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KJMC Financial Services Limited

19th Annual Report
2006 - 2007



KJMC Financial Services Limited

BOARD OF DIRECTORS	:	Mr. I. C. Jain (<i>Chairman</i>) Mr. J. S. Bhatnagar Mr. R. R. Kumar Mr. Akshay Jain Mr. Rajnesh Jain Mr. Girish Jain Mr. S. C. Aythora
COMPANY SECRETARY	:	Mr. Vijay Joshi
AUDITORS	:	Batliboi and Purohit Chartered Accountants National Insurance Building, 204, D. N. Road, Fort, Mumbai - 400 001.
ADVOCATES AND SOLICITORS	:	Malvi Ranchoddas & Co. Yusuf Building, 3rd Floor, Mahatma Gandhi Road, Mumbai - 400 023.
BANKERS	:	Union Bank of India Citi Bank UTI Bank Limited UCO Bank
REGISTERED OFFICE	:	168, Atlanta, 16th Floor, Nariman Point, Mumbai - 400 021. Tel. Nos. (022) - 40945500 (4 lines) (022) - 22832350 / 52 Fax No. 91-022 - 22852892 Website : www.kjmc.com
REGISTRAR & TRANSFER AGENTS AND DEPOSITORY PARTICIPANTS	:	Bigshare Services Pvt. Ltd. E-2, Ansa Industrial Estate, Sakivihar Road, Saki Naka, Andheri (East), Mumbai - 400072 Tel. No. 28470652-53 • Fax No. 28475207 E-mail : info@bigshareonline.com Counter Timings : 10.30 a.m. to 12.30 p.m. • 1.30 p.m. to 3.30 p.m.
GROUP BRANCH OFFICE	:	<div> NEW DELHI 221, Hans Bhavan Bahadur Shah Zafar Marg, New Delhi - 110 002. </div> <div> BANGALORE 2nd Floor, Premises No. 167, 36 Cross / 18th Main Road, Jai Nagar Building, Next to Himalaya Stores, Bangalore - 560041. </div> <div> JAIPUR 41, Jai Jawan Colony II Tonk Road, Durgapur, Jaipur - 302018. </div>

NINETEENTH ANNUAL GENERAL MEETING

DATE Saturday, 29th September, 2007

TIME 4.30 P.M.

VENUE S. K. SOMANI MEMORIAL HALL HINDI VIDYA BHAWAN
79, MARINE DRIVE, 'F' ROAD, MUMBAI - 400020.

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KJMC Financial Services Limited

NOTICE

Notice is hereby given that Nineteenth Annual General Meeting of the Members of KJMC Financial Services Limited will be held on Saturday, 29th September, 2007 at 4.30 P.M. at S. K. Somani Memorial Hall, Hindi Vidya Bhawan, 79-Marine Drive, 'F' Road, Mumbai - 400 020, to transact the following business:-

ORDINARY BUSINESS:-

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 2007 and the Balance Sheet as at that date and the Report of the Board of Directors and Auditors thereon.
2. To confirm the interim dividends paid on 12 % Non Cumulative Redeemable Preference Shares.
3. To appoint a Director in place of Mr. R.R.Kumar, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Girish Jain, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. Rajnesh Jain, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint Auditors and to authorize Board of Directors to fix their remuneration.

SPECIAL BUSINESS:

7. 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 Sections 198, 269, 309, read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any amendment thereto or enactment thereof for the time being in force), the consent of the Company be and is hereby accorded to the terms of appointment of Shri Rajnesh Jain as 'Executive Director' of the Company for a period of three years from 1st August, 2007 to 31st July, 2010 (both days inclusive) on the terms and conditions as set out in the Explanatory Statement annexed to this Notice and that he be paid remuneration by way of salary, commission, perquisites and allowances as approved by the Board of Directors of the Company and the Remuneration Committee".

"RESOLVED FURTHER THAT the Board of Directors and the Remuneration Committee be and are hereby authorized to alter, amend, vary, enhance or modify the scope and quantum of remuneration by way of salary, commission, perquisites and allowances of Shri Rajnesh Jain as they may deem proper from time to time considering the nature and scope of his responsibilities as shall be permissible and in conformity with applicable provisions of the Companies Act, 1956".

FOR KJMC FINANCIAL SERVICES LIMITED

Place : Mumbai

(I. C. JAIN)

Date : 28th July, 2007

CHAIRMAN

NOTES:

- A) The related Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the items no. 5 setting out the material facts is annexed hereto.
- B) 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. The Instrument of Proxy in order to be effective should be deposited at the Registered Office of the Company at 168, Atlanta, Nariman Point, Mumbai - 400021, not less than forty eight hours before the commencement of the meeting.
- C) Members who hold Shares in dematerialized form are requested to bring their client ID and DP ID number for easy identification of attendance in the meeting.
- D) The Register of Members and Share Transfer Books of the Company will remain closed from Saturday, 22nd September, 2007 to Saturday, 29th September, 2007 (both days inclusive) for the purpose of Annual General Meeting.
- E) As per the provisions of the Companies Act, 1956, facility for making nomination is available for shareholders in respect of their holdings. Nomination Form can be obtained from the Company's Registrar and Transfer Agents.
- F) Information required to be furnished under the Listing Agreement : The information required to be provided under the listing agreement entered into with the stock exchange regarding the Directors who are proposed to be re-appointed is given hereunder:

1. **Name & Designation** Mr. R. R. Kumar, Director
Date of Birth 15th November, 1925
Qualifications B.A. LL.B.
Expertise Former Chairman of Union Bank of India, having vast experience in Banking sector.

Director of the Company since 15th October, 1994

Other Directorships in Public Companies :

Name of the Company	Committee	Status
Gobind Glass Works Limited	Member - Audit Committee	Chairman
Haldyn Glass Limited	Chairman - Audit Committee	Chairman
Rolta India Limited	Member - Investors' Grievance Committee	Director
Eastern Medikit Limited	—	Director
Uniflex Cables Limited	Member - Audit Committee	Director
GTC Industries Limited	Chairman - Investors' Grievance Committee	Director
IVP Limited	Chairman - Audit Committee	Director
Austral Coke and Projects Limited	Chairman - Investors' Grievance Committee	Director

2. **Name & Designation** Mr. Girish Jain
Date of Birth 7th May, 1971
Qualifications B.E. (Electronics), PGDBM (Finance)
Expertise Rich experience in stock broking, trading in equity and debt, cliental portfolio, extensive research experience with sectoral focus and merchant banking.

Director of the Company since 21st September, 1994

Other Directorships in Public Companies :

Name of the Company	Committee	Status
KJMC Capital Market Services Limited	Member - Audit Committee	Executive Director
KJMC Global Market (India) Limited	Member - Share Transfer-Committee	Director
KJMC Shares & Securities Limited	—	Director
KJMC Technologies & Systems Limited	—	Director
KJMC Asset Management Company Limited	—	Director

3. **Name & Designation** Mr. Rajnesh Jain, Director
Date of Birth 31st January, 1967
Qualifications B. Com., F.C.A.
Expertise Vast experience in the field of Finance, Accountancy and Audit.

Director of the Company since 30th June, 2001

Other Directorships in Public Companies :

Name of the Company	Committee	Status
KJMC Technologies & Systems Limited	—	Director
Port City Infrastructure Development (India) Limited	—	Director
KJMC Shares & Securities Limited	—	Director
KJMC Capital Market Services Limited	Chairman - Audit Committee	Director

- G) Pursuant to the provision of Section 205A of the Companies Act, 1956, as amended, dividend from the Financial Year 31st March, 1999, which remains unpaid or unclaimed for a period of 7 years will be transferred to the 'Investor Education and Protection Fund' (IEPF) of the Central Government. Shareholders who have not encashed their dividend warrants so far, for the Financial Year ended 31st March, 2000 are requested to make their claim to the office of the Registrar and Transfer Agents, viz. Bigshare Services Private Limited, at their Registered Office at E-2/3, Ansa Industrial Estate, Sakivihar Road, Saki Naka, Andheri (E), Mumbai 400 072. It may also be noted that once the unclaimed dividend is transferred to the Central Government, as above, no claim shall lie in respect thereof with the Company.

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Date of Declaration of Dividend	For the year ended	Due for transfer to the Investor Education and Protection Fund of the Central Government
29/09/2000	1999-2000	16/11/2007

H) Members are requested to:

- To bring their copy of the Annual Report at the meeting.
- Quote their Folio No./ Client ID No. in all correspondence with the Company.
- Notify immediately to the Company or Present R&T Agents viz. Big Share Services Private Limited, any change in their address and their mandates, if any. Pin Code Nos. at the end of address should positively be mentioned in order to ensure that postal authorities deliver the envelopes easily and on time.
- Handover the enclosed attendance slip, duly signed in accordance with their specimen signature registered with the Company, for admission to the meeting hall.
- Any member requiring further information on accounts at the meeting are requested to address their queries in writing to the Company at least 10 days in advance from the date of the meeting so that the required information may be made readily available at the meeting.

EXPLANATORY STATEMENT

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

Item No. 7 :

The Remuneration Committee at its meeting held on 28th July, 2007 had recommended appointment of Shri Rajnesh Jain as 'Executive Director' for a period of three years from 1st August, 2007 to 31st July, 2010 (both days inclusive) on the terms of Remuneration set out in the Explanatory Statement. The Board of Directors, at their meeting held on 28th July, 2007 had approved the recommendations subject to the approval by the members at General Meeting by way of Special Resolution. The Remuneration Committee and the Board of Directors are of the opinion that the appointment of Shri Rajnesh Jain will be in the interest of the Company.

The material terms of remuneration payable to Shri Rajnesh Jain are as under:

- Basic Salary:**
Rs. 1,00,000/- (Rupees One Lac only) per month with such increases as may be decided by the Board of Directors (which includes any Committee thereof) from time to time.
- Perquisites and allowances:**
In addition to the Salary, the following perquisites, allowances shall be allowed to the 'Executive Director':
 - Company's contribution to provident fund and superannuation fund to the extent these either singly or put together are not taxable under the Income-tax Act.
 - Gratuity at the rate of half month's salary for each year of service.
 - Leave with full pay as per the rules of the company, with encashment of unavailed leave being allowed.
 - Reimbursement of medical expenses incurred for self and family in India or abroad, including hospitalization, nursing home and surgical charges and in case of medical treatment abroad, the air-fare, boarding/lodging for patient and attendant.
 - Reimbursement of actual traveling expenses for proceeding on leave twice in a block of four years in respect of himself and family.
 - Reimbursement of membership fees for clubs in India or abroad, including any admission / life membership fees for the purpose of Company's business.
 - Personal accident insurance policy in accordance with the scheme applicable to senior employees.
 - Cost of insurance cover against the risk of any financial liability or loss because of any error of judgment, as may be approved by the Board of Directors from time to time.
 - Reimbursement of entertainment expenses incurred in the course of business of the company.
 - Free use of Company's car for Company's work along with driver.
 - Telephone, tele-fax and other communication facilities at Company's cost.
 - Subject to any statutory ceiling/s, the Executive Director may be given any other allowances, perquisites benefits and facilities as the Board of Directors from time to time may decide.
- Valuation of perquisites**
Perquisites / allowances shall be valued as per Income-tax rules, whichever applicable, and in the absence of any such rules, shall be valued at actual cost.

4. Computation of ceiling

The following shall not be included in the computation of perquisites for the purposes of the ceiling :

- Contribution to provident and superannuation funds referred to in para 2(i) above
- Gratuity payable as per para 2(ii), to the extent of half a month's salary for each completed year of service.
- Encashment of leave at the end of the tenure as per para 2 (iii) above.

5. Other terms:

- No sitting fees shall be paid to Mr. Rajnesh Jain for attending the meetings of the Board of Directors or any Committee thereof, during his tenure as 'Executive Director' of the Company.
- Compensation for loss of office before the expiry of the terms of office would be payable to the 'Executive Director' as per the provisions of the Companies Act, 1956.

6. Minimum Remuneration:

The aforesaid remuneration in any one financial year shall not exceed the limits prescribed under Section 198, 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the said act as may, for the time being in force. Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of tenure of the Executive Director, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of Salary, Commission and Perquisites as provided above or the maximum remuneration payable as per the limits set out in Section II of Part II of Schedule XIII of the Companies Act, 1956, whichever is lower.

Information required to be given to the Members as per Schedule XIII of the Companies Act, 1956.

General information:

1. Nature of Industry	Financial Services
2. Expected date of commencement of commercial production	Not applicable being in Capital Market and financial services industry
3. In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus	Not applicable being existing company
4. Financial performance based on given indicators	As per the Audited Accounts for the year ended 31st March, 2007 Income : Rs. 202.13 Lacs Net Profit before depreciation and tax : Rs. 97.83 Lacs Profit after tax : Rs. 77.93 Lacs
5. Export performance and net foreign exchange collaborations	Not applicable
6. Foreign Investments or collaborators, if any	Not applicable

Other information:

1. Reasons for loss and inadequacy of profits	The company is exposed to specific risk that are peculiar to its business and the environment within which it operates including the economic cycle, market risk, sentiments affecting capital market etc. and the profitability of the company varies accordingly. The company is exploring the potential of new business avenues. Considering the Country's strong economic outlook coupled with buoyancy in the capital market, your directors expect better performance of the Company in the coming years. It must be noted that, being in the capital markets, its fortunes are linked to the state of the capital markets.
2. Steps taken or proposed to be taken for improvement	
3. Expected increase in productivity and profits in measurable terms	

Information about Shri Rajnesh Jain to be appointed as 'Executive Director' :

Shri Rajnesh Jain is an FCA, having vast experience in Corporate Finance, Merchant Banking and Capital Market and is in charge of the overall management of your Company subject to the directions, supervision and control of the Board of Directors of the Company. He is also the promoter of the Company and associated with the Company for more than a decade. The Board is of the opinion that his appointment as 'Executive Director' would be in the interest of your Company.

Your Directors therefore recommend this Resolution for your approval. Shri Rajnesh Jain himself and his relatives viz. Mr. I.C.Jain, Mr. Girish Jain and Mr. Akshay Jain are concerned or interested in this Resolution.

For KJMC FINANCIAL SERVICES LIMITED

Place : Mumbai
Date : 28th July, 2007

(I. C. JAIN)
CHAIRMAN



KJMC Financial Services Limited

DIRECTORS' REPORT

Members,

KJMC Financial Services Limited

Your Directors present the 19th Annual Report of the Company and the Audited Statements of Accounts for the year ended 31st March, 2007.

FINANCIAL RESULTS

	Year ended 31 st March, 2007 (Rs. in lakhs)	Year ended 31 st March, 2006 (Rs. in lakhs)
Total Income	202.13	164.92
Total Expenditure	104.30	108.50
Profit Before Depreciation and Tax	97.83	56.42
Less : Depreciation	6.02	7.74
Provision for Tax - (Current & Deferred)	13.88	(43.81)
Profit / (Loss) After Tax	77.93	92.49
Add : Prior period item (net)	0.20	—
Disposable Profits	78.13	92.49
Appropriations towards :		
Interim Dividend on 12% Redeemable Preference Shares	10.20	19.59
Tax on Interim Dividend	1.73	2.69

PERFORMANCE REVIEW

During the year under review, your Company earned the gross income of Rs. 202.13 Lakhs as against Rs. 164.92 Lakhs in the previous year. The total expenditure during the year under review was Rs. 104.30 Lakhs as against Rs. 108.50 Lakhs in the previous year. The Net Profit after tax was Rs. 78.13 Lakhs as against Rs. 92.49 Lakhs in the previous year. Considering the Country's strong macro economic outlook coupled with positive capital market sentiment, your directors expect better performance of the Company in the coming years.

DIVIDEND:-

In order to conserve the financial resources of the Company for the better future growth, your directors do not recommend any dividend on Equity Shares for the year under review. Your Directors also propose the confirmation by the Members, the payment of interim dividend of Rs. 10.20 Lakhs and Tax on Dividend Rs. 1.73 Lakhs, aggregating to Rs. 11.93 Lakhs paid to the holders of 12 % Cumulative Redeemable Preference Shares.

RBI PRUDENTIAL NORMS:-

Since the Company does not accept and hold any public deposits, Non-Banking Financial Companies Prudential Norms (Reserve Bank of India) Directions, 1998 are not applicable to the Company in regard to capital adequacy or in any other aspects.

ECONOMIC SCENARIO:-

Indian economy continued to exhibit strong fundamentals during 2006-07. As per estimates of the Central Statistical Organization (CSO), the Indian Economy had a growth of 9.2% during 2006-07 in its Gross Domestic Product (GDP). The main drivers of growth in 2006-07 were the industrial and services sectors, estimated to have grown at a rate of 10% and 11% respectively. Foreign Institutional Investors (FIIs) inflows remained buoyant at over US\$ 8 billion. For the first time, Foreign Direct Investments (FDI) inflows which represents long term dedicated capital out paced FII investment to stand at over US\$ 19 billion. India's foreign exchange reserves increased by about US\$ 48 billion over the previous year and crossed the US\$ 200 billion mark in April 2007. The net FII inflow into capital market sector saw the spectacular rise in BSE and NSE indices subject to some corrections at times.

BUSINESS PROSPECTS:-

Your Company has been extensively involved in Fund based activities and Funding solutions for various Corporates, PSUs and Industrial Houses for their large developmental projects. Your Company is one of the consortium member of the proposed waterways project of M.S.R.D.C. along with the others. The efforts put in to these projects are likely to get materialised in the near future and are likely to have positive impact on the bottom line of your Company in the coming years. The interest in waterways project with Satyagiri Shipping Company Ltd is under litigation and every effort is being made to resolve the problems.

DIRECTORS:-

Shri R. R. Kumar, Shri Girish Jain and Shri Rajnesh Jain, the Directors of the Company are retiring by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

AUDITORS:-

M/s. Batliboi & Purohit, Chartered Accountants, the Auditors of the Company holds office until the conclusion of the ensuing Annual General Meeting. Your Company has received certificate from the Auditors u/s. 224(1B) of the Companies Act, 1956 to the effect that their reappointment, if made, will be within the limit prescribed. Members are requested to appoint Auditors and authorize the Board to fix their remuneration.

FIXED DEPOSITS:-

The Company has neither accepted nor renewed any fixed deposit from the public during the year and there was no outstanding deposit payable during the financial year ended 31st March, 2007.

SUBSIDIARY COMPANIES:-

The Company's wholly owned - material subsidiary company viz. KJMC Capital Market Services Ltd earned the gross income of Rs. 393.52 lacs and incurred expenses of Rs. 296.25 lacs as compared to Rs 483.02 lacs and Rs 325.44 lacs respectively in the previous year. The Company registered the net profit after tax of Rs. 96.66 Lacs as against Rs. 96.70 Lacs in the previous year. The Company's other wholly owned subsidiary Companies viz. KJMC Asset Management Company Limited and Port City Infrastructure Development (India) Limited are in the process of implementing various projects including scouting for the strategic partner. The investment in these subsidiaries are expected to pay rich dividends in the coming years. The accounts of the subsidiary companies for the year ended 31st March, 2007 are attached to the accounts of the company along with a statement in terms of section 212 of the Companies Act, 1956.

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

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Directors confirm that:

1. In the preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
2. The Directors have selected such accounting policies and applied them consistently and made judgments 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 Financial Year 31st March, 2007 and of the profit of the Company for that period ;
3. 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. The Directors have prepared the annual accounts on a going concern basis.

CORPORATE GOVERNANCE:-

The Company has complied with the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchange. A separate section on Corporate Governance, along with a certificate from the Auditors for the compliance is annexed and forms part of this report.

MANAGEMENT DISCUSSION AND ANALYSIS:

A report on the Management Discussion and Analysis for the financial year under review is annexed and forms part of the report.

LISTING OF SHARES:-

Equity Shares of the Company are listed on Bombay Stock Exchange Limited (BSE). Annual listing fees upto the year 2007-08 has been paid to the Bombay Stock Exchange Limited (BSE). The Company complied with the delisting formalities in respect of the other stock exchanges and consequently the Equity Shares of the Company were delisted from Jaipur Stock Exchange Limited, The Stock Exchange, Ahmedabad and Delhi Stock Exchange Association Limited. The delisting approval from Bhubaneswar and Calcutta Stock exchanges is awaited.

PARTICULARS OF EMPLOYEES:-

Since there are no employees falling within the purview of the provisions of Section 217(2A) of the Companies Act, 1956, no such details are required to be given.

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION:

Since the Company is a Financial Services Company, the details required under Section 217(1)(e) of the Companies Act, 1956 are not applicable.

FOREIGN EXCHANGE EARNINGS AND OUTGO:-

There was no earnings in foreign exchange nor was there any outflow during the year under review.

INSURANCE:-

The Company's fixed assets as well as current assets have been adequately insured.

ACKNOWLEDGMENTS:-

The Directors wish to place on record their appreciation of the contribution made by the executives and employees at all levels for their dedication and commitment to the Company throughout the year.

Your Directors also appreciate with gratitude the continuous support of the Bankers, Clients and the Company's Shareholders.

For and on behalf of the Board of Directors

Place : Mumbai
Date : 28th July, 2007

(I. C. Jain)
Chairman

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MANAGEMENT DISCUSSION & ANALYSIS

1. ECONOMIC ENVIRONMENT

Indian economy continued to exhibit strong fundamentals during 2006-07. As per estimates of the Central Statistical Organisation (CSO), the Indian Economy had a growth of 9.2% during 2006-07 in its Gross Domestic Product (GDP). The main drivers of growth in 2006-07 were the industrial and services sectors, estimated to have grown at a rate of 10% and 11% respectively. Foreign Institutional Investors (FIIs) inflows remained buoyant at over US\$ 8 billion. For the first time, Foreign Direct Investments (FDI) inflows which represents long term dedicated capital out paced FII investment to stand at over US\$ 19 billion. India's foreign exchange reserves increased by about US\$ 48 billion over the previous year and crossed the US\$ 200 billion mark in April 2007. The net FII inflow into capital market sector saw the spectacular rise in BSE and NSE indices subject to some corrections at times.

2. BUSINESS AND INDUSTRY REVIEW

Your Company has been extensively involved in Fund based activities and Funding solutions for various Corporates, PSUs and Industrial Houses for their large developmental projects. Your Company is one of the consortium member of the proposed waterways project of M.S.R.D.C. along with the others. The efforts put in to these projects are likely to get materialised in the near future and are likely to have positive impact on the bottom line of your Company in the coming years.

3. FINANCIAL REVIEW

During the year under review, your Company earned the gross income of Rs. 202.13 Lakhs as against Rs. 164.92 Lakhs in the previous year. The total expenditure during the year under review was Rs. 104.30 Lakhs as against Rs. 108.50 Lakhs in the previous year. The Net Profit after tax was Rs. 78.13 Lakhs as against Rs. 92.49 Lakhs in the previous year.

4. BUSINESS OUTLOOK

Presently in the Financial Services Sector, there are wide range of products and services offered by aggressive players in the market which have made significant impact on the industry. These challenges have carved out more opportunities to creative players, to innovate and satisfy the needs of the customers at all levels. Considering the Country's strong economic outlook coupled with buoyancy in the capital market, your directors expect better performance of the Company in the coming years.

5. ADEQUACY OF INTERNAL CONTROLS

Your Company has a proper and adequate system of internal controls to ensure that all assets are safeguarded and protected against loss from unauthorised use or disposition and that transactions are authorised, recorded and reported correctly. The Company has an extensive system of internal control which ensures optimal utilisation and protection of resources, its security, accurate reporting of financial transactions and compliances of applicable laws and regulations as also internal policies and procedures.

6. MATERIAL DEVELOPMENTS IN HUMAN RESOURCES

During the year under review your company along with its subsidiaries continued to lay great emphasis on human resources development to make its employees attain high standards in efficiency and productivity. A number of focused initiatives have been undertaken by the company for constantly upgrading employees knowledge and skills to ensure significant performance and reward them suitably. Most of the staff members possess professional qualification. The concept of every Executive Officer of the Company shall be a profit centre, is being enforced and implemented. It is our endeavour to create an environment where people can use all of their capabilities in support of the business. Therefore, we encourage our employees to balance their work and personal responsibilities.

7. OPPORTUNITIES

This year, the economy is expected to achieve growth in Gross Domestic Product as also the Industrial and Services sectors. The buoyancy in the capital market coupled with increased business and industrial activities will continue to provide excellent business opportunities in the future. In addition, the growth of services sector presents new opportunities for the financial services industry in India.

8. RISKS AND CONCERNS

The Company is exposed to specific risks that are particular to its business and the environment within which it operates including economic cycle, market risks etc. The Company manages these risks by maintaining a conservative financial profile and by following prudent business and risk practices.

REPORT ON CORPORATE GOVERNANCE FOR THE F.Y. 2006-2007

The concept of corporate governance is entering a phase of global convergence. The driver behind this is the recognition that companies need to attract and protect all stakeholders, especially investors both domestic and foreign. Global Capital seeks its own equilibrium and naturally flows to where it is best protected and bypasses where protection is limited. Companies stand to gain immensely by adopting the systems that bolster investor

trust through transparency, accountability and fairness. With increasingly integrated capital markets, good Corporate Governance is of paramount importance for companies seeking to distinguish themselves in the global economy.

Pursuant to Clause 49 of the Listing Agreement, your Company has complied fully with all the mandatory requirements of the Corporate Governance in all material aspects. As required by the Listing Agreement, a report on Corporate Governance is given below:

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

Your Company is committed to bring about the good corporate governance practice. The Company has laid emphasis on cardinal values of fairness, transparency, accountability and equity, in all its operations, and in its interactions with stakeholders including shareholders, employees, the government and the lenders, thereby enhancing the shareholders' value and protecting the interest of shareholders.

2. BOARD OF DIRECTORS:

The Company has a Non - Executive Chairman and the number of Independent Directors is more than one third of the total number of Directors. During the Financial Year 2006-2007, Five Meetings of the Board of Directors were held on 30th June, 2006, 29th July, 2006, 27th September, 2006, 31st October, 2006 and 31st January, 2007.

The particulars of Directors as on 31st March, 2007 are as follows:

Sl. No.	Director	Category of Directorship	No. of BM Attended	Last AGM attended	No. of Other Directorship(s) Held	Committee Membership(s)	
						Chairman	Member
1	Mr. I. C. Jain	Chairman / Non- Executive	4	No	7	1	3
2	Mr. R. R. Kumar	Non-Executive & Independent	5	Yes	8	4	3
3	Mr. J.S.Bhatnagar	Non-Executive & Independent	5	Yes	1	2	1
4	Mr. Akshay Jain	Non-Executive	1	No	5	-	2
5	Mr. Girish Jain	Non-Executive	5	Yes	5	1	2
6	Mr. Rajnesh Jain	Non-Executive	3	Yes	10	1	1
7	Mr. S.C. Aythora	Non-Executive & Independent	4	Yes	12	1	1

None of the Directors hold directorship in more than 15 companies, membership in committees of Board in more than 10 companies and chairmanship of committee of Board of more than 5 committees.

Board Procedures

The Agenda is circulated well in advance for the Board members. The items in the Agenda are backed by comprehensive background information to enable the Board to take appropriate decisions. In addition to the information required under Annexure IA to clause 49 of the Listing Agreement, the Board is also kept informed of major events/items and approvals taken wherever necessary. At the Board meetings, the Board is apprised of the overall performance of the Company.

3. AUDIT COMMITTEE:

(a) Terms of Reference:

The terms of reference and powers of the Audit Committee are as per Clause 49 of the Listing Agreement and also as per Section 292A of the Companies Act, 1956. The functions of the Audit Committee are as per provisions of Company Law and Listing Agreement with the Stock Exchange. These include review of accounting and financial policies and procedures, review of financial reporting system, internal control procedures and risk management policies. The Audit Committee discusses the Company's accounts before these are placed before the Board of Directors and also takes an overview of the Company's financial reporting process. The Committee met four times during the year on 30th June, 2006, 29th July, 2006, 31st October, 2006 and 31st January, 2007.

(b) Composition:

The Audit Committee consists of the following Directors:

Name of Director	Executive/Non-Executive/Independent	No. of meetings attended
Mr. J. S. Bhatnagar	Chairman of the Committee and Independent Director	4
Mr. I. C. Jain	Non Executive	4
Mr. S. C. Aythora	Independent Director	3



KJMC Financial Services Limited

4. REMUNERATION COMMITTEE

(a) Terms of Reference

The Remuneration Committee was formed by the Board of Directors at their meeting held on July 7, 2007. The terms of reference of the Committee is to review and recommend compensation payable to the Executive Directors and also to formulate and administer Employees Stock Option Scheme, including the review and grant of options to eligible employees under the scheme. The Committee also ensures the Compensation Policy of the Company and Performance Oriented Scheme for Senior Managers. The overall function of the Committee consists of the following :

- Assist the Board of Directors in ensuring that affordable, fair and effective compensation policies are implemented.
- Approve and make recommendations to the Board in respect of Directors' fees, Salary Structure and actual compensation (inclusive of Performance based incentives and benefits) of the Executive Director(s).
- Review and approve the overall budgetary increment proposals for annual increase of compensation and benefits for the employees.
- Review and approve the change in terms and conditions of the ESOP.
- Review and approve the criteria for selection and appointment of Non-Executive Directors.

(b) Composition

The Remuneration Committee consists of the following Directors:

Name of Director	Executive/Non-Executive/Independent
Mr. S. C. Aythora	Chairman of the Committee and Independent Director
Mr. J. S. Bhatnagar	Independent Director
Mr. R. R. Kumar	Independent Director
Mr. Girish Jain	Non-Executive Director

5. SHARE TRANSFER / INVESTOR GRIEVANCE COMMITTEE

(a) Terms of Reference

The role and functions of the Share Transfer / Investor's Grievances Committee are the effective redressal of the Complaints of the Shareholders regarding dematerialization, transfer, non-receipt of balance sheet/ dividend/interest etc. The Committee overviews the steps to be taken for further value addition in the quality of service to the investors.

(b) Composition

Pursuant to Clause 49 of the Listing Agreement, the Company is required to have Share Transfer / Investor Grievance Committee. Accordingly, the Board of Directors formed a Share Transfer / Investor Grievance Committee, consisting of following Directors:

Mr. Girish Jain	-	Chairman
Mr. Inderchand Jain	-	Member
Mr. Rajnesh Jain	-	Member

During the year, the Company received 8 complaints and all were resolved within the stipulated time to the satisfaction of the shareholders / investors. As on 31st March, 2007, no transfer was pending. The Board has delegated the powers to approve transfer of securities allotted by the Company to this Committee. The Committee held 23 meetings during the year and approved the transfer of shares lodged with the Company and attended the investor's queries & complaints.

6. GENERAL BODY MEETINGS

The particulars of last three Annual General Meetings of the Company held are as under:

Year	AGM	Location	Date	Time
2004	AGM	S. K. Somani Memorial Hall, Hindi Vidya Bhavan, 'F' Road, Marine Lines, Mumbai.	11/9/2004	4.00 P.M.
2005	AGM	S. K. Somani Memorial Hall, Hindi Vidya Bhavan, 'F' Road, Marine Lines, Mumbai.	29/9/2005	4.00 P.M.
2006	AGM	S. K. Somani Memorial Hall, Hindi Vidya Bhavan, 'F' Road, Marine Lines, Mumbai.	27/9/2006	4.00 P.M.

No Special Resolution was put through Postal Ballot last year nor proposed at the ensuing Annual General Meeting.

7. CODE OF CONDUCT

The code of conduct for the Directors and the Employees of the Company has been laid down by the Board and it is internally circulated and necessary declaration has been obtained.

8. DISCLOSURES

Regarding related party transactions i.e. transactions of the Company with its Promoters, Directors or Management, their subsidiaries or relatives, not conflicting with Company's interest, the details of which have been shown in Schedule - 19 Notes to Accounts to the Annual Accounts for the year ended 31st March 2007. Further, no penalties, strictures have been imposed on the Company by Stock Exchanges or SEBI or any other Statutory Authority, on any matter related to capital market, during the last three years.

9. MEANS OF COMMUNICATION

The Company publishes its quarterly, half yearly and yearly financial results in national and regional newspapers. The Company also sends the financial results to the Stock Exchanges immediately after its approval by the Board. The Company has not sent half yearly report to the shareholders. No presentations were made to the Institutional Investor's or analysts during the year under review. The Management Discussions and Analysis (MD&A) Report is annexed and forms part of this Report.

GENERAL SHAREHOLDER'S INFORMATION

1. Annual General Meeting scheduled to be held

Date	: Saturday, 29 th September, 2007
Time	: 4.30 P.M.
Venue	: S. K. Somani Memorial Hall, Hindi Vidya Bhavan, 'F' Road, Marine Lines, Mumbai - 400 020.

2. Book Closure

Saturday, 22nd September, 2007 to Saturday, 29th September, 2007 (both days inclusive).

3. Financial Calendar (tentative)

Financial Reporting for the Financial Year 2007-08	Tentative month of reporting
Unaudited Financial Results for the quarter ending 30 th June, 2007	July, 2007
Unaudited Financial Results for the half year ending 30 th September, 2007	October, 2007
Unaudited Financial Results for the quarter ending 31 st December, 2007	January, 2008
Audited Financial Results for the year ending 31 st March, 2008	June, 2008

4. Listing of Equity Shares on Stock Exchanges

- Equity Shares of the Company are listed on Bombay Stock Exchange Limited, Mumbai (BSE). Annual listing fees for the year 2007-08 has been paid to the Bombay Stock Exchange Limited, Mumbai (BSE).
- The Company complied with the delisting formalities with other stock exchanges and consequently the Company got its shares delisted from Jaipur Stock Exchange Limited, The Stock Exchange, Ahmedabad and The Delhi Stock Exchange Association Limited. The delisting approval from Bhubaneswar and Calcutta Stock exchanges is awaited.

5. Stock Code

- Bombay Stock Exchange Limited, Mumbai (BSE): 81 - 530235
- ISIN - INE533C01018

6. Stock Price Data

Month wise high and low price of the Company's Shares at Bombay Stock Exchange Limited (BSE) from April, 2006 to March, 2007

Month	Share price of the Company on The Bombay Stock Exchange Ltd., Mumbai	
	High(Rs.)	Low(Rs.)
April 2006	13.90	10.00
May 2006	13.50	10.10
June 2006	11.10	10.00
July 2006	14.29	11.50
August 2006	12.87	9.91
September 2006	12.80	10.25
October 2006	13.15	10.00
November 2006	11.90	8.13
December 2006	10.50	8.00
January 2007	13.92	7.65
February 2007	17.95	10.40
March 2007	13.80	9.46

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7. Compliance Officer

Mr. Vijay Joshi

168, Atlanta, 16th Floor, Nariman Point, Mumbai - 400 021.

Ph: 022- 22885201, email: cosec@kjmc.com

8. Address For Correspondence

Shareholders can correspond to :

Secretarial Department: 168, Atlanta, 16th Floor, Nariman Point, Mumbai - 400 021. Or

Bigshare Services Pvt. Ltd., E-2, Ansa Industrial Estate, Saki Vihar Road, Saki Naka, Andheri (East), Mumbai - 400072, Tel.No.022-28470652/53, Fax No. 022-28475207, email id: info@bigshareonline.com.

Shareholders holding shares in electronic mode should address their Correspondence to their respective Depository Participants.

9. Share Transfer System

Shares sent for transfer in physical form to R&T Agents, are registered and returned within a period of 30 days from the date of receipt, if the documents are in order. The Share Transfer Committee meets generally on a fortnightly basis to consider the transfer proposals. All requests for dematerialisation of shares are processed by R&T Agent within 15 days.

10. Dematerialisation of Shares

Trading in Equity Shares of the Company is permitted only in dematerialized form with effect from 29th January 2001 as per notification issued by the Securities & Exchange Board of India (SEBI). As on 31st March 2007, out of total Equity Capital 29,15,240 Equity Shares, 24,18,074 Equity Shares representing 82.95 % of the total Equity Shares are held in dematerialised form with NSDL and CDSL. Transfer cum demat facility is available to all Shareholders of the Company, who request for such facility.

11. Distribution of Shareholding as on 31st March, 2007

Range in rupees	Number of Shareholders	% of Total Holders
Upto 5000	4,141	96.80
5001 to 10000	55	1.29
10001 to 20000	24	0.56
20001 to 30000	10	0.23
30001 to 40000	6	0.14
40001 to 50000	8	0.19
50001 to 100000	9	0.21
100001 and above	25	0.58
TOTAL.....	4278	100

12. Shareholding Pattern as on 31st March, 2007

Cat. Code	Category of Shareholder	Total No. of Shares held	% Share holding
A.	Shareholding of Promoter and Promoter Group		
1	Indian		
(a)	Individuals / Hindu Undivided-Family	1370854	47.03
(b)	Central Govt. / State Govts.	0	0
(c)	Bodies Corporate	0	0
(d)	Financial Institutions / Banks	0	0
(e)	Any other	0	0
	Sub Total - A(1)	1370854	47.03
2	Foreign	0	0
(a)	Non Resident Individuals/Foreign Individuals	0	0
(b)	Bodies Corporate	0	0
(c)	Institutions	0	0
(d)	Any other	0	0
	Sub Total A(2)	0	0
	Total Shareholding of Promoter and Promoter Group (A) = (A)(1)+(A)(2)	1370854	47.03
(B).	Public Shareholding		
1	Institutions		
(a)	Mutual Funds / UTI	0	0
(b)	Financial Institutions / Banks	65400	2.24
(c)	Central Govt. / State Govt.	7050	0.24
(d)	Venture Capital Funds	0	0
(e)	Insurance Companies	0	0
(f)	Foreign Institutional Investors	0	0
(g)	Foreign Venture Capital Investors	0	0
(h)	Any other	0	0
(h1)	NRI Banks	0	0
	Sub Total B(1)	72450	2.48

Cat. Code	Category of Shareholder	Total No. of Shares held	% Share holding
2	Non Institutions		
(a)	Bodies Corporate	830679	28.49
(b1)	Individuals-shareholders holding nominal Share Capital up to Rs. 1 Lac	507965	17.43
(b2)	Individuals-shareholders holding nominal Share Capital in excess of Rs. 1 Lac	132419	4.54
(c)	Any other	0	0
(c1)	Clearing Member	155	0.01
(c2)	NRI	718	0.02
(c3)	OCB's	0	0
	Sub Total B(2)	1471936	50.49
	Total Public Shareholding B(1) + B(2)	1544386	52.97
	Total (A) + (B)	2915240	100
C	Shares held by Custodians and against which Depository receipts have been issued	0	0
	Grand Total	2915240	100

Note: The total foreign shareholding for the quarter ended 31st March, 2007, is 718 shares, which in percentage terms is 0.02% of the issued and subscribed capital.

OTHER INFORMATION

Code of conduct for Prevention of Insider Trading

In accordance with the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, as amended (the Regulations), the Board of Directors of the Company adopted the Code of Conduct for Prevention of Insider Trading and the Code of Corporate Disclosure Practices (the Code) to be followed by Directors, Officers and other Employees. The code is based on the principle that Directors, Officers and Employees of KJMC Financial Services Limited owe a fiduciary duty to, among others, the shareholders of the company to place the interest of the shareholders above their own and conduct their personal securities transactions in a manner that does not create any conflict of interest situation. The code also seeks to ensure timely and adequate disclosure of Price Sensitive Information to the investor community by the company to enable them to take informed investment decision with regard to the Company's Securities.

Declaration regarding affirmation and Compliance of Code of Conduct

This is to confirm that the Company has adopted the code of conduct for its Board Members and for the Senior Management Personnel of the Company. The Company has obtained affirmation as to Compliance of the Code of Conduct from all the Board Members and all the Senior Management Personnel of the Company on an Annual basis. This is a declaration as required under clause 49 I(D)(ii) of the Listing Agreement entered with the Stock Exchange.

FOR KJMC FINANCIAL SERVICES LIMITED

Place : Mumbai
Date : 28th July, 2007

(I. C. Jain)
CHAIRMAN

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To the Members of KJMC Financial Services Limited

We have read the report of the Board of Directors on Corporate Governance and have examined the relevant records relating to the compliance of conditions of Corporate Governance by KJMC Financial Services Limited for the year ended on 31st March, 2007 as stipulated with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was conducted in the manner described in the Guidance on certification of corporate governance issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statement of the company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the abovementioned Listing Agreement.

We state that in respect of investor grievances received during the year ended 31st March, 2007, no investor grievances are pending against the company as per the records maintained by the company and presented to the Investors / Shareholders Grievance Committee.

We further state that such compliance is neither an assurance as to the further viability of the company nor the efficiency or effectiveness with which the Management has conducted the affairs of the company.

For BATLIBOI & PUROHIT
Chartered Accountants

R. D. Hangekar
Partner
(Membership No. 30615)

Place : Mumbai.
Date : 28th July, 2007



KJMC Financial Services Limited

AUDITORS' REPORT

To the members of
KJMC Financial Services Limited

1. We have audited the attached Balance Sheet of **KJMC Financial Services Limited** ("the company") as at 31st March, 2007 and the Profit and Loss Account and Cash Flow Statement for the year ended on that date, annexed thereto (all together referred to as 'the Financial Statements'). These Financial Statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, and on the basis of such checks of the books and the records as we considered necessary and appropriate and according to the information and explanation given to us during the course of the audit, we enclose in the Annexure, a statement on the matters specified in paragraph 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books;
 - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - e) On the basis of the written representations received by the Company from its Directors, none of the directors is disqualified as on the balance sheet date from being appointed as a director in terms of clause (g) of Sub-section (1) of Section 274 of the Companies Act, 1956;
 - f) In our opinion, and to the best of our information and according to the explanations given to us, subject to Note No.3 of Schedule 17 regarding the valuation of Long Term Investments in the Subsidiaries at Cost even though the Net Worth of some companies being fully eroded; the financial statements read with the notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2007;
 - ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
 - iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For **BATLIBOI & PUROHIT**
Chartered Accountants

(R. D. Hangekar)
Partner

Membership no. 30615

Place : Mumbai
Dated : 7th July 2007

ANNEXURE TO THE AUDITOR'S REPORT.

(Referred to in paragraph 3 of our report of even date to the members of KJMC Financial Services Limited on the financial statements for the year ended on March 31, 2007)

- i) a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets
- b) According to the information and explanations given to us, the management conducted physical verification of fixed assets as at the year end, and no material discrepancies were noticed on such verification. In our opinion, having regard to the size of the Company and the nature of its business, the frequency of verification is reasonable.
- c) The Company has not disposed off any substantial part of fixed assets during the year, accordingly, the assumption of the going concern being affected, does not arise.
- ii) a) As the Company held its inventory in dematerialized form during the year, we have no comments to offer on conduct of physical verification and the adequacy of physical verification procedures. In respect of the inventory held in dematerialized form, the Company has received written confirmations from depositors for quantities held at the balance sheet date, and no discrepancies are noticed with respect to the book records maintained.
- b) In our opinion, and on the basis of the records examined by us, and information and explanations given to us, the Company has maintained proper records of inventory.
- iii) a) According to the information and explanations given to us, the Company has not granted any loans to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, sub-clauses (b), (c) and (d) of clause (iii) of paragraph 4 of the said Order, are not applicable.

- b) According to the information and explanations given to us, the Company has not taken any loans from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, sub-clauses (f) and (g) of clause (iii) of paragraph 4 of the said Order, are not applicable.
- iv) In our opinion, the Company has an adequate internal control procedure commensurate with the size of the company and nature of its business for the purchase of inventory and fixed assets and sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in the internal control system.
- v) a) To the best of our knowledge and belief, and according to the information and explanations given to us, we are of the opinion that particulars of contracts and arrangements referred to in section 301 of the Companies Act, 1956 have been entered in the register required to be maintained under that section.
- b) In our opinion, and according to the information and explanations given to us, in respect of transactions during the year, made pursuant to contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of Rupees five hundred thousand in respect of each party, except for certain transactions where there are no comparable transactions with other parties or where prevailing market prices are not available as the services are of specialized nature, transactions have been made at prices which are reasonable having regard to prevailing market prices.
- vi) The Company has not accepted any deposits from the public to which the directives issued by the Reserve bank of India and the provisions of Sections 58A, 58AA or any other relevant provisions of the Act, or the rules framed there under, are applicable.
- vii) In our opinion, and according to the information and explanations given to us, the Company has an internal audit system commensurate with the size and the nature of its business.
- viii) The Central Government has not prescribed maintenance of cost records under clause (d) of subsection (1) of Section 209 of the Companies Act, 1956 for any of the activities of the Company.
- ix) a) According to the information and explanations given to us, during the year under report, the Company was generally regular in depositing undisputed statutory dues including Provident fund, Income-tax, service-tax and other material statutory dues with the appropriate authorities except Fringe Benefit Tax. We are informed that the provisions of Employees State Insurance Act are not applicable to the Company during the year under report.
- b) According to the information and explanations given to us there are no undisputed amounts payable in respect of income tax, wealth tax, and service tax, sales tax, customs duty excise duty and cess which remained unpaid as at the balance sheet date for a period of more than six months from the date they became payable, except Fringe Benefit Tax amounting to Rs.12,564/-
- c) According to the information and explanations given to us, there are no dues of income-tax, sales tax, wealth tax, service tax, customs duty, cess which have not been deposited on account of any dispute.
- x) The Company does not have accumulated losses as at the balance sheet date. The Company did not incur cash losses for the year under report, and in the immediately preceding financial year.
- xi) On the basis of our examination and according to the information and explanations given to us, the Company has not defaulted in repayment of the dues to banks. The Company did not have any loans from financial institutions and also did not have any debentures outstanding during the year under report.
- xii) According to the information and explanations given to us, during the year under report, the Company did not grant any loans or advances on the basis of security by way of pledge of shares, debentures or other securities.
- xiii) In our opinion, the Company is not a chit fund / nidhi / mutual benefit fund / society to which the provisions of any special statute apply; accordingly, the provisions of clause (xiii) of paragraph 4 of the Order are not applicable to the Company.
- xiv) On the basis of our examination of books and records of the Company, and according to the information and explanations given to us, in our opinion, the Company has maintained proper records of transactions and contracts entered into, in which entries were made on a timely basis. As at the balance sheet date the shares, securities and other investments were held in the Company's own name.
- xv) According to the information and explanations given to us, the Company has not given any guarantees for loans taken by others from banks or financial institutions.
- xvi) The Company did not have any term loans outstanding during the year under report; accordingly, the provisions of clause (xvi) of paragraph 4 of the Order are not applicable.
- xvii) In our opinion, and according to the information and explanations given to us, and on an overall examination of the balance sheet of the Company, we report that prima facie, no funds raised on short term basis have been used for long-term investment.
- xviii) During the year under report, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.
- xix) The Company did not have any debentures outstanding during the year under report; accordingly, the question of creating security in respect of debentures, does not arise.
- xx) The Company did not have any public issue; accordingly, the question of commenting on end-use of moneys raised, does not arise.
- xxi) To the best of our knowledge and belief, and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the course of our audit.

For **BATLIBOI & PUROHIT**
Chartered Accountants

(R. D. Hangekar)
Partner

Place : Mumbai
Dated : 7th July 2007

Membership no. 30615

19th Annual Report 2006 - 2007**BALANCE SHEET AS AT 31st MARCH, 2007**

	Schedules	As at 31.03.2007 (Rs.)	As at 31.03.2006 (Rs.)
SOURCES OF FUNDS :			
Shareholders' Funds			
a) Share Capital	1	37,652,400	37,652,400
b) Reserves and Surplus	2	93,989,943	87,369,857
Loan Funds			
Unsecured Loans	3	262,488,933	272,067,641
Deferred Tax Liabilities (Net)		75,354,604	76,397,136
TOTAL		469,485,880	473,487,034
APPLICATION OF FUNDS:			
Fixed Assets			
a) Gross Block	4	298,226,984	300,146,229
b) Less: Depreciation		190,471,871	191,701,917
c) Net Block		107,755,113	108,444,312
Add : Accumulated Lease Adjustment		113,872,279	113,872,279
		221,627,392	222,316,591
Investments	5	237,153,638	246,415,977
Current Assets , Loans and Advances			
a) Current Assets	6	80,156,624	83,767,733
b) Loans and Advances	7	14,914,193	28,281,117
		95,070,817	112,048,850
Less : Current Liabilities and Provisions			
a) Current Liabilities	8	92,385,073	118,029,530
b) Provisions	9	227,331	324,350
		92,612,404	118,353,880
Net Current Assets		2,458,413	(6,305,030)
Miscellaneous Expenditure	10	8,246,437	11,059,494
(To the extent not written off or adjusted)			
TOTAL		469,485,880	473,487,032
SIGNIFICANT ACCOUNTING POLICIES	16		
NOTES FORMING PART OF THE ACCOUNTS	17		

As per our report of even date attached
For **BATLIBOI & PUROHIT**
Chartered Accountants

For and on behalf of the Board of Directors

R. D. Hangekar
Partner
Membership No.30615

Rajnish Jain
Director

Girish Jain
Director

Vijay Joshi
Company Secretary

Place : Mumbai
Date : 7th July, 2007

Place : Mumbai
Date : 7th July, 2007