

TOKYO FINANCE LIMITED



ANNUAL REPORT 2005-2006

TOKYO FINANCE LIMITED**BOARD OF DIRECTORS**

Shri. Velji L. Shah
Chairman

Shri. Haresh V. Shah

Shri. Kamlesh Khirani

Shri Paresh R. Chheda

Shri Tassadduq A. Khan

Shri Chimanlal A.Kachhi

AUDITORS

Swamy & Chhabra
Chartered Accountants

BANKERS

The Cosmos Co-Op. Bank Ltd.

REGISTERED OFFICE

102, Thosar House, Hanuman Cross Road No.1
Vile Parle (East), Mumbai - 400 057

REGISTRAR AND TRANSFER AGENT

Choksh Infotech Ltd.
106, Link Road, Oshiwara,
Jogeshwari (West)
Mumbai - 400 102.

TWELFTH ANNUAL GENERAL MEETING

Date : 29th September, 2006

Time : 3.30 P.M.

Venue : Gomantak Sevasangh Hall,
1st Floor, Malviya Road,
Vile Parle (East),
Mumbai - 400 057.

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ANNUAL REPORT 2005 - 2006**NOTICE**

NOTICE is hereby given that the Twelfth Annual General Meeting of the shareholders of Tokyo Finance Limited will be held at Gomantak Seva Sangh Hall, 1st floor, Malviya Road, Vileparle (East) Mumbai - 400057 on September 29, 2006 at 3.30 p.m. to transact the following business:

ORDINARY BUSINESS:

To Pass the following resolution as ordinary resolution

1. To receive, consider and adopt the audited Balance Sheet as at 31.03.2006 and Profit & Loss account of the year ended on that date together with the Report of the Directors and Auditors.
2. To Place on record the appreciation of the valuable services rendered by Shri. Kamlesh Khirani, who retires by rotation and does not offer himself for reappointment.
3. To Place on record the appreciation of the valuable services rendered by Shri. Paresh R. Chheda, who retires by rotation and does not offer himself for reappointment.
4. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting.

Special Business :

5. To Consider and if thought fit to pass with or without modifications the following resolution as an Ordinary resolution.

"RESOLVED THAT Shri. Tassadduq Ali Khan who was appointed as an Additional director of the company by the Board of Directors of the Company with effect from December 27, 2005 who hold office upto the date of this Annual General Meeting of the Company in terms of section 260 of the Companies Act, 1956 and in respect of whom the company has received a notice in writing from a Member under Section 257 of the Act proposing his candidature for the office of Director of the Company, be and is hereby appointed a Director of the company liable to retirement by rotation.

6. To Consider and if thought fit to pass with or without modifications the following resolution as an Ordinary resolution.

"RESOLVED THAT Shri. Chimanlal Andarji Kachhi who was appointed as an Additional director of the company by the Board of Directors of the Company with effect from December 27, 2005 who hold office upto the date of this Annual General Meeting of the Company in terms of section 260 of the Companies Act, 1956 and in respect of whom the company has received a notice in writing from a Member under Section 257 of the Act proposing his candidature for the office of Director of the Company, be and is hereby appointed a Director of the company liable to retirement by rotation.

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 THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.

A proxy form duly completed and stamped must reach the Registered office of the Company not less than 48 hours before the time for holding the aforesaid meeting.

2. An Explanatory Statement pursuant to Section 173(2) of the Companies Act 1956 is annexed hereto.
3. The Register of members and share transfer books will remain closed from Sept. 27, 2006 to Sept. 29, 2006 (both days inclusive)
4. Members are requested to notify the change of address, if any, to the company's registrar and share transfer agent, Choksh Infotech Ltd., 106, Mhada Shopping Complex, New Link Road, Oshiwara, Jogeshwari (west), Mumbai 400 102.
5. Members desiring any information on the accounts are requested to write to the Company, which should reach the Company at least one week before the meeting so as to enable the management to keep the information ready. Replies will be provided only at the meeting.
6. Members/proxies are requested to kindly bring duly filled in attendance slip at the meeting.

Place : Mumbai
Date : 30th June 2006.

By Order of the Board
VELJI L. SHAH
Chairman

Registered Office:
102, Thosar House,
Hanuman Cross Road No.1,
Vile Parle (East),
Mumbai- 400 057

TOKYO FINANCE LIMITED**EXPLANATORY STATEMENT**

As required by Section 173 of the companies Act, 1956, the following Explanatory statement set out all material facts relating to the business mentioned under item no. 4 and 5 of the accompanying Notice dated 30th June 2006.

i). Item No.4

Tassadduq Ali Khan, 58, is a graduate in commerce and he has more than 2 decades of long experience in banking industry. He is a Chairman of the Audit Committee and a member of Remuneration Committee of the Company. He is having directorship of Tokyo Plast International Ltd. and also he is a chairman of Audit committee and member of Remuneration Committee of the Company.

ii). Item No.5

Mr. Chimanlal Andarji Kachhi, 55, is an under graduate. He, however, has vast experience in business and Industry. He is the Manufacturer of Spices under Brand PRABHAT. He is not having Chairmanship of any committee and he is a member of the Audit Committee of the Company. He is having directorship of Tokyo Plast International Ltd. and also he is a member of Audit committee and Investor Relation Committee of the Company.

By Order of the Board
VELJI L. SHAH
Chairman

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ANNUAL REPORT 2005 - 2006**DIRECTOR'S REPORT**

To The Members,

Your Directors have pleasure in presenting the Twelfth Annual Report and Audited Accounts of the Company for the year ended March 31, 2006.

FINANCIAL OPERATIONS :

The working results of the company for the year under report are as under:

	2005-06 (Rs. in Lacs)	2004-05 (Rs. in Lacs)
Interest and Dividend Income	116.56	112.83
Profit after taxation	41.94	37.01

DIVIDEND :

In Order to conserve resources for future operations, your directors have decided not to recommend any dividend for the year.

BUSINESS PROSPECTS:

The company's funds are invested mostly in advances to known parties. With the interest rate structure scenario in the country witnessing a marginal uptrend the company's income/profit levels are expected to marginally improve in future.

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

The Company does not have any activities which entail the consumption of energy and technology absorption. There was no foreign exchange earning or outgo of the company during the current year.

PARTICULARS OF THE EMPLOYEES :

There are no employees falling within the purview of Section 217 (2A) of the Companies Act, 1956.

DIRECTORS:

Mr. Kamlesh Khirani, Director of the Company is liable to retire by rotation at the ensuing Annual General Meeting. He is not reappointed to make way for more independent representation in the Board. The Board wishes to place on record his sincere appreciation of the valuable services rendered by Mr. Kamlesh Khirani during his tenure.

Mr. Paresh R. Chheda Director of the Company is liable to retire by rotation at the ensuing Annual General Meeting. He expressed his willingness to discontinue his Directorship from the ensuing AGM. The Board wishes to place on record his sincere appreciation of the valuable services rendered by Mr. Paresh R. Chheda during his tenure.

Mr. Tassadduq Ali Khan and Mr. Chimanlal Andarji Kachhi who were appointed as Independent directors hold office upto the date of the AGM. The Board recommends their reappointment.

DIRECTORS' RESPONSIBILITY STATEMENT:

As required under section 217(2AA) of the Companies Act, 1956 the Directors hereby confirm that :

1. in the preparation of the annual accounts for the year ended 31st March 2006, the applicable accounting standards had been followed along with proper explanation relating to material departures, if any;
2. the directors had selected such accounting policies and applied consistently and made judgments and estimates that were reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31st March, 2006 and of the profit of the Company for the year under review;
3. proper and sufficient care has been taken 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;
4. the annual accounts for the year ended 31st March, 2006 have been prepared on a 'going concern basis'.

AUDITORS:

The Statutory Auditors of your Company M/s Swamy & Chhabra, Chartered Accountants, retire at the conclusion of the forthcoming Annual General Meeting and being eligible offer themselves for re-appointment. The company has received a letter from them to the effect that their appointment, if made, would be within the prescribed limits under Section 224 (1-B) of the Companies Act, 1956.

DEPOSITS:

The company has not accepted any fixed deposits from the public during the year.

AUDITORS REPORT:

The Auditors qualifications are noted and the company is taking effective steps to remedy the situation.

TOKYO FINANCE LIMITED**CORPORATE GOVERNANCE:**

A Report on Corporate Governance along with a Report from the auditors of the Company regarding compliance of the conditions of Corporate Governance pursuant to Clause 49 of the Listing Agreement is annexed.

DISCLOSURE UNDER SECTION 274 (1) (g)

None of the Directors of the Company have been disqualified under Section 274 (1) (g) of the Companies Act, 1956.

ACKNOWLEDGEMENTS:

Your Board takes this opportunity to thank the customers, shareholders and Bankers for the faith reposed in the Company.

By Order of the Board
VELJI L. SHAH
Chairman

Place : Mumbai

Date : 30th June 2006.

DISCLOSURE REQUIRED UNDER CLAUSE 31 OF THE LISTING AGREEMENT

The shares of the company are listed at the following Stock Exchange:

1. The Stock Exchange, Mumbai
Phiroze Jeejeebhoy Towers, Dalal Street
Mumbai - 400 001.

There are no arrears of listing fees payable to the above Stock Exchange. The Company has applied for de-listing of the equity shares from the The Stock Exchange, Ahmedabad as approved by the share holders in Annual General Meeting held on 29th September 1999.

MANAGEMENT DISCUSSION AND ANALYSIS**Industrial Structure and Development :**

The interest rate is showing a marginal uptrend. Your company is expected to benefit from the scenario in the future.

1. Opportunity and threats:

The Finance industry offers exciting opportunities for growth and expansion. There are varied products that are developed over a period of time with varied risk profiles. The whole game is of balancing the risk and return aptitudes. Your directors have preferred to keep the risk to the minimum. However we would continue to look at the varied opportunities and would commit ourselves to new areas when appropriate.

2. Outlook :

The interest rates are showing up an uptrend and your company would benefit from the same in future.

3. Risk and Concerns :

The main risk faced by the company is the downward revision of interest rate structures in the country and under performance of borrowers. The best safeguard against credit risks arising from any worsening of economic conditions is careful borrower selection and supervision.

The interest scenario is currently showing an uptrend.

4. Internal Control System and their adequacy :

There is scope for improvement in the internal control system and your company is taking effective steps in this direction.

5. Discussion on Financial Performances :

During the year the turnover of your company increased by 3.31% from 112.83 Lacs to 116.56 Lacs and the net profit increased by 13.32% from 37.01 Lacs to 41.94 Lacs.

6. Human Resources :

Harmonious industrial relations continued to prevail in the company during the year. Relations with the employees were cordial.

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REPORT ON CORPORATE GOVERNANCE

1. **Company's Philosophy :**

The Company believes in adopting and adhering to all recognized corporate governance practices and continuously benchmarking itself against each such practice. The Company understands and respects its fiduciary role and responsibility to the shareholders and strives to meet their expectations.

2. **Board of Directors :**

The Board is headed by the Chairman, Mr. Velji L. Shah, and is composed of Executive, Non Executive and Independent Directors. The Details are as given below :

Name of Directors	Category	No. of Board Meetings Attended	Whether attended AGM held on 29.09.2005	Directorships in other Public companies Chairman / Member	positions held in other public companies. Member / Chairman
Mr. Velji L. Shah	Executive, Non-Independent	7	Yes	3 / -	- / -
Mr. Haresh V. Shah	Executive, Non-Independent	8	Yes	- / 3	- / -
Mr. Kamlesh Khirani	Non-Executive, Non-Independent	7	Yes	- / -	- / -
Mr. Paresh R. Chheda	Non-Executive, Independent	8	Yes	- / 1	- / -
Mr. Tassadduq Ali Khan *	Non-Executive, Independent	3	N/A **	- / 1	1 / 1
Mr. Chimanlal Andarji Kachhi *	Non-Executive, Independent	3	N/A **	- / 1	2 / -

* Appointed as additional Directors on 27th December, 2005 and details provided from the date of appointment

** Appointed after the AGM.

The Board of Directors had held eight meetings during the year on 30.06.2005, 30.7.2005, 26.09.2005, 31.10.2005, 27.12.2005, 09.01.2006, 31.01.2006 and 15.03.2006

3. **Audit Committee :**

The Audit Committee of the Company is constituted in line with the provisions of Clause 49 of the Listing Agreements with the Stock Exchange. Mr. Tassadduq Ali Khan was appointed as a Chairman of the Committee on 27th December 2005 in place of Mr. Paresh R. Chheda. Mr. Chimanlal Andharji Kachhi was appointed as a member of the Audit Committee on 27th December, 2005. To strengthen the independent members in the committee, Mr. Haresh V. Shah and Mr. Kamlesh Khirani, both non-independent directors, have been replaced by the above independent directors with effect from 27th December, 2005.

The Audit Committee reviews financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible. The Committee reviewing the adequacy of internal control system and procedures and ensure compliance with the regulatory guidelines. The Committee also monitors the Annual Audit Plan and recommends appointment and fixes remuneration of external auditors.

During the year under review, the Audit Committee met 5 times on 30.06.2005, 30.07.2005, 31.10.2005, 27.12.2005 and 31.01.2006. The composition, names of the members, chairperson, particulars of the meetings of the members during the year are as follows :

Name of Directors	Category	No. of Meeting Held During the F.Y. ended 31st March, 2006.	No. of Meeting Attended during the F.Y. ended 31st March, 2006.
Mr. Tassadduq Ali Khan (Chairman)	Independent, Non-executive	2	2*
Mr. Chimanlal Andarji Kachhi	Independent, Non-executive	2	2*
Mr. Paresh R. Chheda	Independent, Non-executive	5	5
Mr. Haresh V. Shah	Executive, Non-Independent	3	3**
Mr. Kamlesh Khiran	Non-Executive, Non-Independent	3	3**

* Details provided from the date of appointment.

** Details provided up to the date of their continuation.