



Mackinnon Mackenzie & Company Ltd.

MAD	✓		EKC	✓
CS	NA		DPY	NA
RG	✓		DIV	NA
TRA	✓		AC	✓
AGM	✓	✓	SHI	✓
XB	✓	✓		✓

Annual Report
1997 - 98

Mackinnon Mackenzie & Co. Ltd.

BOARD OF DIRECTORS

Vice Admiral K. R. Menon
Minoo Kaikhushroo Bezonjee Capadia
Yashpal Kumar
Rear Adml. P. K. Sinha
Captain N. B. Jamnerkar

AUDITORS

Lovelock & Lewes, Chartered Accountants, Bombay

**ADVOCATES AND
SOLICITORS**

Maneksha & Sethna, Bombay

**REGISTRAR AND SHARE
TRANSFER AGENTS**

N. D. Management Services Pvt. Ltd.,
516, Sir Vithaldas Chambers,
16, Bombay Samachar Marg,
Bombay - 400 023.

BANKERS

Bank of India
Central Bank of India
Indian Bank
Standard Chartered Bank

REGISTERED OFFICE

4, Shoorji Vallabhdas Marg, Ballard Estate,
Bombay - 400 038.

In view of the high cost of paper and printing, copies of the Annual Report cannot be distributed at the Annual General Meeting. You are, therefore, requested to bring your copy of the Annual Report to the Meeting.

Mackinnon Mackenzie & Co. Ltd.

NOTICE

NOTICE is hereby given that the Forty Seventh Annual General Meeting of the Shareholders of MACKINNON MACKENZIE & COMPANY LIMITED will be held on Tuesday, 29th September, 1998 at 14.00 hrs. at M.C. GHIA HALL, Bhogilal Hargovindas Building, 18/20, K. Dubash Marg, Mumbai 400 001, to transact the following business :

ORDINARY BUSINESS :

1. To consider and adopt the Audited Balance Sheet as at 31st March, 1998 and the Profit & Loss Account for the year ended on that date and the report of the Directors and Auditors thereon.
2. To appoint a Director in place of Rear Admiral P. K. Sinha, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. M.K.B. Capadia, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Auditors and to fix their remuneration from the conclusion this Annual General Meeting until the conclusion of the next Annual General Meeting.

SPECIAL BUSINESS :

- 5 (A) To consider and if thought fit, to pass, with or without modification, the following Resolution as an Ordinary Resolution:-

"RESOLVED THAT pursuant to the provisions of Section 269 and Part I and II of Schedule XIII and other applicable provisions, if any of the Company's Act 1956, the Company hereby approves the appointment of Vice Admiral K.R. Menon as whole time Director of the Company for the period of three years with effect from 17th July, 1997 on the following terms and conditions :

- 1) **Period:** 3 (Three) years with effect from 17th July, 1997.
- 2) **Remuneration:** The remuneration paid to the whole time Director shall not exceed Rs. 40,000 per month or Rs. 4,80,000 per annum in accordance with Section I of Part II of Schedule XIII of The Companies Act, 1956. Vice Admiral K.R. Menon will be paid remuneration as under :
 - (a) **Salary:** Rs. 10,000 per month including dearness and all other allowances.
 - (b) **Perquisites:** In addition to the above salary, the Whole time Director will also be entitled to the perquisites mentioned below, the value of which shall not exceed Rs. 3,60,000/- per annum, with limits, as applicable, given below:
 - (i) **Medical Reimbursements:** Reimbursement of expenses incurred for self and family subject to a ceiling of one month's salary in a year or three months' salary over a period of 3 years.

- (ii) **Leave Travel Concession:** Leave Travel Concession for self and family, once in a year in accordance with the Rules of the Company. Explanation: Family means the spouse, the dependent children and dependent parents of the whole time Director.
- (c) The whole time Director shall also be eligible for the following perquisite which shall not be included in the computation of the ceiling on remuneration as specified in Schedule XIII:
 - (i) Encashment of unavailed leave of one month per year at the end of the tenure.
 - (ii) Company's contribution to the Provident Fund subject to ceiling of 10% of Salary.
 - (iii) Company's contribution to the Superannuation Fund as per Company's rule but it shall not together with Company's contribution to Provident Fund exceed 25% of salary laid down under the Income Tax Rules 1962.
 - (iv) Gratuity not exceeding half months salary for each completed year of service subject to such limit as described by Income Tax act 1961.
- 3) The whole time director, so long as he functions as such, shall not be paid any sitting fees for attending meetings of the Board of Directors or Committees thereof.
- 4) The Company shall reimburse to the whole time Director entertainment, travelling and all other expenses incurred by him for the business of the Company.
- 5) The aforesaid appointment may be terminated at any time by either party thereto by giving to the other party three months' notice of such termination and neither party will have any claim against the other for damages or compensation by reason of such termination.

5 (B)

To consider and if thought fit, to pass, with or without modification, the following Resolution as an Ordinary Resolution:-

RESOLVED THAT

In supersession of the resolution passed at the Company's Annual General Meeting held on 27th December 1996 and pursuant to the provisions of clause (d) of sub-section (1) of Section 293 and all other applicable provisions, if any, of the Companies Act, 1956, and the Articles of Association of the Company, consent of the Company be and is hereby accorded to the Board of Directors of the Company to borrow for and on behalf of the Company, from time to time, as it may consider fit, any sum of money, notwithstanding that the moneys to be borrowed

Mackinnon Mackenzie & Co. Ltd.

together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) will or may exceed the aggregate, for the time being, of the paid-up share capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, but so that the total amount upto which moneys may be so borrowed shall not at any time exceed the sum of Rs. 275 Crores (Rupees Two Hundred Seventy Five Crores).

The explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the business under item Nos 5 of the Notice set out above is annexed herewith.

Notes :

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not be a member. Proxies in order to be effective must be received at the Registered office of the Company, not less than 48 hours before the commencement of the meeting.
2. The Register of Members and Share Transfer Books of the Company will be closed from Monday, 21st September, 1998 to Tuesday, 29th September, 1998 (both days inclusive) in terms of the provisions of

Section 154 of the Companies Act, 1956.

3. Members are requested to inform the changes, if any, in their registered addresses to the Company's Registrars and Share Transfer Agents M/s N. D. Management Services Pvt. Ltd., 516, Sir Vithaldas Chambers, 16, Mumbai 400 023.
4. For convenience of members, an attendance slip is annexed to the proxy form. Members are requested to affix their signature at the space provided and handover the attendance slip at the place of the meeting.
5. Queries on accounts and operations of the Company, if any, may please be sent to the Company seven days in advance of the meeting so that the answers may be readily available at the meeting.
6. Members are requested to kindly bring their copies of the Report and Accounts to the Meeting.

By Order of the Board
for Mackinnon Mackenzie & Company Limited
V. Admr. K. R. Menon
Chairman

Date : 19th August, 1998
Place : Mumbai

ANNEXURE TO THE NOTICE

Explanatory Statement under Section 173(2) of the Companies Act, 1956.

Item No. 5 (A)

The Company had previously appointed Vice Admiral K. R. Menon as Wholetime Director at the Annual General Meeting held on 27th December, 1996. The said appointment was with effect from 10.11.96 for a period of 3 (three) years. Subsequently at the Board meeting held on 17.07.97, the Company accepted the resignation of Vice Admiral K. R. Menon as Whole time Director of the Company. He however continued to be the Chairman and Ordinary Director of the Company.

As you are aware the Company has many legal and financial constraints and all earnings of the Company are appropriated by the Court Receiver. The Company is trying to work out a settlement with its bankers and needs an experienced person to successfully negotiate with the banks on behalf of the Company. The Board, at its meeting held on 16th December 1997 appointed Vice Admiral K.R. Menon as its Wholetime Director with effect from 17th July, 1997.

As the Company has inadequate profits provisions of Part II of Schedule XIII of the Companies Act are applicable which restrain the Company from paying a remuneration exceeding Rs. 40,000 per month to the above appointee.

The Board of Director are of the opinion that Vice Admiral K. R. Menon's experience and advice is crucial for the smooth functioning of the Company and recommend the above resolution for approval.

Item No. 5(B)

At the Annual General Meeting held on 27th December 1996 an ordinary resolution was passed authorising the Board of Directors to borrow money from time to time (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) to the extent Rs.200 crores in terms of Section 293(i)(d) of the Companies Act 1956. Having regard to the need for additional finance which the Company may require from time to time to support the Company's business activities, the borrowing limits previously sanctioned is proposed to be revised further to Rs. 275 Crores.

Such increase requires the approval of members under Section 293(1)(a) of the Companies Act 1956. Accordingly the Ordinary Resolution as set out in Item No.5(B) is submitted in the meeting. None of the Directors is concerned or interested in the resolution.

By Order of the Board
for Mackinnon Mackenzie & Company Limited
Vice Admr. K. R. Menon
Chairman

Date : 19th August, 1998
Place : Mumbai

Registered Office : 4, Shoorji Vallabhdas Marg, Ballard Estate, Mumbai 400 038.

Mackinnon Mackenzie & Co. Ltd.**REPORT OF THE DIRECTORS TO THE SHAREHOLDERS**

To the Members,

MACKINNON MACKENZIE & COMPANY LIMITED

The Directors present their 47th Annual Report together with the Audited Accounts for the year ended 31st March, 1998.

1. FINANCIAL RESULTS :

During the year the Company had an operating deficit of Rs. 43,47,688/- as summarised below :-

	Year ended 31.03.1998 Rs.	Year ended 31.03.1997 Rs.
Revenue	2,68,09,408	3,00,30,571
Other income	66,28,871	67,66,678
	<u>3,34,38,279</u>	<u>3,67,97,249</u>
Operating Expenditure	3,77,85,967	4,29,21,465
Operating Surplus/(Deficit)	<u>(43,47,688)</u>	<u>(61,24,216)</u>
To which has to be adjusted		
Provisions	6,49,118	1,15,94,853
	<u>49,96,806</u>	<u>1,77,19,069</u>
To which is charged interest and guarantee commission	<u>32,61,72,168</u>	<u>27,72,15,969</u>
Leaving a deficit before charging depreciation	33,11,68,974	29,49,35,038
Depreciation	6,09,923	5,96,423
	<u>33,17,78,897</u>	<u>29,55,31,461</u>
From which has to be deducted		
(Profit)/Loss on sale of Fixed Assets (Net)	<u>(1,85,812)</u>	<u>—</u>
Loss before prior years' adjustments	33,15,93,085	29,55,31,461
Prior years' adjustments	<u>(7,51,893)</u>	<u>(2,25,86,002)</u>
Loss after prior years' adjustments	33,08,41,192	27,29,45,459
Previous years balance brought forward	1,84,53,78,595	1,57,24,33,136
	<u>2,17,62,19,787</u>	<u>1,84,53,78,595</u>

The debit balance in the Profit & Loss Account after considering prior years' adjustments stands at Rs.2,17,62,19,787.

2. DIVIDEND :

In view of the losses suffered by the Company, your Directors do not recommend dividend for the year under review.

Mackinnon Mackenzie & Co. Ltd.**3. REPORT ON OPERATIONS :**

As reported in the previous meeting all the operations have now ceased and there has been no revenue generated at Bombay except for earnings from property owning and leasing which are being appropriated by the Court Receiver. Business at Delhi and Calcutta, further deteriorated due to severe financial constraints and general economic slow down.

4. PROSPECTS :

- i) Financial constraints and general economic slow down do not hold any major promise of improvement in the performance of travel, air cargo divisions at Delhi and Calcutta.
- ii) Final and equitable settlement with the Banks is a prerequisite for continued operation of the Company.
- iii) The Directors are continuing dialogue with the lead Bank who has shown inclination to consider the proposals put forward by the Company. The Directors are hopeful that with a pragmatic approach by the Banks a settlement could be reached in near future.

5. QUALIFICATIONS IN AUDITORS' REPORT :

With reference to the comments contained in their report, the position has been explained in the Notes to the Accounts and are self-explanatory. Information Pursuant to Section 217 of the Company's Act, 1956 is given in Schedule 19 with Balance Sheet and Profit and Loss Account.

6. DIRECTORS :

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association M/s. Sinha & Capadia, Directors of the Company retire by rotation, and are eligible for re-appointment.

7. FIXED DEPOSITS :

The Company has not accepted any fixed deposits from the public during the year under review.

8. AUDITORS :

The Auditors M/s Lovelock & Lewes, Chartered Accountants, retire at the ensuing Annual General Meeting and they being eligible offer themselves for re-appointment.

9. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS / OUTGO :

The Company does not have activities related to conservation of energy and technology absorption.

During the year foreign exchange outgo was Rs. 10,267/-. The foreign exchange earned during the year was Rs. 9,88,786.

9. PARTICULARS OF EMPLOYEES :

The Company has no employee in the category specified under Section 217(2A) of the Companies Act, 1956.

10. ACKNOWLEDGEMENT :

Your Directors take this opportunity of thanking the Shareholders, Bankers, Auditors, Registrars, Business Associates, and Employees of the Company for their co-operation received during the year under review.

On behalf of the Board of Directors

VICE-ADMIRAL K.R. MENON
Chairman

Date : 19th August, 1998

Place : Mumbai

Registered Office:

4, Shoorji Vallabhdas Marg,
Ballard Estate,
Mumbai - 400 038.

Mackinnon Mackenzie & Co. Ltd.**AUDITORS' REPORT TO THE SHAREHOLDERS**

We have examined the attached Balance Sheet of Mackinnon Mackenzie and Company Limited as at 31st March, 1998 and the annexed Profit and Loss Account for the year ended on that date, which are in agreement with the books of account and report that :

1. As required by the Manufacturing and other Companies (Auditor's Report) Order, 1988, and on the basis of such checks of the books and records of the Company as we considered appropriate and the information and explanations given to us during the course of audit, we give in the Annexure a statement on the matters specified in the paragraphs 4 and 5 of the said Order.
2. We refer to Notes 2,6,8,9,10,13 and 15 appearing in Schedule 19 with regard to the following :
 - a) Despite continued huge losses resulting in total erosion of the networth of the Company, the accounts for the year have been prepared on the assumption of going concern basis. Should the Company be unable to continue as a going concern, the extent of effect the resultant adjustments would have on the net worth at the year end and the loss for the year is not ascertainable. (Refer Note 2).
 - b) Non provision of Doubtful Debts.
 Sunday debtors include certain old balances amounting to Rs.42,28,069/- under "Unsecured Considered Good" for which no provision for doubtful items, if any has been made in the accounts pending review of the same. As a result the effect of such non provision on the loss for the year cannot be ascertained. (Refer Note 8)
 - c) Non provision of Doubtful Loans and Advances
 Loans and Advances include certain old balances amounting to Rs.23,90,180/- under "Advances Recoverable in Cash or in kind or for value to be received - Unsecured Considered Good" for which no provision for doubtful items if any, has been made in the accounts pending review of the same. As a result, the effect of such non provision on the loss for the year cannot be ascertained. (Refer Note 9.)
 - d) Sundry Creditors include an amount of Rs.16,49,783 which represents old balances for which no write back has been made in the accounts pending the review of the same. As a result, the effect of such write back on the loss for the year cannot be ascertained. (Refer Note 10)
 - e) The Company's Bankers have filed suits in the Bombay High Court for recovery of loans outstanding as on 31st March, 1991 aggregating to Rs.61,66,06,521/-. However, these loans outstanding as on 31st March, 1998 have been included in the Schedule No.3 of the Accounts. As per the directions of the Bombay High Court, a Court Receiver has been appointed for administration of the buildings at Bombay and Calcutta in December 1993. An amount of Rs.68,43,964/- has been adjusted during the year in Sundry Debtors Account for rent collected by Court Receiver. The expenses if any of the Court Receiver have not been provided for in the books. However, no confirmation/certificate is available. We are, therefore, unable to comment on the effect of the same, if any, on the Sunday debtors and secured loans, as at 31st March, 1998. (Refer Note 13.)
 - f) The Company has given a loan in January 1983, to Strand Properties Limited, a Subsidiary of the Company, amounting to Rs.49,25,484 which is outstanding as on 31st March, 1998. The Company has an investment of Rs.18,000 in Strand Properties Limited. The accumulated losses of Strand Properties Limited as on 31st March, 1998 amounting to Rs.63,12,922/- greatly exceeds its net worth. No provision has been made for the possible loss in this regard. We are, therefore, unable to comment on the effect of the same, if any, on the loss for the year and accumulated losses as at 31st March, 1998. (Refer Note 6).
3. a) Subject to our comments in paragraph 2(b) to 2(f), 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 and in our opinion proper books of accounts have been kept by the Company as required by the law so far as it appears from our examination of those books.

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b) Subject to the effect of such adjustments, if any as might have been required, had the outcome of the uncertainties referred to in paragraph 2(a) to 2 (e) been known and subject to paragraph 2(f) above and A10, A15 & A17 of the Annexure and note 15 appearing in Schedule 19 of the Accounts, in our opinion and to the best of our information and according to the explanations given to us, the said Accounts read together with Schedule 1 to 19 give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view:

i) in case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 1998.

and

ii) in the case of the Profit and Loss Account of the loss for the year ended on that date.

MUMBAI
Dated : 19.08.1998.

For LOVELOCK & LEWES
Chartered Accountants
VASANT GUJARATHI
Partner

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ANNEXURE REFERRED TO IN PARAGRAPH 1 OF AUDITORS' REPORT OF EVEN DATE TO THE SHAREHOLDERS OF MACKINNON MACKENZIE AND CO. LTD., ON THE ACCOUNTS FOR THE YEAR ENDED 31st MARCH, 1998.

- (A)
1. The Company has maintained proper records to show full particulars including quantitative details and situation of fixed assets. It is the Company's policy to verify all assets once in three years. The physical verification according to policy of the Company has been carried out during the year. No significant discrepancies were noticed on such verification.
 2. The fixed assets of the Company have not been revalued during the year.
 3. The management has conducted a physical verification of stocks during the year at reasonable intervals.
 4. The procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of the business.
 5. No material discrepancies have been noted on physical verification of stocks lying at Company premises as compared to book records.
 6. On the basis of our examination of stocks records, we are of the opinion that the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
 7. The Company has not taken any Loans, secured or unsecured from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956. There are no companies under the same management as defined under Section 370 (1B) of the Companies Act, 1956.
 8. The Company has not granted any loans, secured or unsecured to Company, firms or other parties, listed in the register maintained under Section 301 of the Companies Act, 1956.
 9. The parties including employees to whom loans or advances in nature of loans have been given by the Company are repaying the principal amounts as stipulated and are also generally regular in payment of interest where applicable except in certain cases where repayments are not as per stipulations, no write off has been made pending the review/reconciliation of the same. However, in the case of a loan to a subsidiary and certain advances made by the Company where no repayment schedules are fixed, the Company is experiencing difficulties in the recovery of these amounts, some of which have been provided for in these accounts.
 10. In our opinion, internal control procedures are not commensurate with the size of the Company and the nature of its business for the purchase of equipments and other assets. The Company being a service company does not sell any goods.
 11. There are no transactions of sale of service made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs. 50,000/- or more in respect of each party.
 12. The Company has a regular procedure for the determination of unservicable or damaged stocks.
 13. The Company has not accepted any deposits from the public within the meaning of Section 58A of the Companies Act, 1956.
 14. The Company is not a manufacturing, mining or processing Company and therefore does not have any by-products or scrap.
 15. No internal audit has been carried out during the year as the Company does not have internal audit system.

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16. Maintenance of cost records has not been prescribed by the Central Government under Section 209(1) (d) of the Companies Act, 1956.

17. The Company has not been regular in depositing the Provident Fund and ESIC dues with the appropriate authorities. An amount of Rs.2,14,769 and Rs.27,935 for Provident fund and ESIC dues respectively is outstanding as on 31st March, 1998.

18. There were no undisputed amounts payable in respect of wealth tax, customs duty and excise duty as at 31st March, 1998, which were outstanding for a period of more than six months from the date they became payable.

19. No personal expenses of employees or Directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practice.

20. By virtue of provisions of Section 1(4) of the The Sick industrial Companies (Special Provisions) Act, 1985, this Act is not applicable to the Shipping Activities of the Company and the Company is not a sick industrial company within the meaning of Clause (o) of the SubSection(1) of Section 3 of The Sick Industrial Companies (Special Provisions) Act, 1985.

(B). In respect of service activities:

1. The Company does not carry out any job work and the Company being engaged in Agencies, allocation of materials consumed and man hours to the relative jobs is not applicable to the Company.

2. Being a Company engaged in Agencies, allocation of stores and labour to jobs is not applicable to the Company.

MUMBAI

Dated: 19th August, 1998.

For LOVELOCK & LEWES
Chartered Accountants
VASANT GUJARATHI
Partner.