Salary and House Rent Allowance by 50% with effect from 1st March, 1998 following stringent RBI Directions requiring the Company to refund entire deposits thereby forcing the Company to shrink and become downsized. He stopped drawing from the Company remuneration and all kinds of perquisites and benefits altogether with effect from 1st April, 1999 and since then he is working without any Salary and Perquisites. He has offered to work without remuneration until financial position of the Company improves.

Mr. T. Mohandas Pai is also a Director of the following Companies:

1. Manipal Prakashan Limited	: Managing Director
2. Manipal Media Network Ltd.	: Chairman
3. Manipal Hotels Limited	: Director
Chairman/Member of the Board	: Nil
Chairman/Member of the Committees of the Board of other companies in which he is a Director	: Nil

Mr. T. Mohandas Pai was instrumental in turn around and growth of the Company. Board of Directors feel that his continuation as Whole-time Director is necessary for further expansion of activities of the Company. The Board proposes to reappoint him subject to approval of the shareholders for a period of 5 years effective 1st September, 2015.

The Board recommends adoption of the resolution.

Except Mr. T. Mohandas Pai none of the other Directors are interested in the resolution.

The explanatory statement be treated as abstract of the terms and conditions of contract employment between the Company and Mr. T. Mohandas Pai.

Item No. 5

As per the provisions of Section 149 of the Companies Act, 2013 and Rules made there under, every listed Company shall have at least one woman director on the board of the Company. In order to comply with the requirements of the said provision, the Board of Directors appointed Mrs. Vimal C. Kamath as an additional director on 19th May, 2015.

In terms of the provisions of Section 161 of the Companies Act, 2013 Mrs. Vimal C. Kamath holds office upto the date of ensuing Annual General Meeting. Notice under Section 160 of the Companies Act, 2013 has been received in writing from a member together with requisite deposit signifying its intention to propose her candidature for the office of the Director of the Company.

The Board considers that the appointment of Mrs. Vimal C. Kamath on the Board of the Company would be beneficial for the Company. Hence, it is proposed to appoint her as a Director, liable to retire by rotation.

The Company has received from Mrs. Vimal C. Kamath (1) consent in writing to act as Director in Form DIR-2 pursuant to Rule 8 of the Companies (Appointment and Qualification of Directors) Rules 2014, (2) intimation in Form DIR-8 in terms the said Rules to the effect that she is not disqualified under Sub-Section (2) of Section 164 of the Companies Act, 2013.

Brief profile of Mrs. Vimal C. Kamath in terms of Clause 49 of the Listing Agreement is provided at the end of this Notice.

The Board recommends the passing of the Special Resolution at Item No. 5 of the accompanying Notice for approval of the members of the Company.

Save and except, Mrs. Vimal C. Kamath, to whom the Resolution relates, none of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested in the Resolution.

By Order of the Board

Registered Office:

Syndicate House
Manipal – 576 104
Date : 07-08-2015

Sd/-
T. Mohandas Pai
Chairman & Whole-time Director



BOARDS' REPORT

To,

The Members,

Your Board of Directors have pleasure in presenting their 44th Annual Report on the business and operations of the Company and the accounts for the Financial Year ended March 31, 2015.

FINANCIAL SUMMARY

The following table brings out the financial performance of the Company during the F.Y. 2014-15:

	(Rs. in '000)	
	31 March 2015	31 March 2014
Income from Operations	4,11,51	5,20,59
Other Income	1,09,71	1,02,08
Write back of provisions	80,68	74,67
Total Income	6,01,90	6,97,34
Less: Operating Expenses	4,26,67	4,36,38
	1,75,23	2,60,96
Less: Interest	33,24	49,76
Profit/(Loss) before Depreciation	1,41,99	2,11,20
Less: Depreciation	13,92	6,21
Profit/(Loss) after Depreciation before Tax	1,28,07	2,04,99
Less: Provision for Income Tax/(write back)	8,30	4,70
Profit/(Loss) after Tax	1,19,77	2,00,29
Add: (Loss) brought forward	(7,66,94)	(9,67,23)
(Loss) carried forward	(6,47,17)	(7,66,94)

COMPANY'S STATE OF AFFAIRS

Review of Performance

During the year under review the Company has earned income of Rs.6.02 Crores (including sale of telephone handsets and accessories of Rs.2.75 Crores) as against Rs.6.97 Crores in the corresponding period of the previous year- (which also included income from sale of telephone handsets and accessories of Rs.2.61 Crores) from recovery of over dues from HP/Lease/Bills Discounting/Loan Parties, Commission from insurance related activities, service charges earned from telephone bill recovery services, dividend and interest. The operating expense incurred during the reporting period was Rs.4.27 Crores as against Rs.4.36 Crores in the previous year. The accumulated losses which was at Rs.7.67 Crores as on 31st March, 2015 has been reduced to Rs.6.47 Crores on 31st March, 2015. The net worth of the Company as on 31st March, 2015 went up to Rs.9.89 Crores (Rs.7.13 Crores in the corresponding period of previous year).

Scheme of Arrangement

The details of unclaimed public liabilities with the Company as per the Scheme of Arrangement sanctioned by the Hon'ble High Court of Karnataka have been covered in the Corporate Governance Report. However, the total liability unpaid as on 31st March, 2015 was Rs.2.85 Crores which does not include cheques issued to the investors but not presented amounting Rs.2.94 Crores.

Future Business Plans

As reported in the earlier years, the company stopped NBFC business as per the undertaking given to H'ble High Court of Karnataka while considering the company's application for scheme of arrangement. Since then company was focusing its activities on recovery of over dues. The company's net owned funds has become positive and meets the minimum required NOF stipulated by Reserve Bank of India for Non-Banking Finance Business. The Company has applied RBI for registering it as a Non-Deposit taking NBFC for pursuing business of Hire Purchase/Lease finance.

Fee based Activities

In order to generate some income to partly meet the establishment expenses, your Company is engaged as Corporate Agent for Life and General Insurance Companies, and also acting as address verification agents for Fullerton India Credit Company Limited and Tata Teleservices Limited at Coimbatore. Besides, your company has taken up distributorship of MTS Mobile Phones & accessories of Sistema Shyam Teleservices Ltd., Videocon and Intex brand handsets at Coimbatore and Salem areas in Tamil Nadu. The company is also focusing on collecting over dues from HP/Lease/Loans/Bills discounted parties.

DIVIDEND

Since the Company has carried forward losses in the current year, the Directors express their inability to recommend Dividend.

SHARE CAPITAL

The paid up Share Capital as on 31st March, 2015 was Rs.13,02,67,000/-. During the year under review, the Company has not issued any shares. The Company has not issued shares with differential voting rights. It has neither issued employee stock options nor sweat equity shares and does not have any scheme to fund its employees to purchase the shares of the Company.

DEPOSITS

The Company has not accepted any deposits from the public/ shareholders during the year under review as per Section 73 of the Companies Act, 2013.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchange, Corporate Governance Report and Auditor's Certificate regarding Compliance of conditions of Governance are made part of this Report.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

Sri H. N. S. Rao, [DIN 00106953] Director retire by rotation at the forthcoming Annual General Meeting and being eligible, offer herself for reappointment.

Mrs. Vimal Chandrashekhar Kamath [DIN 07182821] has been appointed as an Additional Director pursuant to Section 149(1), 152 and 160 of the Companies Act, 2013 and Clause 49(II)(A) (1) of the Listing Agreement. She holds office upto the date of ensuing Annual General Meeting. The Board recommends the confirmation/appointment of Mrs. Vimal C. Kamath at the ensuing Annual General Meeting.

During the year under report, Mr. Govindaraya Raman Nayak appointed as Chief Financial Officer (CFO) of the company in terms of Section 203 of the Companies Act, 2013. Details of remuneration paid to the Directors and Key Managerial Personnel are given in the Annexure I forming part of the Boards' Report.

A brief profile of the Directors seeking confirmation/appointment, nature of expertise in specific functional area, name of other public companies in which he/she holds directorship and membership/ chairmanship of the committees of the Board of Directors and the particulars of the shareholding as stipulated under Clause 49 of the Listing Agreement entered with the Stock Exchanges is appended to the Notice.

All the Independent Directors have furnished to the Company a declaration under Section 149(7) of the Companies Act, 2013 stating that they meet criteria of independence as provided under Section 149(6) of the Companies Act, 2013 and Clause 49 of the Listing Agreement and the same are given in Annexure III forming part of the Boards' Report.

MEETINGS

A calendar of Meetings is prepared and circulated in advance to the Directors. During the year four Board Meetings were convened and held on 30-05-2014, 13-08-2014, 14-11-2014 and 11-02-2015. The intervening gap between the Meetings was within the period prescribed under the Companies Act, 2013.

The role and terms of reference of Audit Committee cover the areas mentioned under Clause 49 of the Listing Agreement and Section 179 of the Companies Act, 2013, besides other terms referred to by the Board of Directors from time to time. During the year, the Committee met on 30th May, 2014, 13th August, 2014, 14th November, 2014 and 11th February, 2015.

AUDIT COMMITTEE

The Audit Committee comprises independent directors namely Mr. Bharath K. Nayak, (Chairman), Mr. K. M. Udupa, Mr. A. Giridhar Pai and Mr. U. Harish P. Shenoy as other members. All the recommendations made by the Audit Committee were accepted by the Board.

REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) INITIATIVES OF THE COMPANY

Since the company is still carrying over the losses Corporate Social Responsibility committee pursuant to provisions of Section 135(1) of the Companies Act, 2013 has not been formed for the time being.

PARTICULARS OF EMPLOYEES

During the year under review, the Company had no employees whose remuneration exceeded the limit prescribed pursuant to the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

RISK MANAGEMENT

Your Company recognizes that risk is an integral part of business and is committed to managing the risks in a proactive and efficient manner.

SUBSIDIARY/ASSOCIATE COMPANIES

The Consolidated Financial Statements of the Company and its subsidiaries and associates, prepared in accordance with Accounting Standard 21 issued by the Institute of Chartered Accountants of India, form part of the Annual Report and are reflected in the Consolidated Financial Statements of the Company.

The Annual Accounts of the subsidiaries / associates and related detailed information will be kept at the Registered Office of the Company, as also at the registered offices of the respective subsidiary/associate companies and will be available to investors seeking information at any time.

Salient features of financial statements of subsidiary/associate companies pursuant to Section 129(3) of the Companies Act, 2013 have been covered in the Financial Statements in Form AOC-1.

RELATED PARTY TRANSACTION

All related party transactions that were entered into were on an arm's length basis, in the ordinary course of business and were in compliance with the applicable provisions of Companies Act, 2013 ("the Act"). There were no materially significant related party transactions made by the Company during the year that would have required shareholders approval under the provisions of the Act. Details of the transactions with related parties are provided in the Note No. 2.28 of accompanying financial statements. Form AOC-2 pursuant to Clause (h) of sub-section (3) of Section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014 is annexed herewith marked as Annexure II.

Your Company through its risk management process strives to contain impact and likelihood of the risks from time to time.

BOARD EVALUATION

Pursuant to the provisions of Companies Act, 2013 and Clause 49 of the Listing Agreement, Board has carried out an annual performance evaluation of its own performance and the

Directors individually. The manner in which the evaluation has been carried out are detailed below:

The performance evaluation of Chairman and Non-Independent Directors was carried out by the Independent Directors. The Independent Directors evaluated the parameters viz., level of engagement, duties, responsibilities, performance, obligations and governance safeguarding the interest of the Company. The performance evaluation of Independent directors was carried out by the entire Board.

AUDITORS

The Auditors, Chaturvedi & Shah, Chartered Accountants, Mumbai (Firm Registration No. 101720W) retire at the ensuing Annual General Meeting and, being eligible, offer themselves for reappointment to hold office till the conclusion of the 46th AGM to be held in the Calendar year 2017.

AUDITORS' REPORT

In respect of the comments made by the auditors in their independent auditors report on consolidated financial statement, in the Para "Basis for qualified Opinion" relevant explanation given by the Company vide Note No. 2.14(b) to the Financial Statements is self explanatory.

SECRETARIAL AUDIT REPORT

In terms of Section 204 of the Act and Rules made there under, Sri Shrinivas Devadiga, Practicing Company Secretary (Membership No. 22381 CoP No. 10372) from Bangalore has been appointed as Secretarial Auditor of the Company. The report of the Secretarial Auditor is enclosed as Annexure IV to this report. As per Section 134 (3f) of the Companies Act, 2013 Company is required to make comments on the adverse remarks / comments on the Secretarial Auditors Report.

1. As per the Secretarial Auditor's Report placed before the Board, the Secretarial auditor have opined that the Company has not appointed Company Secretary:

Your Directors reiterate that, Company has been trying to appoint a qualified company secretary since 1995. During 1996 a qualified company sec. was however appointed. He was in service till January 2006, when he left for his better prospects. From the year 1998 onwards company had to face financial crunch due to stringent regulatory norms issued by RBI for deposit taking NBFCs. Added to the misery due to default committed by some other NBFCs in this area, the investors of our company also exerted heavy pressure for repayment of their investments prematurely. The Company was hence forced to approach Hon'ble high court of Karnataka with a scheme of arrangement for repayment of outstanding investments in installments. The Scheme was sanctioned on December 2004 and company thereafter repaid all the investments as per the scheme. However the company was not engaged in any business consequently there were no income. Under these circumstances the company was forced to reduce the number of branches and also number of employees. This is the main reason for not appointing a company secretary. The aspirants for this post

in Manipal expects huge salary and other perquisites which is at present beyond the company's capacity. However as and when the company engages itself in a proper business, it would certainly comply with this requirement.

2. As per the Secretarial Auditor's Report placed before the Board, the Secretarial auditor have opined that the Company has not appointed Woman Director within the stipulated time.

Your Directors reiterate that, Company did identify a woman director and requested her to join the Board before 31st March, 2015 as per provisions of the Act. However, she expressed her difficulty to join prior to 31st March owing to some personal reason. She was however inducted to the Board at its meeting held on 19th May, 2015 which was the immediate next meeting after 31st March.

3. As per the Secretarial Auditor's Report placed before the Board, the Secretarial auditor have opined that the Company has not registered the lease agreement which are entered by Company having tenure more than 11 months.

Your Directors reiterate that they will review all such agreements and noted the observations for compliance.

INTERNAL FINANCIAL CONTROL

The Company has established and maintained adequate internal controls over the financial reporting. Internal controls have been designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements in accordance with accounting principles generally accepted in India. The Company has internal control system commensurate with the size and nature of the business. The Company engages M/s Pai Nayak & Associates, Chartered Accountants, Udipi with Firm Registration No. 009090S as its Internal Auditors. During the year, the Company continued to implement their suggestions and recommendations to improve the control environment. Their scope of work includes review of processes for safeguarding the assets of the Company, review of operational efficiency, effectiveness of systems and processes, and assessing the internal control strengths in all areas. Internal Auditors findings are discussed and acts upon and suitable corrective actions taken as per the directions of Audit Committee on an ongoing basis to improve efficiency in operations.

EXTRACT OF ANNUAL RETURN

As required pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014, an extract of annual return in **MGT 9** is attached as a part of this Annual Report as **ANNEXURE I**.

Material changes and commitments, if any, affecting the financial position of the company which has occurred between the end of the financial year of the company to which the financial statements relate and the date of the report:

There are no such material changes to be reported in this regard.