

14th Annual Report 2004 - 05



INTEGRATED FINANCIAL SERVICES LTD.

Integrated Financial Services Ltd

BOARD OF DIRECTORS : Sh. S.C.Khaneja, Chairman
Smt Rajni Khaneja, Wholetime Director
Sh Virender Khaneja, Director
Smt Rachna Batra, Director
Sh Pawan Kumar Sharma, Director

Registered Office : 303-304, 3rd Floor,
New Delhi House,
27, Barakhamba Road,
New Delhi-110001.

Bankers : ABN-AMRO Bank
HDFC Bank Ltd

Auditors : M/s. Dua & Kumar,
Chartered Accountants
P-1, Pilanji,
Sarojini Nagar,
New Delhi-110023.



Integrated Financial Services Ltd.

NOTICE

NOTICE is hereby given that Fourteenth Annual General Meeting of INTEGRATED FINANCIAL SERVICES LTD will be held on Friday, 30th day of September, 2005 at 10.00 A.M. at its Registered office at 303-304, 3rd Floor, New Delhi House, 27, Barakhamba Road, New Delhi-110001 to transact the following business.

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet of the Company as at 31st March, 2005, the Profit and Loss Account for the year ended on that date and Reports of the Board of Directors and Auditors thereon.
2. To declare dividend for the year ended 31st March, 2005.
3. To appoint a Director in place of Mr. S.C. Khaneja, who retires by rotation and being eligible offers himself for the reappointment.
4. To appoint Auditors to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

5. To consider and if thought fit, to pass with or without modification(s), the following as a Special Resolution.
 "RESOLVED that pursuant to the provisions of Section 17 of the Companies Act, 1956 and subject to confirmation by the Central Government, the object clause of the Company's Memorandum of Association be altered by addition to clause III (A) of the Memorandum of Association of the Company, the following new clause 9:
 9. To carry on the business of real estate developers, promoters, builders, contractors, sub-contractors, agents and to deal in properties, movable and immovable, leasehold, freehold, land, buildings and to construct, erect buildings, to purchase, underwrite, construct or otherwise acquire multistoreyed flats, commercial or residential, houses, farm houses, godowns, warehouses, shops, malls, complexes etc and to sell, resell, let on hire and take, assign pledge, lease out or otherwise dispose of in installments or under hire purchase agreement.
6. To consider and if thought fit, to pass with or without modification(s), the following as a Special Resolution.
 "RESOLVED THAT pursuant to the provisions of Section 309(2), 310 of the Companies Act, 1956 and Clause 49 of the Listing Agreement with the Stock Exchanges, the consent of the Company be and is hereby accorded for payment of such amount as may be approved by the Board of Directors, from time to time, subject to the ceilings prescribed under the Act or rules framed there under, as amended from time to time, as sitting fee for each meeting of the Board of directors or the Committee thereof, attended by the Non-executive directors of the Company."
7. To consider and if thought fit, to pass with or without modification(s), the following as an Ordinary Resolution.
 "RESOLVED THAT Mr. Pawan Kumar Sharma who was appointed as an Additional Director of the company in terms of Section 260 of the Companies Act, 1956 and in respect of whom the company has received a notice in writing proposing his candidature for the office of director under Section 257 of the Companies Act, 1956 be and is hereby appointed as a Regular Director of the Company."

By order of Board of Directors

Place : New Delhi
Date : 29.08.2005

Rachna Batra
Director

NOTES :

1. A member entitled to attend and vote at the Annual General Meeting may appoint a "proxy" to attend and vote on a poll on his behalf and such proxy need not be a member of Company. Proxies, in order to be effective, must be deposited at the Registered office of the company not less than 48 hours before the commencement of this Annual General Meeting.
2. The Register of Members and the Share transfer books of the Company will remain closed from Friday, 23rd September, 2005 to Friday, 30th September, 2005 (both days inclusive).
3. Explanatory statement required under Section 173(2) of the Companies Act, 1956 in respect of special business is attached.
4. Members/Proxies are requested to intimate any change in their address immediately and bring their copies of Annual Report to the meeting and the attendance slip duly filled in for attending the meeting.
5. The Company has made necessary arrangements for the members to hold their shares in electronic mode. Those members who are holding shares in physical form are requested to dematerialize the same by approaching any of the Depository Participants registered with SEBI.
6. Members who hold shares in dematerialized form are requested to bring their client and DP-ID for easy identification of attendance at the meeting.
7. Members are advised to avail ECS facility whereby the dividend will be directly credited electronically to their respective bank accounts. Members who hold shares in dematerialized form are requested to provide their ECS Mandate to their respective depository participants, if they have not done so already. Members holding shares of the company in physical form are requested to provide their ECS Particulars to the company at the earliest to avail the ECS facility.

By order of Board of Directors

Place : New Delhi
Date : 29.08.2005

Rachna Batra
Director

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ANNEXURE TO NOTICE

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

Item No. 5

The Company proposes to enter into the business of real estate.

The present objects of the company do not include the above area as a Focussed Activity. In view of this, it is proposed to insert a new Clause 9 in the Object Clause of the Memorandum of Association of the Company to give effect to the said provisions in the Special Resolution.

The Board recommends to the shareholders to adopt the proposed resolution as a Special Resolution by means of postal ballot.

As per Section 192A of the Companies Act, 1956 read with Companies (Passing of the Resolution by Postal Ballot) Rules, 2001, passing of the resolution as stated in Item No. 5 of the accompanying notice require consent of shareholders through postal ballot. This resolution shall not be put to vote at the Annual General Meeting. The results of the postal ballot votes on these resolutions will be declared in the meeting.

Therefore, your approval to the aforesaid resolution is required to be obtained by means of postal ballot. You are therefore, requested to confirm your assent or dissent in writing in the postal ballot form sent herewith in accordance with the instructions given therein.

The Board of directors in their meeting held on 30th July, 2005 has appointed Mr. Parveen Rastogi, a Practising Company Secretary as Scrutinizer for conducting the postal ballot in a fair and transparent manner.

Postal Ballot Form and the self addressed postage pre-paid envelopes are enclosed for use of members. Members are requested to carefully read the instructions printed in the postal ballot form and return the form (no other form or photocopy is permitted) duly completed in all respects, in attached self addressed envelope, so as to reach the Scrutinizer at the registered office of the company on or before 29th September, 2005.

The Scrutinizer will submit his report, addressed to the Board of directors of the Company after completion of the scrutiny and the result of the postal ballot will be announced by one of the directors of the company in the Annual General Meeting of the company.

None of the Directors of the Company are concerned or interested in the said Resolution.

A copy of the existing Memorandum and Articles of Association of the Company together with a copy of the proposed amendment will be open for inspection by shareholders at the Registered office of the Company between the hours of 10.00 a.m. and 12 noon on all days except Saturdays, Sundays and holidays, until the date of the Annual General Meeting or any adjournment thereof.

Item No. 6

The Securities and Exchange Board of India has issued a Circular to all the Stock Exchanges advising them to amend the Listing Agreement by inserting a revised Clause 49 relating to Corporate Governance requirements to be fulfilled by the companies. The Clause 49 has been accordingly amended by the Stock Exchanges and is effective from 31st December, 2005. One of the requirements stipulated under the revised Clause 49 of the listing agreement is that all the fees/compensation paid to the Non-executive directors including independent directors, shall be fixed by the Board of Directors and shall require previous approval of the members in the Annual General Meeting.

With effect from 1st April, 2005, sitting fee is being paid to all the directors of the company for each board meeting attended by them excluding Mrs. Rajni Khaneja. Wholetime director of the company.

In view of the revised Clause 49 of the Listing Agreement, the approval of the members is sought for the payment of sitting fees to all the directors of the company excluding Mrs. Rajni Khaneja.

The Directors recommend adoption of the Special Resolution.

All the directors except Mrs. Rajni Khaneja are interested in the resolution to the extent of the remuneration that may be received by them.

Item No. 7

At the meeting of the Board of directors held on 30th July 2005 Mr. Pawan Kumar Sharma was appointed as an Additional Director of the Company to hold office until the beginning of forthcoming Annual General Meeting. The Company has received a notice in writing proposing his candidature for the office of director under Section 257 of the Companies Act 1956.

The Directors recommend the resolution for your approval. None of the directors is interested in the resolution except Mr. Pawan Kumar Sharma.

By order of Board of Directors

Place New Delhi
Date 29 08 2005

Rachna Batra
Director

DIRECTOR'S REPORT

To The Members,

Your Directors have pleasure in presenting the Fourteenth Annual Report and Audited Accounts of the company for the year ended 31st March, 2005.

FINANCIAL RESULTS

(Rs. in Lakhs)

	Year ended 31.03.2005	Year ended 31.03.2004
Income	326.83	139.16
Profit before Depreciation & Tax	315.79	122.36
Depreciation	2.55	2.82
Profit before taxation	313.24	119.54
Tax	18.54	12.00
Deferred Tax Liability	0.15	5.73
Income Tax (Previous year)	-	(2.08)
Profit after taxation	294.55	103.89
Proposed Dividend	60.00	—
Tax on Dividend	8.42	—
Transferred to General Reserve	226.13	103.89

OPERATIONS

During the year under review, the performance of the company has been reasonably good. The Company's profit before tax is Rs. 313.24 Lacs in the year under review as against Rs. 119.54 in the previous year. Earning per share has increased from Rs. 1.69 per share in the previous year to Rs. 4.91 per share in the current year.

DIVIDEND

The Directors are pleased to recommend a dividend of 10% (Rs. 1 per share) for the year under review. The dividend if declared, at the ensuing Annual General Meeting, will be paid to those members whose name appears in the Register of Members on 23rd September, 2005. In respect of the shares held in electronic form, the dividend will be paid to those persons whose names shall appear as beneficial owners at the end of the business hours on Thursday 22nd September, 2005 as per details furnished by National Securities Depository Ltd and Central Depository Services (India) Ltd. The Payment of dividend will entail an outlay of Rs. 60 Lacs. The Company will also have to bear the distribution tax of Rs. 8.42 Lacs.

FIXED DEPOSITS

The company has neither accepted nor invited any fixed deposit within the meaning of Company's (Acceptance of Deposits) Rules, 1975 from the public, during the year.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the company, Mr. S C Khaneja, director retires by rotation and being eligible offer himself for the reappointment.

During the year under review, Mr. Vijay Kathuria and Mr. Naval Kishore Kalra have left as directors of the company. Mr. Ankit Jain who was appointed on 1st January, 2005 as a director tendered his resignation from the directorship of the company in the meeting of the Board of directors held on 30th July, 2005. The Board places on record the words of appreciation for the services rendered by them during their tenure as directors of the company.

Mr. Pawan Kumar Sharma was appointed as an additional director of the company during the year. Accordingly a special resolution appointing him as a regular director forms part of the notice convening the Annual General Meeting.

Brief resume of the directors seeking appointment/reappointment, nature of their expertise and names of the companies in which they hold directorship or chairmanship/membership of committees of the Board, as stipulated under Clause 49 of the Listing Agreement, are given in the Corporate Governance Section in this Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 217(2AA) of the Companies Act, 1956, your directors confirm:

1. That in the preparation of annual accounts for the year ended 2003-2004, the applicable accounting standards had been followed alongwith proper explanation relating to material departures;
2. That the directors have selected such accounting policies and applied them consistently and made judgements 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 and of the profit or loss of the company for that period;
3. That the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
4. That the directors have prepared the annual accounts on a going concern basis.

CORPORATE GOVERNANCE

During the Financial year 2004-2005, the company has complied with all the recommendations of Corporate Governance as stipulated in Clause 49 of the Listing Agreement.

A separate report on Corporate Governance forms a part of the Annual Report of the Company. A certificate from the Auditors of the Company



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regarding compliance with the conditions of Corporate Governance as stipulated under Corporate Governance Clause of the Listing Agreement(s) is annexed to the Report on Corporate Governance.

A Management Discussion and Analysis also accompanies this report.

LISTING OF SHARES

Presently, the shares of the company are listed with the Stock Exchange, Mumbai.

The company has paid the Annual Listing fee for the period 1st April, 2005 to 31st March, 2006 to the stock exchange.

AUDITORS

M/s. Dua and Kumar, Chartered Accountants, New Delhi, retire at the conclusion of the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

AUDITORS' REMARKS

The observations made by the Auditors with reference to notes on to the accounts for the year under report are self explanatory and need no further comments from the directors.

PARTICULARS OF EMPLOYEES

There is no eligible employee whose particulars under Section 217(2AA) of the Companies Act, 1956 are called for.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUT GO.

Information under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988, is not being furnished as the same is not applicable. No particulars are furnished on conservation of energy and technology absorption. There was no foreign exchange earning or outgo during the year under review.

ACKNOWLEDGEMENTS

The directors place on record their appreciation of the excellent performance and hard work put in by the employees at all levels in the company's growth and development. The Directors also convey their grateful thanks to the shareholders and bankers for their continued cooperation, support and the confidence reposed by them in the company.

for and on behalf of the Board of Directors

Date : 29.08.2005
Place : New Delhi

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S.C. KHANEJA
CHAIRMAN

Integrated Financial Services Ltd.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Structure and Developments

The Financial year 2004-2005 was a good year for the Indian Capital Market. Except the fall on 17th May, 2004, the market continued to rise steadily through out the year. The buoyancy in the secondary market led to increased activities in the IPOs by the corporates. FIs continued to invest funds in Indian equity market and their investments hit a record level. BSE Sensex at the end of the calendar year touched around 6600 level. The tax reforms announced by the government also gave a boost to the investment activities in the Indian capital market. The performance of the company has been reasonably good in the uptrend market.

Opportunities and Threats

Being an investment company, the opportunities and threats to the company are those which are applicable to all the companies operating in the Capital Market keeping in view the present market sentiments and government policies.

Segment-wise or product-wise performance

Your company is mainly engaged in investment activities which is the only business segment. Other segments are not applicable to your company.

Outlook

Your company is mainly engaged in investment of shares and debentures of other companies. It has 46% equity stake in Integrated Master Securities (P) Ltd which is a member of National Stock Exchange of India Ltd., The Stock Exchange, Mumbai, The Delhi Stock Exchange Association Ltd, The Ludhiana Stock Exchange Association Ltd and Vadodara Stock Exchange Ltd and Depository Participant of National Securities Depository Ltd and Central Depository Services (India) Ltd.

Your company proposes to make an additional investment of Rs. 3.70 Crores in Integrated Master Securities (P) Ltd which will result in increase in its present shareholding from 46% to 60%.

Risk and Concerns

The performance of your company to a major extent depends upon the Capital Market Scenario and therefore, it is exposed to the risk factors which are applicable to Capital Market. The company manages these risks by adherence to best practices, all internal control policies and risk management systems.

Internal Control Systems and their adequacy

The company has adequate internal control systems to ensure monitoring and controlling against unauthorized use/disposition of assets and ensuring that all the transactions are authorized, recorded and reported correctly.

The company ensures compliance with all the regulations applicable to the company.

The Audit Committee of the Board reviews Internal Control systems of the company on periodical basis.

Financial Performance with respect to Operational Performance

During the year, the reserves and surplus stood at Rs. 5.82 crores against Rs. 3.56 crores during the previous year. The profit before tax during the year stood at Rs. 313.24 Lacs as against Rs. 119.54 Lacs during the previous year.

Material Development in Human Resources/Industrial Relations Front

The company is managed by a team of young Professionals and follows all good management practices.

The relationship with all the employees of the company have been cordial during the year under review.

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CORPORATE GOVERNANCE REPORT :**COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE:**

The Company has always attributed utmost importance to Corporate Governance and has followed Corporate Governance in its operations to make them transparent.

BOARD OF DIRECTORS:

- (a) **Composition :** The Board comprises of a Non-executive Chairman and four Directors. Out of total strength of five directors, three directors are promoter directors and two are non promoter directors. Two of the directors are Executive Directors and three are Non-Executive Directors out of which two are independent directors.

There are no nominee directors and institutional directors on the Board of the company.

- (b) **Board Meetings :** During the financial year 2004-2005, the meeting of the Board of Directors were held on 30th June, 2004, 30th July, 2004, 31st July, 2004, 4th September, 2004, 30th October, 2004, 30th November, 2004, 31st December, 2004, 31st January, 2005 and 15th February, 2005.

The information regarding the meetings attended by the Directors is given below:-

Name of Director	Category of Director	No. of meetings attended/Attendance of Board Meetings.	Total No. of other Directorship in public Ltd. Companies	Attendance at last AGM	Committee Membership	Committee Chairmanship
Sh. S. C. Khaneja	Chairman Promoter Non Executive	9	1	Yes	1	-
Smt. Rajni Khaneja	Promoter, Executive	9	Nil	Yes	-	-
Sh. Virender Khaneja	Promoter, Executive	9	Nil	Yes	-	-
Ms. Rachna Batra	Independent Non-executive	9	1	Yes	2	2
Sh. Vijay Kathuria #	Independent Non-executive	3	Nil	Yes	-	-
Sh. Naval Kishore Kalra@	Independent Non-executive	3	Nil	Yes	-	-
Sh. Ankit Jain*	Independent Non-executive	2	Nil	No	1	-
Sh. Pawan Kumar Sharma\$	Independent Non-executive	-	Nil	No	1	1

Resigned on 01.01.2005

@ Resigned on 13.12.2005

* Appointed on 1st January, 2005 and resigned on 30th July, 2005.

\$ Appointed with effect from 30th July, 2005.

Mr. S.C. Khaneja, Chairman of the company, retires by rotation at the ensuing Annual General Meeting and offers himself for reappointment. Mr. Khaneja is M.Com. (Delhi School of Economics, Delhi University), LL.B. (1st Class first, Delhi University), Fellow Member of Institute of Company Secretaries of India, Associate Member of Institute of Cost and Works Accountants of India and Ph.D. in Commerce. He has a rich experience of over 25 Years in the financial and capital market.

He is a director of the following companies.

1. Integrated Master Securities (P) Ltd
2. Integrated Risk Insurance Brokers Limited
3. Integrated Commodity Trades (P) Ltd

Mr. Pawan Kumar Sharma was appointed as an additional director of the company to hold office till the conclusion of this AGM. The Company has received a notice under Section 257 from a member proposing his candidature for the office of a director.

Mr. Pawan Kumar Sharma is a director of the company since 30th July, 2005.

He is an Associate Member of the Institute of Company Secretaries of India and LLB (Delhi University) by qualification.

He has experience of nearly 4 years.

He is a member of the Audit Committee and Investor Grievance Committee of the company.

COMMITTEE OF THE BOARD :**AUDIT COMMITTEE**

The Audit Committee of the company comprises of 3 directors i.e. Shri S.C. Khaneja, Ms. Rachna Batra and Sh. Pawan Kumar Sharma, all being Non-executive directors. Ms. Rachna Batra and Mr. Pawan Kumar Sharma are independent directors. Ms. Rachna Batra is heading the Committee.