



Mackinnon Mackenzie & Company Ltd.



Annual Report
1998 - 99

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**

Datacorp Management Services
202-204, Nirman Industrial Estate,
Link Road, Malad West,
Bombay - 400 064.

BANKERS

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

REGISTERED OFFICE

4, Shoorji Vallabhdas Marg, Ballard Estate,
Bombay - 400 001.

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 Eighth Annual General Meeting of the Shareholders of MACKINNON MACKENZIE & COMPANY LIMITED will be held on Monday, 27th September, 1999 at 10.00 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 receive and adopt the audited Balance Sheet as at 31st March 1999, Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Yaspal Kumar, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Capt. N.B. Jamnerkar, 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.

NOTES :

- a) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF ON A POLL ONLY. THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. Proxy forms should be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for the meeting.
- b) The Register of Members and Share Transfer Books of the Company will remain closed from Thursday 16th September, 1999 to Saturday 25th September, 1999, both days inclusive.
- c) Members desiring any information regarding the accounts are requested to write to the Company at 4, Shoorji Vallabhdas Marg, Ballard Estate, Mumbai 400 001, at least 7 days before the date of the Meeting to enable the company to keep the information ready.

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

Date : 16th August, 1999
Place : Mumbai

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

To the Members,

MACKINNON MACKENZIE & COMPANY LIMITED

The Directors present their 48th Annual Report together with the Audited Accounts for the year ended 31st March, 1999.

1. FINANCIAL RESULTS :

During the year the Company had an operating deficit of Rs. 57,31,307/- as summarised below :-

	Year ended 31.03.1999 Rs.	Year ended 31.03.1998 Rs.
Revenue	1,83,36,374	2,68,09,408
Other income	54,57,834	66,28,871
	<u>2,37,94,208</u>	<u>3,34,38,279</u>
Operating Expenditure	2,95,25,515	3,77,85,967
Operating Surplus/(Deficit)	<u>(57,31,307)</u>	<u>(43,47,688)</u>
To which has to be adjusted Provisions	98,25,703	6,49,118
	<u>1,55,57,010</u>	<u>49,96,806</u>
To which is charged interest and guarantee commission	38,39,39,871	32,61,72,168
Leaving a deficit before charging depreciation	39,94,96,881	33,11,68,974
Depreciation	12,44,227	6,09,923
	<u>40,07,41,108</u>	<u>33,17,78,897</u>
From which has to be deducted (Profit)/Loss on sale of Fixed Assets (Net)	(1,12,600)	(1,85,812)
Loss before prior years' adjustments	40,06,28,508	33,15,93,085
Prior years' adjustments	(1,82,765)	(7,51,893)
Loss after prior years' adjustments	<u>40,04,45,743</u>	<u>33,08,41,192</u>
Previous years balance brought forward	2,17,62,19,787	1,84,53,78,595
	<u>2,57,66,65,530</u>	<u>2,17,62,19,787</u>

The debit balance in the Profit & Loss Account after considering prior years' adjustments stands at Rs.2,57,66,65,530/-.

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

Your Directors deeply regret to report that there was a devastating fire at our Calcutta branch office on 7th November, 1998 and the entire building is un-inhabitable. With the result the entire Calcutta operation has come to a standstill from 7th November '98. Consequently the Company had to reluctantly declare suspension of work. As a result, the Staff have had to face hardship with which the Company is in full sympathy and is doing everything humanly possible to mitigate their difficulties. Mounting financial burden towards maintaining Staff and payment of statutory dues has further deteriorated the financial status of the Company.

4. PROSPECTS :

- i) With general economic slow down continuing and major setback from our branch office at Calcutta, the Company visualises no improvement in the performance in any other division in the near future. With great difficulty our Delhi branch is trying to break even.
- ii) A final and equitable settlement with the Bank is a prerequisite for even the partial revival of Company's operation.
- iii) The Directors are still in dialogue with the leading Bank and are optimistic about the outcome. A pragmatic view taken by the Banks towards the settlement in the near future will improve the prospects of revival.

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 Mr. Yashpal Kumar and Capt. N.B. Jamnerkar, Directors of the Company retire by rotation, and are eligible offer themselves 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. 32,258/-. The foreign exchange earned during the year was Rs. 3,13,100/-.

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 and the Company's Bankers and Auditors, 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 : 16th August, 1999
 Place : Mumbai

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the attached Balance Sheet of Mackinnon Mackenzie and Company Limited as at 31st March, 1999 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. In view of the fire at the Calcutta branch of the Company during the year, all the books and records pertaining to the Calcutta branch of the Company for the period 1st April, 1998 to 7th November, 1998 could not be retrieved. In the absence of proper books and records, transactions for the period from 1st April, 1998 to 7th November, 1998 reflected in these accounts are on the basis of books and records that were available on hand and also on the basis of the best estimates/judgements made by the management in this regard. Accordingly the fixed assets of Rs. 15,28,184, net current assets of Rs. 2,44,88,033 and net loss for the year Rs. 1,79,33,659 in respect of Calcutta branch have been incorporated in these accounts. Consequently, the adjustments, if any, that may be required to the said balances cannot be ascertained at this stage. (Refer Note 5 of Schedule 19)
3. We refer to Notes 2,6,8,9(a),10 and 14 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 Loans and Advances
Loans and Advances include certain old balances amounting to Rs.7,58,059 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 8)
 - c) Sundry Creditors include an amount of Rs. 16,56,202 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 9 (a)]
 - d) 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, 1999 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. 80,76,518 has been adjusted during the year in Sundry Debtors Accounts 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 sundry debtors and secured loans, as at 31st March, 1999. (Refer Note 10)
 - e) The Company had 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, 1999. The Company has an investment of Rs. 18,000 in Strand Properties Limited. The accumulated losses of Strand Properties Limited as on 31st March, 1999 amounting to Rs. 68,87,857 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, 1999. (Refer Note 6)
 - f) Non-availability of confirmations in respect of balances of secured and unsecured loans, debtors, certain bank balances, deposits and creditors appearing in Schedules 3,4,7,8,9 and 10 of the accounts respectively. (Refer Note 14)
4. In our opinion, the Balance Sheet and the Profit and Loss Account comply with the accounting standards as referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 except for long term investment in Strand Properties Limited in respect of which, no provision has been made for permanent diminution in value on account of huge losses made by the said Company.

Mackinnon Mackenzie & Co. Ltd.

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5. a) Subject to our comments in paragraph 2, 3(b) to 3(f) above, 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.
- 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, 3(a) to 3(f) been known and subject to the matters referred to in paragraphs A6, A10 and A12 of the Annexure, in our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with Schedules 1 to 19 attached and in particular with Note No.9 (b) of Schedule 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, 1999
and
- ii) in the case of the Profit and Loss Account of the loss for the year ended on that date.

For LOVELOCK & LEWES
Chartered Accountants

Mumbai
Dated: 16th August, 1999

VASANT GUJARATHI
Partner



Mackinnon Mackenzie & Co. t.td.

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, 1999.

- (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 except at Calcutta branch, which was destroyed by fire 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 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.
 4. 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.
 5. 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.
 6. 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 equipment and other assets. The Company being a service company does not sell any goods.
 7. 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.
 8. The Company has not accepted any deposits from the public within the meaning of Section 58A of the Companies Act, 1956.
 9. The Company is not a manufacturing, mining or processing Company and therefore does not have any by-products or scrap.
 10. No internal audit has been carried out during the year as the Company does not have internal audit system.
 11. Maintenance of cost records has not been prescribed by the Central Government under Section 209(1) (d) of the Companies Act, 1956.
 12. The Company has not been regular in depositing the Provident Fund and ESIC dues with the appropriate authorities. An amount of Rs.23,096 and Rs 49,277 for Provident fund and ESIC dues respectively is outstanding as on 31st March, 1999.
 13. There were no undisputed amounts payable in respect of wealth tax, customs duty and excise duty as at 31st March, 1999, which were outstanding for a period of more than six months from the date they became payable.
 14. During the course of examination of books of accounts carried out in accordance with the generally accepted accounting principles, we have not come across any personal expenses of the employees or directors which have been charged to revenue account other than those payable under contractual obligations or in accordance with generally accepted business practice.
 15. 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 sub-section (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 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. The provisions of clause (iii), (iv), (v), (vi) & (xii) of sub paragraph 4 (A) are not applicable to the Company.

For LOVELOCK & LEWES
Chartered Accountants

Mumbai

Dated : 16th August, 1999

VASANT GUJARATHI
Partner

Mackinnon Mackenzie & Co. Ltd.

BALANCE SHEET AS AT 31ST MARCH, 1999.

	Schedule No.	Rs.	As at 31.3.1999 Rs.	As at 31.3.1998 Rs.
SOURCES OF FUNDS				
SHAREHOLDERS FUNDS				
CAPITAL	1		2,48,61,125	2,48,61,125
RESERVES & SURPLUS	2		1,12,46,274	1,12,46,274
LOAN FUNDS				
Secured Loans	3	2,49,64,22,151		2,12,58,94,677
Unsecured Loans	4	41,60,524	2,50,05,82,675	26,04,243
Total			2,53,66,90,074	2,16,46,06,319
APPLICATION OF FUNDS				
FIXED ASSETS				
Gross block	5	1,79,68,345		2,12,27,555
Less: Depreciation		1,31,59,279		1,51,93,342
Net block			48,09,066	60,34,213
INVESTMENTS	6		3,75,663	3,75,663
(I) CURRENT ASSETS, LOANS AND ADVANCES				
Inventories (as valued and certified by Management)		—		20,720
Sundry Debtors	7	1,62,61,505		2,64,58,064
Cash and Bank Balances	8	1,00,49,343		1,92,86,895
Other Current Assets - Interest accrued on Investment		9,663		8,545
Loans and Advances	9	2,97,82,293		2,56,06,450
		5,61,02,804		7,13,80,674
Less : CURRENT LIABILITIES AND PROVISIONS				
Liabilities	10	8,91,36,258		7,69,12,235
Provisions	11	38,45,983		42,11,035
		9,29,82,241		8,11,23,270
NET CURRENT ASSETS			(3,68,79,437)	(97,42,596)
DEBIT BALANCE IN PROFIT & LOSS ACCOUNT		2,57,66,65,530		2,17,62,19,787
LESS: BALANCE IN GENERAL RESERVE		82,80,748	2,56,83,84,782	82,80,748
Total			2,53,66,90,074	2,16,46,06,319

Schedules 1 to 18 and Notes in Schedule 19 form an integral part of the accounts.

In terms of our report of even date

For LOVELOCK & LEWES

Chartered Accountants

VASANT GUJARATHI

Partner

Mumbai, Dated : 16-08-99

M.K.B. CAPADIA

R. ADMR. P. K. SINHA

CAPT. N. B. JAMNERKAR

Directors

Mackinnon Mackenzie & Co. Ltd.**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1999.**

	Schedule No.	Year ended 31.3.1999 Rs.	Year ended 31.3.1998 Rs.
INCOME			
Revenue	12	1,83,36,374	2,68,09,408
Other Income	13	55,70,434	68,14,683
		<u>2,39,06,808</u>	<u>3,36,24,091</u>
EXPENSES			
Employee Remuneration and benefits	14	1,83,74,222	2,58,72,658
Other Operating Expenses	15	1,11,51,293	1,19,13,309
Depreciation		12,44,227	6,09,923
Provisions	16	98,25,703	6,49,118
Interest and Guarantee Commission	17	38,39,39,871	32,61,72,168
		<u>42,45,35,316</u>	<u>36,52,17,176</u>
Loss before prior years' adjustments		40,06,28,508	33,15,93,085
Prior years' adjustments	18	(1,82,765)	(7,51,893)
Loss after prior years' adjustments		40,04,45,743	33,08,41,192
Previous year's balance brought forward		2,17,62,19,787	1,84,53,78,595
	Total:	<u>2,57,66,65,530</u>	<u>2,17,62,19,787</u>

Schedules 1 to 18 and Notes in Schedule 19 form an integral part of the accounts.

In terms of our report of even date

For LOVELOCK & LEWES

Chartered Accountants

VASANT GUJARATHI

Partner

Mumbai, Dated : 16-08-99

M.K.B. CAPADIA

R. ADMR. P. K. SINHA

CAPT. N. B. JAMNERKAR

Directors