



Mackinnon Mackenzie & Company Ltd.



**Annual Report
2001 - 2002**

Mackinnon Mackenzie & Co. Ltd.

BOARD OF DIRECTORS

Vice Admiral K. R. Menon
Minoo Kaikhushroo Bezorjee Capadia
Rear Adml. P. K. Sinha
Captain N. B. Jamnerkar
Captain O. P. Dogra

AUDITORS

J.D. Mehta & Co., Chartered Accountants, Bombay

**ADVOCATES AND
SOLICITORS**

Maneksha & Sethna, Bombay

**REGISTRAR AND SHARE
TRANSFER AGENTS**

Datacorp Management Services,
202-204, Nariman Ind. Estate,
Link Road, Malad (W),
Mumbai - 400 064.

BANKERS

Bank of India
Central Bank of India
Indian Bank
Standard Chartered Bank
Vijaya 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 51st Annual General Meeting of the Shareholders of MACKINNON MACKENZIE & COMPANY LIMITED will be held on Monday, the 30th September, 2002 at 10:00 a.m. 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, 2002 and the Profit and 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 Capt. O. P. Dogra who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors on a remuneration to be fixed by the Board of Directors.

member. Proxy forms should be deposited at the Registered office of the Company, not less than 48 hours before the commencement of the Annual General Meeting.

- b) The Register of Members and the Share Transfer Books of the Company will be closed from Friday, 20th September, 2002 to Saturday, 28th September, 2002 (both days inclusive) in terms of the provisions of Sections 154 of the Companies Act, 1956.

By Order of the Board of Directors
For Mackinnon Mackenzie & Company Limited

M.K.B. CAPADIA
DIRECTOR

REAR ADMIRAL P. K. SINHA
DIRECTOR

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/herself and the proxy need not be a

Mumbai, 12th August, 2002.

Registered Office: 4, Shoorji Vallabhdas Marg, Ballard Estate, Mumbai-400 001.

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

To the Members,

MACKINNON MACKENZIE & COMPANY LIMITED

The Directors present their 51st Annual Report together with the Audited Accounts for the year ended 31st March, 2002.

1. FINANCIAL RESULTS :

During the year the Company had an operating profit of Rs. 73,88,320/- as summarised below :-

| | Year ended 31.03.2002 Rs. | Year ended 31.03.2001 Rs. |
|--------------------------------------------------------------------|------------------------------------------|------------------------------------------|
| 1. Income from operations | 97,94,763 | 99,16,119 |
| 2. Other Income | 63,70,294 | 15,46,316 |
| 3. Total Expenditure | 87,76,737 | 6,26,90,136 |
| 4. Gross Profit/(Loss) before interest | 73,88,320 | (5,12,27,701) |
| Depreciation & Tax | | |
| Less : (a) Interest | 62,79,09,424 | 53,32,07,213 |
| (b) Provisions for depreciation | 1,87,902 | 2,11,783 |
| Profit/(Loss) before extraordinary/prior period | (62,07,09,006) | (58,46,46,697) |
| Items & Tax | | |
| Add : (c) Extraordinary / prior period items | (51,97,371) | 27,31,043 |
| 5. Net Profit / (Loss) after Tax | (62,59,06,377) | (58,19,15,654) |
| 6. Appropriation of Profit/and Reserves | — | — |
| (a) Add: Short Provision for Income Tax in respect of earlier year | — | 9,85,592 |
| (b) Add: Profit/(Loss) B/F from earlier year | (3,61,75,75,445) | (3,03,46,74,199) |
| 7. Cumulative Profit/(Loss) | (4,24,34,81,822) | (3,61,75,75,445) |

The debit balance in the Profit & Loss Account after considering prior years' adjustments stands at Rs. 4,24,34,81,822/-.

2. DIVIDEND :

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

3. SETTLEMENT WITH BANKS :

As reported earlier, our proposal to arrive at the settlement with Banks has not yet yielded desired results. Possibility of any future business, as informed earlier, is totally dependant on an amicable settlement.

4. 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

Mackinnon Mackenzie & Co. Ltd.

Balance Sheet and Profit and Loss Account.

5. DIRECTORS :

Capt. O. P. Dogra retires by rotation and being eligible offers himself for re-appointment.

6. FIXED DEPOSITS :

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

7. AUDITORS :

The Auditors M/s. J. D. Mehta & Co., Chartered Accountants retiring at the ensuing Annual General Meeting and are eligible for re-appointment.

8. SUBSIDIARY COMPANIES :

As required under the provisions of the Companies Act 1956 the Annual Accounts of Strand Properties Ltd. and Mackinnons Travels (New Delhi) Ltd. are attached herewith.

9. DIRECTORS RESPONSIBILITY :

The Company is in compliance with various accounting and financial reporting requirements in respect of the financial statements for the period under review. Pursuant to Section 217(2AA) of the Companies Act, 1956, and in respect of the annual accounts for the period under review, the Directors hereby confirm that :

- (i) In the preparation of the annual accounts, the applicable accounting standards have been followed.
- (ii) Appropriate accounting policies have been selected and applied consistently and judgement and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for that period.
- (iii) Proper and sufficient care for 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 frauds and other irregularities have been taken to the best of their knowledge and ability.
- (iv) The annual accounts have been prepared on a "going concern basis."

10. 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. 12,243/-. The foreign exchange earned during the year was Rs. 19,26,618/-.

11. PARTICULARS OF EMPLOYEES :

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

12. ACKNOWLEDGEMENT :

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

On behalf of the Board of Directors

M.K.B. CAPADIA
Director

Date : 12th August, 2002
Place : Mumbai

Mackinnon Mackenzie & Co. Ltd.**AUDITORS' REPORT TO THE MEMBERS OF MACKINNON MACKENZIE & COMPANY LIMITED
AS AT 31ST MARCH 2002**

1. We have audited the attached Balance Sheet of M/S. MACKINNON MACKENZIE & COMPANY LIMITED as at 31st March 2002 and also the attached Profit and Loss Account of the Company 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 opinion on these financial statements based on our audit.
2. We have 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 Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure 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 :
 - (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (ii) 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;
 - (iii) The Balance Sheet and Profit and Loss Account referred to in this report are in agreement with the books of account;
 - (iv) In our opinion, the Profit & Loss Account and the Balance Sheet comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 **except for long term investment in Strand Properties Limited and Mackinnon Travels (New Delhi) 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.**
 - (v) On the basis of written representations received from the directors as on 31st March 2002, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2002 from being appointed as directors in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act 1956,

In our opinion, and to the best of our information and according to the explanations given to us, the said account subject to :

- 1) We refer to Notes 1,2,7,9,10,11,13 and 17 appearing in Schedule 19 with regard to the following:
 - a) Investment made at Calcutta Rs. 56,000/- are presently not available physically as building is destroyed by fire. (Refer Note No. 12 (c) in Schedule 19.)
 - b) Despite continued huge losses resulting in total erosion of the net worth 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 No.2 in Schedule 19).
 - c) Non Provision of Doubtful Loans and Advances.
 Loans and Advances shown under "Advances Recoverable in Cash or kind or for value to be received-Unsecured Considered Good" includes certain old balances amounting to Rs.64,84,811/- including amount receivable from the Court Receiver amounting to Rs.54,72,141/- for which no provision for doubtful items if any, has been made in the accounts pending review/ confirmation of the same. As a result, the effect of such non -provision on the loss for the year cannot be ascertained. (Refer Note No. 10 in Schedule 19)

Mackinnon Mackenzie & Co. Ltd.

- d) Sundry Creditors includes an amount of Rs.29,79,993/- which represent old balances for which no write back has been made in the accounts pending the review / confirmation of the same. As a result, the effect of such write back, if any, on the loss for the year cannot be ascertained. (Refer Note No. 11(a) in Schedule 19)
- e) We refer to Note 11(b) in the Schedule 19 regarding certain old credit balances outstanding in various accounts amounting to Rs.4,11,73,592/- for which no write back has been made in accounts pending the review / confirmation of the same. As a result, the effect of such write back, if any on the loss for the year cannot be ascertained.
- f) The Company's Bankers have filed suits in the Bombay High Court for recovery of loans outstanding as on March 31, 1991 aggregating to Rs.61,66,06,521/-. However, these loans along with the interest accrued and due amounting to Rs.4,098,462,476/- is outstanding as on March 31, 2002 and have been included in the Schedule No. 3 of the Accounts. Excess interest provision, if any, pending review / confirmation from the company's Bankers and Court Receiver cannot be ascertained at this stage. As per the directions of the Bombay High Court, a Court Receiver has been appointed for the administration of the building at Bombay and Calcutta in December 1993. An amount of Rs.3,11,06,239/- representing rent collected by Court Receiver till 31 March 2002 from sundry debtors and an amount of Rs.1,11,64,173/- representing matured fixed deposit with the Company's Bankers have been adjusted with the secured loans amounts. The expenses if any of the Court Receiver other than rent collection charges have not been provided for in the books. However, no confirmation / certificate is available from the Company's Bankers/ Court Receiver for the same. We are, therefore, unable to comment on the effect of the same, if any, on the sundry debtors and secured loans, as at March 31 2002. (Refer Note No. 9 & 13 in Schedule 19).
- g) The Company has an investment of Rs. 18,000/- in Strand Properties Limited. Further the Company owes Rs. 99,55,293/- and Rs. 13,30,000/- to Strand Properties Limited. The accumulated losses of Strand Properties Limited as on March 31, 2002 amounting to Rs. 74,29,294/- 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 March 31, 2002 (Refer Note No. 7 in SCHEDULE 19)
- h) Non- availability of confirmations in respect of balances of secured and unsecured loans, debtors, certain bank balances, deposits and creditors appearing in Schedules 3,4,6,7,8,9 and 10 of the accounts respectively. (Refer Note No. 14 in SCHEDULE 19).
- Consequential effect of the matters referred to in 1(a) to 1(h) above the loss for the year and accumulated losses as at 31st March 2002 is not ascertainable.
- i) Subject to the effect of such adjustments. if any, as might have been required, had the outcome of the uncertainties referred to in paragraph 1 above been known and subject to the matters referred to in paragraphs A6, A10 and A12 of the Annexure.
- j) In the absence of information about status of fixed assets in Kolkata branch no provision is made for loss at Kolkata for Plant & Machinery Rs. 5690/- and Office & Electrical Equipments Rs. 28,779/-.

And read with other notes to accounts and accounting policies give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view :-

- (a) In the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2002 and
- (b) In the case of Profit and Loss Account of the Loss for the year ended on that date.

For J. D. MEHTA & COMPANY
Chartered Accountants.

Place : Mumbai
Dated : 12TH August, 2002

J.D.MEHTA
PROPRIETOR

Mackinnon Mackenzie & Co. Ltd.

ANNEXURE REFERRED TO IN PARAGRAPH 1 OF AUDITOR'S REPORT OF EVEN DATE TO THE SHAREHOLDERS OF MACKINNON MACKENZIE & COMPANY LIMITED, ON THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2002.

- (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 1999-2000 except at Kolkata branch, which was destroyed by fire. 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. In terms of sub-section (6) of Section 370 of the Companies Act, 1956, provisions of the Section are not applicable to a Company on or after 31st October, 1998.
 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. In terms of Sub-section (6) of Section 370 of the Companies Act, 1956, provision of the Section are not applicable to a Company on or after 31st October 1998.
 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 repayment are not as per stipulations, no write-off have been made pending the review/reconciliation's of the same. However, 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 scraps.
 10. No internal audit has been carried out during the year, as the Company does not have internal audit system.
 11. As informed by the Management, 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.4,13,510/- and Rs.3,982/- for Provident Fund and ESIC dues respectively is outstanding as of 31st March 2002.
 13. There were no undisputed amounts payable in respect of Wealth tax, customs duty and excise duty as at 31st March 2002, 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 practices followed in India, we have not come across any personal expenses of the employees or directors which have been charged to revenue accounts, nor have we been informed of such case by the management, other than those payable under contractual obligations or in accordance with generally accepted business practices.
 15. By virtue of provisions of Section 1(4) of the Sick Industrial Companies (Special provisions) Act, 1985, this Act is not applicable to the Shipping Activities of the Company and thus the Company is not sick industrial company within the meaning of Clause (0) of the sub-section (1) of the 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 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 paragraphs 4(A) are not applicable to the Company.

For J. D. Mehta & Company
Chartered Accountants

Mumbai
Dated: 12th August, 2002

Proprietor
Membership No. 11472

Mackinnon Mackenzie & Co. Ltd.

BALANCE SHEET AS AT 31ST MARCH, 2002.

| | Schedule No. | Rs. | As at 31.3.2002 Rs. | Rs. | As at 31.3.2001 Rs. |
|----------------------------------------------------|-----------------|--------------------|---------------------------|--------------------|---------------------------|
| SOURCES OF FUNDS | | | | | |
| SHAREHOLDERS FUNDS | | | | | |
| CAPITAL | 1 | | 24,861,125 | | 24,861,125 |
| RESERVES AND SURPLUS | 2 | | 11,246,274 | | 11,246,274 |
| LOAN FUNDS | | | | | |
| Secured Loans | 3 | 4,098,462,476 | | 3,47,21,67,240 | |
| Unsecured Loans | 4 | 1,330,000 | 4,099,792,476 | 5,425,394 | 3,477,592,634 |
| | | | <u>4,135,899,875</u> | | <u>3,513,700,033</u> |
| APPLICATION OF FUNDS | | | | | |
| Fixed Assets | | | | | |
| Gross block | | 14,429,611 | | 14,429,612 | |
| Less : Depreciation | | <u>11,217,904</u> | | <u>11,030,003</u> | |
| Net block | 5 | | 3,211,707 | | 3,399,609 |
| INVESTMENTS | 6 | | 375,663 | | 375,663 |
| CURRENT ASSETS, LOANS AND ADVANCES | | | | | |
| Sundry Debtors | 7 | 15,576,089 | | 10,616,176 | |
| Cash and Bank Balances | 8 | 8,226,283 | | 6,692,704 | |
| Other Current Assets - | | | | | |
| Interest accrued on Investment | | 8,545 | | 8,544 | |
| Loans and Advances | 9 | 13,514,044 | | 14,270,722 | |
| | | <u>37,324,961</u> | | <u>31,588,146</u> | |
| Less: CURRENT LIABILITIES AND PROVISIONS | | | | | |
| Liabilities | 10 | 138,679,783 | | 128,996,958 | |
| Provisions | 11 | 1,533,747 | | 1,961,124 | |
| | | <u>140,213,530</u> | | <u>130,958,082</u> | |
| NET CURRENT ASSETS | | | (102,888,569) | | (99,369,936) |
| DEBIT BALANCES IN PROFIT & LOSS ACCOUNT | | 4,243,481,822 | | 3,617,575,445 | |
| LESS: | | | | | |
| BALANCE IN GENERAL RESERVE | | 8,280,748 | 4,235,201,074 | 8,280,748 | 3,609,294,697 |
| TOTAL | | | <u>4,135,899,875</u> | | <u>3,513,700,033</u> |

Schedules referred to above form an integral part of the Balance Sheet and should be read in conjunction therewith.

The accompanying notes form an integral part of the Balance Sheet

In terms of our report of even date

For J.D. MEHTA & COMPANY

Chartered Accountants

J.D. MEHTA

Proprietor

Mumbai, Dated : 12th August, 2002

M.K.B. CAPADIA
 REAR ADMRL. P. K. SINHA
 CAPT. N. B. JAMNERKAR

Directors

Mackinnon Mackenzie & Co. Ltd.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2002.

| | Schedule No. | Year ended 31.3.2002 Rs. | Year ended 31.3.2001 Rs. |
|----------------------------------------------|-----------------|--------------------------------|--------------------------------|
| INCOME | | | |
| Revenue | 12 | 9,794,763 | 9,916,119 |
| Other Income | 13 | 6,370,294 | 1,546,316 |
| | | <u>16,165,057</u> | <u>11,462,435</u> |
| EXPENSES | | | |
| Employees remuneration and benefits | 14 | 3,302,580 | 52,883,305 |
| Other operating expenses | 15 | 5,474,157 | 4,321,651 |
| Depreciation | | 187,902 | 211,783 |
| Provisions | 16 | - | 5,485,180 |
| Interest & Guarantee commission | 17 | 627,909,424 | 533,207,213 |
| | | <u>636,874,063</u> | <u>596,109,132</u> |
| Loss before prior years' adjustments | | 620,709,006 | 584,646,697 |
| Prior years' adjustments | 18 | 5,197,371 | 2,731,043 |
| Loss after prior years' adjustments | | 625,906,377 | 581,915,654 |
| Short Provision for Taxation for Prior Years | | - | 985,592 |
| Loss After Tax | | <u>625,906,377</u> | <u>582,901,246</u> |
| Previous years' balance brought forward | | 3,617,575,445 | 3,034,674,199 |
| Total : | | <u>4,243,481,822</u> | <u>3,617,575,445</u> |

Earning Per Share (Basic & Diluted) Rs.

Nil

Face Value Rs.

10/-

Schedules referred to above form an integral part of the Profit & Loss Account and should be read in conjunction therewith
The accompanying notes form an integral part of the Profit & Loss Account

In terms of our report of even date

For J.D. MEHTA & COMPANY

Chartered Accountants

J.D. MEHTA

Proprietor

Mumbai, Dated : 12th August, 2002

M.K.B. CAPADIA
REAR ADMRL. P. K. SINHA
CAPT. N. B. JAMNERKAR

Directors