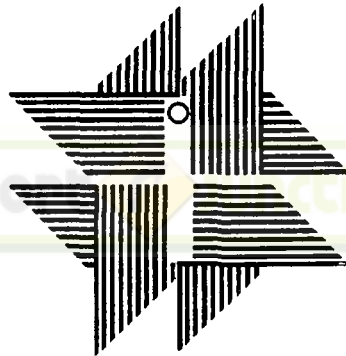


INTERFACE

FINANCIAL SERVICES LTD.



ANNUAL REPORT
2005-2006



INTERFACE FINANCIAL SERVICES LIMITED

BOARD OF DIRECTORS

Shri Himat K. Parikh, Managing Director
Shri Gaurang H. Dalal
Shri Shaunak H. Choksi
Shri Ketan H. Gandhi
Shri Hemendra D. Sanghvi
Shri Mayur R. Parikh
Smt. Dipti Y. Shah

REGISTERED OFFICE

2nd Floor, Agrawal Complex,
Nr. Municipal Market,
C. G. Road, Navrangpura,
Ahmedabad - 380 009
Ph. Nos. (079) 2646 2300, 2640 6950/51
Fax Nos. (079) 2656 8735
Email : interface1@icenet.co.in
interface2@icenet.co.in

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BANKERS

HDFC Bank Ltd.
State Bank of India
Bank of Baroda
Textile Traders Co-op. bank Ltd.

AUDITORS

Shah Narielwala & Co.,
Chartered Accountants,
608, Shitiratna,
Near Panchvati Circle,
Ellisbridge, Ahmedabad - 380 006
Ph Nos. (079) 2644 0630, 2656 4605
Fax Nos. (079) 2644 5217

SHARE TRANSFER AGENTS

Sharepro Services (India) Pvt. Ltd.
Satam Estate, 3rd Floor,
Cardinal Gracious Road,
Above Bank of Baroda,
Chakala, Andheri (East),
Mumbai 400 099
Ph Nos. (022) 28215168/69
Fax No. (022) 28375046



INTERFACE FINANCIAL SERVICES LIMITED

NOTICE

Notice is hereby given that the Fourteenth Annual General Meeting of the members of Interface Financial Services Limited will be held on Friday, the 29th September 2006 at 2.30 p.m. at the Registered Office of the Company at 2nd, Floor, Agarwal Complex, Nr. Municipal Market, C.G. Road, Navrangpura, Ahmedabad - 380 009. transact the following business:-

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as on 31st March, 2006 and the Profit & Loss Account for the year ended as on that date and the Directors' report and Auditors' Report thereon.
2. To appoint a Director in place of Shri Gaurang Dalal who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Shri Ketan Gandhi who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint the Auditors and fix their remuneration.

SPECIAL BUSINESS :

5. To pass with or without modification the following resolution as **Ordinary Resolution**:-

"RESOLVED THAT Shri Mayur Parikh, appointed as an additional director pursuant to section 269 of Companies Act, 1956 be and is hereby appointed as Director under provisions of section 257 of the Companies Act, 1956.

FURTHER RESOLVED that Directors of the company be & is hereby severally authorized to do all the acts deeds & things necessary and incidental for proper implementation of the same".

6. To pass with or without modification the following resolution as **Ordinary Resolution**:-

"RESOLVED THAT Smt. Dipti Shah, appointed as an additional director pursuant to section 269 of Companies Act, 1956 be and is hereby appointed as Director under provisions of section 257 of the Companies Act, 1956.

FURTHER RESOLVED that Directors of the company be & is hereby severally authorized to do all the acts deeds & things necessary and incidental for proper implementation of the same".

Regd. Office:

2nd Floor, Agrawal Complex,
Near Municipal Market,
C. G. Road, Navrangpura,
Ahmedabad - 380 009.

By order of the Board
For, INTERFACE FINANCIAL SERVICES LTD.

HIMAL PARIKH
CHAIRMAN

Place : Ahmedabad
Date : 19th July, 2006

NOTES

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member of the Company. Proxies in order to be effective must reach the Registered Office of the Company not less than 48 hours before the time fixed for the Meeting.
2. The Register of Members and Share Transfer Books of the Company shall remain closed from Wednesday, the 20th September, 2006 to Friday, the 29th September, 2006 (both days inclusive).
3. 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.
4. Members are requested :
 - a) to bring the copy of the Annual Report at the Meeting.
 - b) to notify any change in address to the Company.
 - c) to get their physical shares converted to demat form.
5. The shareholders desiring any information on records of the Accounts are requested to write to the Company before 10 days of Annual General Meeting so as to enable the Management to keep the information ready.
6. Annual Listing Fees of all stock exchanges where company's shares are listed for the year 2006-07 have been paid.

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Explanatory Statement pursuant to provisions of section 173(2) of the Companies Act, 1956.

Item Nos. : 5 & 6

Shri Mayur Parikh was appointed as an additional Director pursuant to section 260 of the Companies Act, 1956. Company has received notice from one of the Shareholder signifying his intention to appoint him as Director under section 257 of the Companies Act, 1956 with requisite fees. He is by profession Chartered Accountant having experience in the field of Finance and company law matters. His experience will be helpful to the company.

Smt. Dipti Shah was appointed as an additional Director pursuant to section 260 of the Companies Act, 1956. Company has received notice from one of the Shareholder signifying his intention to appoint her as Director under section 257 of the Companies Act, 1956 with requisite fees. She is by profession Company secretary having wide experience in the field of company law matters and other allied laws relating to securities. Her experience will be helpful to the company in better compliance of legal matters.

The Directors recommend appointment of both the Directors. None of the Director is interested the resolutions.

Regd. Office:

2nd Floor, Agrawal Complex,
Near Municipal Market,
C. G. Road, Navrangpura,
Ahmedabad - 380 009.

By order of the Board
For, INTERFACE FINANCIAL SERVICES LTD.

HIMAL PARIKH
CHAIRMAN

Place : Ahmedabad
Date : 19th July, 2006

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INTERFACE FINANCIAL SERVICES LIMITED

DIRECTORS' REPORT

To,
The Members,
INTERFACE FINANCIAL SERVICES LIMITED

Your Directors hereby present their Fourteenth Annual Report of your Company together with audited accounts for the accounting year ended on 31st March, 2006.

FINANCIAL RESULTS:

PARTICULARS	(Rs. in lacs)	
	YEAR ENDED ON	
	31.03.2006	31.03.2005
Gross Income	206.15	53.58
Profit/ (Loss) Before Interest & Depreciation	181.63	26.40
Finance Charges	0.16	2.09
Profit/ (Loss) Before Depreciation	181.47	24.31
Depreciation	4.53	4.96
Profit/ (Loss) Before Tax & Extra Ordinary Items	176.94	19.35
Provision for Tax	60.17	-
Profit/(Loss) for the year after Tax	116.77	19.35
Adjustments of earlier years (Net)	-	0.56
Net Profit/ (Loss)	116.77	19.91
Paid up Equity Share Capital	486.44	486.44
Reserves Excluding Revaluation Reserve	786.78	610.30

DIVIDEND

Your directors in order to conserve resources decided not to declare dividend for the financial year 2005-06.

MANAGEMENT DISCUSSION AND ANALYSIS

(i) Financial Performance Review:

During the year under review your company has shown growth in gross income compared to previous year. The gross income for the financial year ended March 31, 2006 increased to Rs. 206.15 lacs, from Rs. 53.58 lacs in the previous year and net profit of Rs. 116.77 lacs as compared to Rs. 19.91 lacs in the previous year.

An amount of Rs.23.35 lacs was transferred to Statutory Reserve Fund pursuant to Section 45IC of the Reserve Bank of India Act, 1934 for the current year and Rs 3.98 lacs for the previous year.

(ii) Industry Structure and Developments:

The operations of Non Banking Financial Companies (NBFCs) are regulated and supervised by the Reserve Bank of India vide powers conferred under Chapter III-B of Reserve Bank of India Act, 1934. The regulatory and supervisory framework for NBFCs have been continuously strengthened in order to ensure strong and healthy functioning, by limiting excessive risk taking practices and protecting the interest of deposit holders.

The NBFC sector in India has become very mature with reduced dependence on the acceptance of public deposits as part of its overall funding. The NBFC sector is now represented by a mix of a few large companies with nationwide presence and a large number of small and medium-sized companies with regional focus.

(iii) Opportunities:

With GDP growth forecasts of 7%-8% over the next few years, the Indian economy will continue to provide several attractive growth opportunities. The increased thrust on the infrastructure sector, including power, roads, ports, telecom and other urban infrastructure projects, will continue to provide excellent investment opportunities in future.

In addition, the services sector, which is growing rapidly and contributes substantially to GDP, will provide many new opportunities for the financial services industry in India.

ANNUAL REPORT 2005-2006**(iv) Challenges:**

The NBFC sector continues to face competitive pressures from the banking sector and financial institutions, due to their increased penetration in the consumer financing market, with comparatively low cost of funds at their disposal. The spreads in the lending business have also narrowed considerably, bringing risk-adjusted margins to generally unviable levels.

IFSL's financial position, reflected by its low debt equity ratio and adoption of prudent business strategies by diverting towards non fund based activities have enabled it to consistently post satisfactory performance despite these difficult conditions.

(v) Outlook:

The financial services sector is one of the key growth sectors of the economy. Globally, 5 of the top 20 Fortune 500 companies are financial services companies. Nearly 16% of total revenues and 28% of total profits of all Fortune 500 companies are generated by the financial services sector, the largest by any single sector.

IFSL intends to actively pursue growth opportunities in the fast growing financial services sector in the country, to become a full service financial services company.

(vi) Risks and Concerns:

IFSL is exposed to specific risks that are particular to its businesses and the environment within which it operates, including interest rate volatility, economic cycle, market risk and credit risk. IFSL manages these risks by maintaining a conservative financial profile, low cost concept and by following prudent business and risk management practices.

(vii) Adequacy of Internal Control:

IFSL has a proper and adequate system of internal control to ensure that all activities are monitored and controlled against any unauthorized use or disposition of assets and that the transactions are authorized, recorded and reported correctly.

IFSL ensures adherence to all internal control Policies and procedures as well as compliance with all regulatory guidelines.

The audit committee of the Board of Directors reviews the adequacy of internal controls.

(viii) Human Resource Management:

The Company has hired the services of professionals for better monitoring of various operations of the Company including all statutory compliances.

(ix) Cautionary Statement

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations may be "forward-looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions, changes in Government regulations, tax laws and other Statutes and other incidental factors.

PUBLIC DEPOSITS

Your Company has not accepted any Deposits from the public during the year under review.

DIRECTORS

Shri Gaurang Dalal & Shri Ketan Gandhi retire by rotation at the ensuing Annual General Meeting and being eligible offers themselves for reappointment. Your Directors recommend their reappointment. During the year Shri Mayur Parikh and Smt. Dipti Shah were appointed as Additional Directors. Company has received notice to appoint these Directors under Section 257 of the Companies Act, 1956.

DIRECTORS' RESPONSIBILITY STATEMENT UNDER SECTION 217(2AA) OF THE COMPANIES ACT, 1956

The Directors confirm that-

- In preparation of the annual account, the applicable accounting standards have been followed by the Company;
- Such accounting policies have been selected and consistently applied and judgments and estimates made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March 2006 and of the profit of the Company for the year ended on that date;



INTERFACE FINANCIAL SERVICES LIMITED

- Proper and sufficient care have been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and irregularities;
- Annual accounts have been prepared on a going concern basis.

AUDITORS' & AUDITORS' REPORT

M/s. Shah Narielwala & Co., Statutory Auditors of the Company, retire and are eligible for reappointment. The members at the ensuing Annual General Meeting are requested to consider their reappointment for the year 2006-2007. They will hold the office until the conclusion of the next Annual General Meeting. The Board recommends their reappointment.

Notes forming part of the accounts, which are specifically referred to by the Auditors in their Report are self explanatory and therefore do not call for any further comments.

CORPORATE GOVERNANCE REPORT

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

INFORMATION AS PER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956

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.

SUBSIDIARIES

The audited statement of accounts for the year ended on 31st March 2006 of Interface Brokerage and Research Limited, Interface Housing Finance Limited and Interface Network Marketing Private Limited; wholly owned subsidiary companies together with the report of the Directors and the Auditors, as required under Section 212 of the Companies Act, 1956 are attached.

Your company has got the clearance from NSE for disinvestment of shareholding in Interface Brokerage and Research Limited, a wholly owned subsidiary of the company. The company will proceed with necessary formalities to disinvest shareholding in 100 % subsidiary IBRL to Mr. Himat Parikh, Managing Director of the company along with his relatives.

PARTICULARS REGARDING EMPLOYEES

There are no employees covered under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and hence no information is required to be furnished.

ACKNOWLEDGMENTS

The Directors sincerely express their deep appreciation to the Shareholders, Banks, Clients for their sustained support and co-operation during the year under review. Your Directors also acknowledge the support and guidance received from the RBI, SEBI, ROC, Stock Exchanges and other Regulatory Bodies, Banks and other Financial Groups also deserve special appreciation for significant contribution to your Company's operations.

For and on behalf of the Board of Directors

Place : Ahmedabad
Date : 19th July, 2006

HIMAT PARIKH
CHAIRMAN

ANNUAL REPORT 2005-2006**CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 31ST MARCH, 2006**

In compliance with the Corporate Governance requirements as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges, the Company has been incorporating for the last few years, a separate section on Corporate Governance in its Annual Report. The Shareholders and Investors of the Company would have found the information informative & useful.

Company's policies on the Corporate Governance and due compliance report on specific areas wherever applicable for the year ended 31st March, 2006 are given hereunder divided into the following areas:-

1. Company's philosophy on Corporate Governance:-

The Company continues to commit itself to maintaining the highest standards of integrity, transparency and accountability in all facets of its operations and to create Shareholders' value on a sustainable basis. The Company believes that good Corporate Governance, with transparency and independence as its key ingredients, provides a market-oriented framework for the running of Companies. It can ensure a proper balance between management, board and shareholders, adequate levels of transparency, appropriate compensation schemes and the prevention of conflict of interests.

2. Board of Directors:-

(a) Composition of the Board:

The Board of Directors of the company is comprised of Six Non-Executive Directors and one Managing Director is Executive Director.

Name of Director	Category of Directorship	No. of other Directorship (excluding Private Limited company)	No. of other Board Committee(s) of which he/she is a member (including IFSL)	No. of other Board Committee(s) of which he/she is a Chairperson (including IFSL)
Himal Parikh	Executive Director	2	3	-
Gaurang Dalal	Non- Executive and Non Independent Director	2	6	2
Shaunak Choksi	Non- Executive and Independent Director	-	-	-
Ketan Gandhi	Non- Executive and Independent Director	2	4	1
Hemendra Sanghvi	Non- Executive and Independent Director	1	-	-
Mayur Parikh	Non- Executive and Independent Director	5	5	3
Dipti Shah	Non- Executive and Independent Director	1	2	1

Information on Director's Reappointment:

A brief resume of Director being reappointed at the ensuing Annual General Meeting is furnished hereunder:

Shri Gaurang Dalal is a Chartered Accountant having more than 25 years experience in corporate finance and accounts in large Industrial unit. He is associated with the company from inception. He is director of Interface Brokerage and Research Limited, Interface Capital Markets Private Limited and Ahmedabad Stock Exchange Limited.

Shri Ketan Gandhi is a Chartered Accountant having wide experience in finance and accounts. He is on the Board of the Company since last five years. He is director of Interface Brokerage and Research Limited and Interface Capital Markets Private Limited.

Shri Mayur Parikh is a Chartered Accountant having wide experience in corporate finance and other allied activities. He is associated with the Company from 31-12-2005. He is Director on the Board of the other Companies.

Smt. Dipti Shah is a Company Secretary having wide experience in the field of Company Law matters and other allied laws relating to securities. She is associated with the Company from 31-12-2005. She is Director on the Board of the other Company.

(b) Board Meetings and the attendance of Directors :

During the year the Board of Directors met 8 times on the following dates: 30.04.2005, 24.05.2005, 25.06.2005, 30.07.2005, 24.09.2005, 29.10.2005, 31.12.2005 and 31.01.2006



INTERFACE FINANCIAL SERVICES LIMITED

Directors	No. of Board Meetings		Attendance at the last AGM
	Held	Attended	
Himal Parikh	8	8	Yes
Gaurang Dalal	8	8	Yes
Shaunak Choksi	8	-	No
Ketan Gandhi	8	4	Yes
Mayur Parikh*	2	2	N.A.
Dipti Shah*	2	2	N.A.

* Appointed as Independent Director with effect from 31.12.05

All the directors hold directorship/ committee membership in other companies within the limits prescribed in this regard.

3. Audit Committee :

(i) Terms of Reference

The terms of reference and powers of Audit Committee are as per Clause 49 of the Listing Agreement. The functions of the Audit Committee are as per Listing Agreement with the Stock Exchanges. This includes review of accounting and financial policies and procedures, review of financial reporting system and internal control procedure.

(ii) Composition

The Audit Committee was reconstituted by the Board at its meeting held on 31st December 2005. The present composition of the Audit Committee is as follows:-

- 1) Shri Gaurang Dalal
- 2) Shri Himal Parikh
- 3) Shri Ketan Gandhi
- 4) Shri Mayur Parikh

Except Shri Himal Parikh all members of the Audit Committee are Non-executive Directors. The Committee has elected Shri Gaurang Dalal as its Chairman. All the members of Audit Committee are financially literate

(iii) Meetings and attendance during the year

The Committee met four times during the year on the following dates: on 30.04.2005, 30.07.2005, 15.10.2005 and 31.01.2006. The attendance of each Member of the Committee is given below:

Name of Audit Committee Member	No. of meetings	
	Held *	Attended
Shri Gaurang Dalal	4	4
Shri Himal K. Parikh	4	4
Shri Ketan Gandhi	4	2
Shri Mayur Parikh	1	1
Shri Shaunak Choksi@	3	-

* Indicates the number of meetings held only during the period of membership.

@ Ceased as member w.e.f 31.12.2005

4. Shareholders / Investors Grievance Committee:

(i) Terms of Reference

The role and functions of the said Committee are the effective redressal of the complaints of the shareholders regarding dematerialization, transfers, non-receipt of balance-sheet etc. The Committee also recommend the steps to be taken for further improvement in the quality of services to the Investors.

(ii) Constitution

The Committee was reconstituted on 31.12.2005 and consists of the following Director.

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The Committee met four times during the year:

Name of the Members	Category	Attendance*
Shri Gaurang Dalal	Chairman, Non-Executive non Independent Director	4
Shri Ketan Gandhi	Member, Non-Executive Independent Director	2
Smt. Himat Pankh	Member, Executive Director	4
Smt. Dpti Shah	Member, Independent Director	2
Smt. Shaunak Choksi [†]	Member, Non-Executive Independent Director	1

* Indicates the number of meetings held only during the period of membership.

[†] ceased as member w.e.f 31.12.2005

(iii) The company received Nil complaints during the year.

5. Remuneration Committee :

(i) Terms of Reference

The terms of reference and powers of Remuneration Committee are as per Clause 49 of the Listing Agreement. The functions of the Remuneration Committee are as per Listing Agreement with the Stock Exchanges.

(ii) Details of sitting fees, commission and remuneration paid/payable to Directors:

Name of the Directors	Commission Payable for the year	Sitting fees paid during the year*	Total Rs.
Smt Himat Pankh	Nil	Nil	Nil
Shri Gaurang Dalal	Nil	20000	20000
Smt Shaunak Choksi	Nil	Nil	Nil
Shri Ketan Gandhi	Nil	12500	12500
Smt Mayur Pankh	Nil	5000	5000
Smt. Dpti Shah	Nil	5000	5000

As no director is drawing remuneration, Remuneration Committee Meeting was not held during the year. Shri Hemendra Sanghvi was paid Professional fees of Rs 1.50 Lacs for the financial year 2005-2006.

6. Code of Conduct:

The Company has framed a code on conduct for the members of the Board of Directors of the Company. The said code of conduct is available on the website of the Company. The declaration by Shri Himat Pankh, Managing Director of the Company regarding compliance by the Board members with the said code of conduct is given as Annexure to this Report. In addition to this a separate code of conduct for dealing in equity shares and other securities having voting rights of the Company is also in place.

7. Disclosures:

- All related party transactions have been entered into in the ordinary course of business and were placed periodically before the audit committee in summary form. There were no material individual transactions with related parties were not in the normal course of business to be placed before the audit committee and that may have potential conflict with the interest of the Company at large. All individual transactions with related parties or others were on an arm's length basis.
- All Accounting Standards mandatorily required have been followed in preparation of financial statements and no deviation has been made in following the same.
- Risk assessment and its minimization procedures have been laid down by the Company and the same have been informed to Board Members. These procedures are periodically reviewed to ensure that executive management controls risks through means of a properly defined framework.
- The Company has not raised money through preferential allotment basis during the year.
- The Company duly complies with all mandatory requirements of clause 49 of its Listing Agreement with the Stock Exchange. However, the company has not adopted the non-mandatory requirements defined therein.
- Management Discussion and Analysis forms part of the Annual Report to the shareholders and it includes discussion on matters as required under the provisions of Clause 49 of the listing agreement with Stock Exchanges.
- No Penalties or strictures have been imposed on the Company by Stock Exchanges or SEBI or any statutory authority on any matter related to capital markets during the last three years.