

ANNUAL REPORT

2005-2006

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MADAN FINANCIAL SERVICES LIMITED

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BOARD OF DIRECTORS	:	Shri MANJESHWAR ANANTH PAI Chairman Shri MADANCHAND DARDA Managing Director Shri N. MUTHUKUMAR Director Shri C.R. PREMNATH Director
AUDIT COMMITTEE	:	Shri MANJESHWAR ANANTH PAI Chairman Shri MADANCHAND DARDA Member Shri N. MUTHUKUMAR Member
AUDITORS	:	M/s. BHANDARI & KESWANI Chartered Accountants 75, Nungambakkam High Road, Chennai-600 034.
SHARES LISTED WITH	:	MADRAS STOCK EXCHANGE LTD., 11, Second Line Beach, Chennai-600 001. BOMBAY STOCK EXCHANGE LTD., Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400 001.

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REGISTERED OFFICE	:	"BHANDARI TOWERS" No. 824, 3rd Floor, Suite No. 2, Poonamallee High Road, Kilpauk, Chennai - 600 010.
ADMINISTRATIVE OFFICE	:	No. 459, Mint Street, Sowcarpet, Chennai-600 079. Ph. : 42051166 Fax : 42051581
BANKERS	:	BANK OF BARODA ICICI BANK LTD VJAYA BANK INDUSIND BANK
SHARE TRANSFER / DEMAT AGENT	:	CAMEO CORPORATE SERVICES LIMITED, "Subramanian Building", V Floor, 1, Club House Road, Chennai-600 002. Ph. : 28460390-94 Fax : 28460129
DEPOSITORY	:	National Securities Depository Ltd., (NSDL) Central Depository Services (India) Ltd. (CDSL)

MADAN FINANCIAL SERVICES LIMITED

NOTICE

Notice is hereby given that the Fifteenth Annual General Meeting of the Members of Madan Financial Services Limited will be held on Friday the 25th day of August, 2006 at 11.00 a.m. at No. 2, "Sun Plaza" 2nd Floor, 39, G.N. Chetty Road, Chennai-600 006, to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Balance Sheet as on March 31, 2006 and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors.
2. To appoint a Director in the place of Shri C.R. Premnath who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors and to fix their remuneration The retiring Auditors M/s. Bhandari and Keswani, Chartered Accountants, Chennai are eligible for re-appointment.

SPECIAL BUSINESS

4. 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 198, 269, 309, 310, 316 read with Schedule XIII and other applicable provisions, if any of the Companies Act, 1956, including any statutory modification or re-enactment thereof, for the time being in force, the Company hereby accords its approval for the appointment of Shri Madanchand Darda the Vice-Chairman as Managing Director of the Company for a term of 5 years with effect from 16.05.2006 without remuneration".

"FURTHER RESOLVED THAT the Board be and is hereby authorised to pay a sitting fee not exceeding Rs.2000/- per Board meeting attended by him apart from reimbursement of his actual travelling and other out of pocket expenses that may be incurred by him for attending such meeting".

By Order of the Board

For **MADAN FINANCIAL SERVICES LIMITED**

Date : 30.06.2006

Place : Chennai

MADANCHAND DARDA
Managing Director

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NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXIES, IN ORDER TO BE VALID, MUST BE RECEIVED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. Members are requested to bring in their admission slip duly filled in and handover at the entrance of the Meeting hall.
3. Members are requested to quote their Folio No. or their Client ID No. in all correspondence with the Company.
4. The register of members and share transfer books of the company will remain closed from 22.08.06 to 25.08.06 (both days inclusive)
5. Members are requested to notify any change in their address.
6. Members are requested to bring their copies of the annual report to the meeting.
7. In terms of Clause 49 of the Listing Agreement with the Stock Exchanges, a brief resume of Directors who are proposed to be appointed/re-appointed at this meeting is given below :

MADAN FINANCIAL SERVICES LIMITED

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

SPECIAL BUSINESS :

ITEM NO. 4

Shri Madanchand Darda the Vice-Chairman was appointed as Managing Director by the Board of Directors at their meeting held on 16.05.2006, without remuneration for a period of 5 years. Considering the financial position of the Company, he has opted not to draw any remuneration. However, a proposal has been made to allow him to draw the sitting fees (apart from other related travelling and out of pocket expenses that may be incurred by him) at a sum not exceeding Rs.2000/- per meeting, that may be attended by him.

Members approval is required for the said appointment. Your Directors recommend the resolution for your approval.

Brief Resume and Nature of Expertise

Shri Madanchand Darda holds a Visharad from Prayag University, is one of the known Capital Market intermediaries. He has nearly three and half decades of experience and knowledge in the capital market. He is amongst the most respected and accepted exponents of the Financial Services. He has been instrumental in making Madan & Co. Ltd., one of the largest Primary Market Intermediaries in the country. His experience and knowledge are of invaluable importance to the operation and prospects of the Company.

DIRECTORSHIP IN OTHER INDIAN COMPANIES :

- | | |
|---------------------------------------|---------------------------------------|
| 1. Madan and Company Limited | <i>Chairman cum Managing Director</i> |
| 2. Madan Stock and Share Ltd., | <i>Director</i> |
| 3. Sunil Madan Enterprises Pvt. Ltd., | <i>Director</i> |
| 4. DMR I Comdi Trade (P) Ltd., | <i>Director</i> |
| 5. Madan Consultants Pvt. Ltd., | <i>Director</i> |

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Shri Madanchand Darda is also the Member in the following Committees of your Company such as Audit Committee, Shareholder's Grievance Committee and Share Transfer Committee.

The Board of Directors consider that his appointment as Managing Director will be in the interests of the Company and recommend the acceptance of the resolution.

Except Shri Madanchand Darda none of the Directors of the Company is concerned or interested in the resolution under this item.

By Order of the Board

For **MADAN FINANCIAL SERVICES LIMITED**

MADANCHAND DARDA

Managing Director

Date : 30.06.2006

Place : Chennai

MADAN FINANCIAL SERVICES LIMITED

Details of Directors seeking re-appointment in the Fifteenth Annual General Meeting to be held on Friday, the 25th day of August, 2006, pursuant to requirement of Clause 49 of Listing Agreement on Corporate Governance.

SHRI C.R. PREMNATH

Shri C.R. Premnath, was appointed as an Additional Director on 29 03 2003

Brief Resume and Nature of Expertise.

Shri C.R. Premnath holds a Bachelor's Degree in Commerce from Madras University and has done Master of Library and Information Science PGDCA and has passed NCFM Exam in Basic Module.

He started his career in the year 1994, with "Madan and Company Limited one of the leading Share Brokers in Madras Stock Exchange Limited In the year 1996, he became Operational Head of NSE Terminal in Madan and Company Limited.

His extensive Operational experience in Stock Broking for more than a decade is of immense use to the Company. He does not hold directorship in any other Company.

He is on the following Committees of the Board of Directors..

Remuneration Committee - Member

SHAREHOLDINGS OF THE DIRECTOR :

Shri C.R. Premnath is holding 200 shares in your company and his percentage of holding amounts to 0.004.

The Board of Directors consider that his re-appointment as a Director will be in the interests of the company and recommend the passing of the Resolution.

Except Shri C.R. Premnath none of the Directors of the Company is concerned or interested in the resolution under this item.

15th Annual Report 2005-2006**DIRECTORS' REPORT**

The Board of Directors herein present the "Fifteenth Annual Report" of the Company together with the Audited Accounts for the year ended 31st March, 2006.

FINANCIAL RESULTS AND APPROPRIATIONS

The financial results for the year ended 31st March, 2006 are as follows :

PARTICULARS	Year ended 31.03.2006	Year ended 31.03.2005
	(Rs. in lakhs)	
FINANCIAL RESULTS		
Profit/Loss before Depreciation and Tax	23.81	15.36
Add/Less : Depreciation on Fixed Assets	(2.51)	(1.45)
Provision for Non-performing Assets	---	1.05
Profit/Loss before Tax	21.30	14.96
Fringe Benefit Tax	(0.16)	---
Provision for Current Tax	(7.11)	(5.14)
Provision for Deferred Tax	0.43	(0.11)
Profit/Loss after Tax	14.46	9.71
Add : Excess provision for Income Tax relating to earlier years	(0.02)	0.02
Add : Balance brought forward from previous years	(183.77)	(193.49)
Deficit carried to Balance Sheet	(169.33)	(183.76)

MADAN FINANCIAL SERVICES LIMITED

DIVIDEND

The directors have decided not to recommend any dividend in view of the accumulated losses

PERFORMANCE

The Company conducted fresh business to the extent of Rs.24.00 Lacs, during the year. The Company continued the recovery process of funds that had been disbursed earlier

FIXED DEPOSITS

Your Company has not accepted any deposits from the shareholders/public during the year under review.

The Company does not have any Public deposits at the end of the year.

DIRECTORS

In accordance with the Company's Articles of Association, Shri C.R. Premnath retires by rotation at the forthcoming Annual General Meeting and being eligible offers himself for re-appointment.

For the kind perusal of the shareholders, a brief resume of the Director being appointed/re-appointed, nature of his expertise and the names of the companies in which he holds the directorship and the details of the membership of the committees of the Board, are mentioned in the Explanatory Statement. The Board of Directors recommend his re-appointment.

Shri Sunil M. Darda resigned from the office of the Managing Director and Ordinary Director of the Company with effect from 16.05.2006. The Board places on record its appreciation of the valuable services rendered by him during the tenure of his office as Managing Director of the Company.

The Board appointed Shri Madanchand Darda the Vice-Chairman as Managing Director of the Company on account of the vacancy caused by the resignation of Shri Sunil M. Darda with effect from 16.05.2006 for a period of 5 years without remuneration. Shri Madanchand Darda is also Chairman cum Managing Director of Madan & Company Limited. Resolution seeking approval for his appointment is being placed for member's approval in the notice ensuing Annual General Meeting.