

**125th
Annual Report
2005 - 2006**



KEMP

KEMP & COMPANY LIMITED

125TH ANNUAL REPORT

BOARD OF DIRECTORS

Dr. Gita Piramal
Mr. Mohanlal Kejriwal
Mr. Ranjan Sanghi
Mr. Shekhar Shah

BANKERS

Central Bank of India

AUDITORS

M/s. Kalyaniwalla & Mistry
Chartered Accountants

REGISTERED OFFICE

K-52, MIDC, Hingna Road, Nagpur - 440 016

INVESTORS' SERVICES DEPARTMENT

DGP House, 88-C, Old Prabhadevi Road,
Mumbai - 400 025

REGISTRARS & SHARE TRANSFER AGENT

Intime Spectrum Registry Ltd.
C-13, Kantilal Maganlal Indl. Estate,
Pannalal Silk Mill Compound, L.B.S. Road,
Bhandup (W), Mumbai - 400 078.

BRANCH OFFICES

Mumbai
Delhi
Calcutta

KEMP & COMPANY LIMITED

NOTICE

NOTICE is hereby given that 125th Annual General Meeting of the Members of Kemp & Company Limited will be held at the Registered Office of the Company at K-52, MIDC, Hingna Road, Nagpur - 440 016 on Thursday, the 28th September, 2006 at 11.30 a.m. to transact the following business:

ORDINARY BUSINESS :

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2006 and Profit & Loss Account for the year ended on that date and the Reports of the Board of Directors and the Auditors thereon.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of Mr. Ranjan Sanghi, who retires by rotation and, being eligible, offers himself for re-appointment.
4. To appoint Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company, and to fix their remuneration, and for the purpose, to consider and, if thought fit, to pass, with or without modification(s) the following resolution as an Ordinary Resolution :

"RESOLVED THAT pursuant to the provisions of Section 224 and other applicable provisions, if any, of the Companies Act, 1956, M/s. Kalyaniwalla & Mistry, Chartered Accountants, the retiring Auditors, be and are hereby re-appointed as the Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and that the Board of Directors of the Company be and is authorized to fix their remuneration for the said period in addition to reimbursement to them of actual out of pocket expenses as may be incurred in the performance of their duties."

By Order of the Board of Directors

Shekhar Shah
Director

Registered Office :
K-52, MIDC, Hingna Road,
Nagpur- 440 016.

Dated : 29th June, 2006

NOTES

- a) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND PROXY NEED NOT BE A MEMBER OF THE COMPANY.
- b) Proxies in order to be effective should be duly completed, stamped and signed and must be deposited at the Registered Office of the Company not less than 48 hours before the meeting.
- c) The Register of Members and Share Transfer Books of the Company will be closed from Monday, the 18th September, 2006 to Monday, the 25th September, 2006 (both days inclusive).

KEMP & COMPANY LIMITED

- d) Members desirous of obtaining any information as regards accounts of the Company are requested to write to the Company at least one week before the meeting, so that information required will be made available at the meeting.
- e) Members are requested to inform the Registrar and Share Transfer Agent of the Company - Intime Spectrum Registry Ltd., C-13, Kantilal Maganlal Industrial Estate, Pannalal Silk Mill Compound, L.B.S Road, Bhandup (W), Mumbai – 400 078 immediately of any change in their address in respect of equity shares held in physical form and to Depository Participants (DPs) in respect of equity shares held in dematerialised form.
- f) Members/Proxies are requested to bring the Attendance Slip duly filled in.
- g) Unclaimed dividends upto the Company's financial years 1994-95 have been transferred to the General Revenue Account of the Central Government. Shareholders who have not encashed their dividend warrants for such previous periods are requested to claim the amount from the Registrar of Companies, Maharashtra, Mumbai by submitting an application in the prescribed form.

Consequent upon the amendment to Section 205A and introduction of Section 205C by the Companies (Amendment) Act, 1999, the amount for the subsequent years remaining unpaid or unclaimed for a period of seven years from the date of transfer to the Unpaid Dividend Account of the Company shall be transferred to the Investor Education and Protection Fund (the Fund) set up by the Government of India and no payments shall be made in respect of any such claims by the Fund. Members who have not yet encashed their dividend warrants for the years 1998 - 99 onwards are requested to make their claims to the Company accordingly, without any delay. It may be noted that the unclaimed dividend for the financial year 1998 - 99 is due for transfer to the Fund on 15th November, 2006.

- h) Under the provisions of Section 109A and 109B of the Companies Act, 1956, shareholder(s) is/are entitled to nominate in the prescribed manner, a person to whom his/her/their shares in the Company, shall vest after his/her/their lifetime. Members who are holding shares in physical form and are interested in availing this nomination facility are requested to write to the Company or the Company's Registrar and Share Transfer Agent.

KEMP & COMPANY LIMITED**DIRECTORS' REPORT**

Your Directors present their 125th Annual Report together with the Audited Statement of Accounts of the Company for the year ended 31st March, 2006.

FINANCIAL RESULTS

	Year ended 31.03.2006	Year ended 31.03.2005
Sales & Other Income	6,44,65,275	8,04,80,056
Gross Profit	54,30,694	76,54,676
Depreciation	15,65,357	17,28,648
Interest	84,766	81,337
Profit before Tax and Extraordinary item(s)	37,80,571	58,44,691
Extraordinary Item(s)		
Add : Profit on sale of investment	7,31,40,000	—
Less : VRS paid	15,50,000	—
Less : Provision for Tax (Net of Deferred Tax & Fringe Benefit Tax)	1,48,49,656	27,50,410
Prior year Adjustments	(1,62,448)	(14,00,942)
Profit / (Loss) after Tax	6,03,58,467	16,93,339
Profit brought forward from previous year	14,28,176	13,69,302
Profit available for appropriation	6,17,86,643	30,62,641
APPROPRIATIONS :		
Proposed Dividend	10,80,200	10,80,200
Tax on Proposed Dividend	1,51,498	1,54,266
Transfer to General Reserve	95,00,000	3,99,999
Balance transferred to Balance Sheet	5,10,54,945	14,28,176
	6,17,86,643	30,62,641

OVERALL PERFORMANCE AND OUTLOOK

During the year under review, while the Sales & Other Income has recorded decline from Rs. 804.80 lacs to Rs.644.65 lacs, the profit after tax has recorded increase from Rs.16.93 lacs to Rs.603.58 lacs. The substantial growth in the profit after tax is on account of a one time Extraordinary Income in the form of long term capital gain on sale of Investments amounting to Rs.731.40 lacs.

The outlook for the coming year is favourable.

Reserves of the Company now stand at Rs. 910.63 lacs.

DIVIDEND

The Directors are pleased to recommend for your consideration a Dividend of Re. 1/- per equity share i.e. @ 10% (previous year Re. 1/- per equity share).

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements under Section 217 (2AA) of the Companies Act, 1956 with respect to Directors' Responsibility Statement, it is hereby confirmed :

- that in the preparation of the annual accounts for the financial year ended 31st March, 2006, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- that the Directors have selected such accounting policies and applied them consistently and 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 for that year under review.
- that the Directors have taken proper and sufficient care 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 other irregularities.
- that the Directors had prepared the accounts for the financial year ending 31st March, 2006 on a 'going concern' basis.

LISTING OF EQUITY SHARES

The Company's Equity shares are listed on the Bombay Stock Exchange Ltd. The Company has made upto date payment of the listing fees.

DIRECTORS

Mr. Dilip G. Piramal resigned as Director with effect from 7th March, 2006. The Directors place on record their appreciation of the valuable guidance rendered by Mr. Dilip G. Piramal during his association with the Company as a Director.

Mr. Ranjan Sanghi, Director, retires by rotation and being eligible offers himself for re-appointment.

AUDITORS

M/s. Kalyaniwalla & Mistry, Chartered Accountants, retire at the ensuing Annual General Meeting and express their willingness to continue if so appointed. As required under the provisions of Section 224 of the Companies Act, 1956, the Company has obtained a written certificate from the Auditors proposed to be re-appointed to the effect that their re-appointment, if made, would be in conformity with the limits specified in the said section.

A proposal seeking their re-appointment is provided as part of the Notice of the ensuing Annual General Meeting.

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CONSERVATION OF ENERGY, ETC.

As the Company is not engaged in any manufacturing activity, there are no particulars to be disclosed under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 as regards conservation of energy or technology absorption. Further, during the year under review, the Company has neither earned nor spent any foreign exchange.

PARTICULARS OF EMPLOYEES

The Company has no employee drawing Rs.24,00,000/- or more during the year and hence disclosure of particulars as required under section 217(2A) of the Companies Act, 1956, is not applicable.

INDUSTRIAL RELATIONS

Industrial relations remained cordial throughout the year under review.

ACKNOWLEDGEMENT

Your Directors record their gratitude to the Financial Institutions, Banks and other Government departments for their assistance and co-operation during the year.

Your Directors also wish to place on record their appreciation of the dedicated services of the employees of the Company.



By Order of the Board of Directors

Shekhar Shah
Director

Registered Office :
K-52, MIDC, Hingna Road,
Nagpur- 440 016.

Dated : 29th June, 2006

KEMP & COMPANY LIMITED**REPORT OF THE AUDITORS TO THE MEMBERS OF KEMP & COMPANY LIMITED**

1. We have audited the attached Balance Sheet of **KEMP & COMPANY LIMITED**, as at 31st March 2006, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. 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. Those 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 in terms of section 227 (4A) of the Companies Act, 1956, we annexure hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to 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 such books.
 - c) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
 - d) Attention is invited to note no. 9 of Schedule 14, wherein the Company contends that monthly tenancy agreements are not in the nature of lease agreements and hence Accounting Standard (AS) 19- "Leases", is not applicable.
5. In our opinion, the Balance Sheet, the Profit and Loss Account and the 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.
6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts 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:
 - a) In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2006; and
 - b) In the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date.
 - c) In the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.
7. On the basis of the written representations received from the directors as on 31st March, 2006, and taken on record by the Board of Directors, we report that, none of the directors is disqualified as on 31st March, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

For and on behalf of

KALYANIWALLA & MISTRY
Chartered Accountants

Ermin K. IRANI
Partner

Membership No.35646

Place: Mumbai
Dated : 29th June, 2006