



Mackinnon Mackenzie & Company Ltd.

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

Annual Report
1997 - 98

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.

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

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	32,61,72,168	27,72,15,969
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)	(1,85,812)	—
Loss before prior years' adjustments	<u>33,15,93,085</u>	<u>29,55,31,461</u>
Prior years' adjustments	(7,51,893)	(2,25,86,002)
Loss after prior years' adjustments	<u>33,08,41,192</u>	<u>27,29,45,459</u>
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.

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.

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.

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

Mackinnon Mackenzie & Co. Ltd.

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.

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.

Mackinnon Mackenzie & Co. Ltd.

BALANCE SHEET AS AT 31ST MARCH, 1998.

	Schedule No.	Rs.	As at 31.3.1998 Rs.	Rs.	As at 31.3.1997 Rs.
SOURCES OF FUNDS					
SHAREHOLDERS FUNDS					
CAPITAL	1		2,48,61,125		2,48,61,125
RESERVES & SURPLUS	2		1,12,46,274		1,01,53,520
LOAN FUNDS					
Secured Loans	3	21,25,894,677		1,81,04,92,045	
Unsecured Loans	4	26,04,243	2,12,84,98,920	50,97,782	1,81,55,89,827
Total			<u>2,16,46,06,319</u>		<u>1,85,06,04,472</u>
APPLICATION OF FUNDS					
FIXED ASSETS					
Gross block	5	2,12,27,555		2,14,26,762	
Less: Depreciation		<u>1,51,93,342</u>		<u>1,50,11,718</u>	
Net block			60,34,213		64,15,044
INVESTMENTS	6		3,75,663		3,75,663
(I) CURRENT ASSETS, LOANS AND ADVANCES					
Inventories		20,720		18,747	
(as valued and certified by Management)					
Sundry Debtors	7	2,64,58,064		2,74,38,181	
Cash and Bank Balances	8	1,92,86,895		2,49,70,617	
Other Current Assets -					
Interest accrued on Investment		8,545		8,545	
Loans and Advances	9	2,56,06,450		2,73,33,012	
		<u>7,13,80,674</u>		<u>7,97,69,102</u>	
Less : CURRENT LIABILITIES AND PROVISIONS					
Liabilities	10	7,69,12,235		7,13,67,549	
Provisions	11	42,11,035		16,85,635	
		<u>8,11,23,270</u>		<u>7,30,53,184</u>	
NET CURRENT ASSETS			(97,42,596)		67,15,918
DEBIT BALANCE IN PROFIT & LOSS ACCOUNT		2,17,62,19,787		1,84,53,78,595	
LESS: BALANCE IN GENERAL RESERVE		82,80,748	2,16,79,39,039	82,80,748	1,83,70,97,847
Total			<u>2,16,46,06,319</u>		<u>1,85,06,04,472</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 : 19-08-98

VICE ADMRL. K.R. MENON

M.K.B. CAPADIA

R. ADMR. P. K. SINHA

CAPT. N. B. JAMNERKAR

Directors

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1998.

	Schedule No.	Year ended 31.3.1998 Rs.	Year ended 31.3.1997 Rs.
INCOME			
Revenue	12	2,68,09,408	3,00,30,571
Other Income	13	68,14,683	67,66,678
		<u>3,36,24,091</u>	<u>3,67,97,249</u>
EXPENSES			
Employee Remuneration and benefits	14	2,58,72,658	2,15,48,580
Other Operating Expenses	15	1,19,13,309	2,13,72,885
Depreciation		6,09,923	5,96,423
Provisions	16	6,49,118	1,15,94,853
Interest and Guarantee Commission	17	32,61,72,168	27,72,15,969
		<u>36,52,17,176</u>	<u>33,23,28,710</u>
Loss before prior years' adjustments		33,15,93,085	29,55,31,461
Prior years' adjustments	18	(7,51,893)	(2,25,86,002)
Loss after prior years' adjustments		33,08,41,192	27,29,45,459
Previous year's balance brought forward		1,84,53,78,595	157,24,33,136
Total:		<u>2,17,62,19,787</u>	<u>1,84,53,78,595</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 : 19-08-98

VICE ADMRL. K.R. MENON
M.K.B. CAPADIA
R. ADMR. P. K. SINHA
CAPT. N. B. JAMNERKAR

Directors

Mackinnon Mackenzie & Co. Ltd.

SCHEDULE - 1

		Year ended 31.3.1998		Year ended 31.3.1997
	Rs.	Rs.	Rs.	Rs.
SHARE CAPITAL				
Authorised:				
25,00,000 Equity Shares of Rs.10/- each		2,50,00,000		2,50,00,000
15,00,000 Unclassified Shares of Rs.10/- each		1,50,00,000		1,50,00,000
		<u>4,00,00,000</u>		<u>4,00,00,000</u>
Issued and Subscribed				
25,00,000 Equity Shares of Rs.10/- each	2,50,00,000		2,50,00,000	
Less: Amount in arrears:				
From other than Directors	<u>1,38,875</u>	<u>2,48,61,125</u>	<u>1,38,875</u>	<u>2,48,61,125</u>
		<u>2,48,61,125</u>		<u>2,48,61,125</u>

Of the above 9,99,930 Equity Shares were allotted as fully paid-up pursuant to a contract without payment being received in cash.

SCHEDULE - 2

RESERVES AND SURPLUS

1. Capital Reserve as per last Balance Sheet	1,01,53,520		1,01,53,520	
Additions during the year	<u>10,92,754</u>	<u>1,12,46,274</u>	<u>—</u>	<u>1,01,53,520</u>
2. General Reserve as per last Balance Sheet	82,80,748		82,80,748	
Transfer to Debit Balance in Profit and Loss Account	<u>82,80,748</u>	<u>—</u>	<u>82,80,748</u>	<u>—</u>
		<u>1,12,46,274</u>		<u>1,01,53,520</u>

SCHEDULE - 3

Year ended
31.3.1998
Rs.

Year ended
31.3.1997
Rs.

Secured Loans

From Banks:

Secured by *pledge* of certain investments
and mortgages of immovable properties
(Includes interest accrued and due
Rs. 85,45,30,561/-

Previous year Rs. 67,50,08,535/-)

1,12,64,02,168

96,48,72,933

Secured by mortgage of building and
hypothecation of Book debts. (Includes
interest accrued and due Rs. 80,28,63,352/-
Previous year Rs. 64,89,89,955/-)

99,94,92,509

84,56,19,112

2,12,58,94,677

1,81,04,92,045

Of which Rs. Nil repayable within one year and Rs. 112,64,02,168/- overdue for payment.
(Previous year - repayable within one year Rs. Nil and overdue for payment Rs.96,48,72,933/-)

SCHEDULE - 4

Unsecured Loans

Short Term Loan from Bank

26,04,243

50,97,782

26,04,243

50,97,782

SCHEDULE - 5

FIXED ASSETS

	GROSS BLOCK AT BOOK VALUE				DEPRECIATION				NET BLOCK	
	As at 31.03.97 Rs.	Additions during the year Rs.	Deductions during the year Rs.	As at 31.03.98 Rs.	As at 31.03.97 Rs.	Additions during the year Rs.	Deductions during the year Rs.	As at 31.03.98 Rs.	As at 31.03.98 Rs.	As at 31.03.97 Rs.
1. Land & Buildings										
On Freehold Land	7,42,246	—	1,57,246	5,85,000	4,76,808	7,048	1,11,828	3,72,028	2,12,972	2,65,438
On Leasehold Land	1,16,23,206	—	13,198	1,16,10,008	75,96,648	2,01,136	9,377	77,88,407	38,21,601	40,26,558
2. Furniture & Fittings	13,56,973	—	37,568	13,19,405	12,32,006	21,671	26,431	12,27,246	92,159	1,24,967
3. Office & Electrical Equipments	50,92,664	26,485	1,60,933	49,58,216	39,62,515	1,57,592	1,59,503	39,60,604	9,97,612	11,30,149
4. Transport Vehicles	3,80,789	—	1,21,747	2,59,042	3,42,535	9,898	1,21,160	2,31,273	27,769	38,254
5. Plant & Machinery	22,30,884	2,65,000	—	24,95,884	14,01,206	2,12,578	—	16,13,784	8,82,100	8,29,678
Total	2,14,26,762	2,91,485	4,90,692	2,12,27,555	1,50,11,718	6,09,923	4,28,299	1,51,93,342	60,34,213	64,15,044
As on 31.03.1997	2,13,32,861	93,901	—	2,14,26,762	1,44,15,295	5,96,423	—	1,50,11,718	64,15,044	69,17,566

SCHEDULE - 6

		Year ended 31.3.1998		Year ended 31.3.1997
	Rs.	Rs.	Rs.	Rs.
INVESTMENTS (At Cost)				
LONG TERM INVESTMENTS (At Cost)				
1. Government Securities (Quoted)				
* 10,000 5.5% Loan 1995	10,120		10,120	
* 43,000 5.5% Loan 2000	43,043	53,163	43,043	53,163
2. Government Securities (Unquoted)				
* 7 Year National Savings Certificates		5,000		5,000
* Lodged with relevant Authorities				
3. Trade Investments (Unquoted)				
Hill Properties Ltd.				
2 "A" Equity shares of Rs. 1,20,000 each paid-up per share Rs. 1,18,000 (Lodged with Bank)		2,36,000		2,36,000
Woodland Hospital and Medical Research Centre Limited. East India Clinic Ltd.				
Registered Mortgage Debenture 1952		12,000		12,000
5% Non-redeemable Registered Debenture Stock 1959		35,000		35,000
Bengal Chamber of commerce & Industry				
6.5% Non redeemable Registered Debenture 1962		9,000		9,000
Atlas Ores & Mineral Pvt. Ltd. (In liquidation)				
200 Ordinary Shares of Rs. 100/- each full paid-up	20,000		20,000	
Less : Provision to date	(20,000)	—	(20,000)	—
4. Subsidiary Companies (Unquoted)				
Fairlie Investments and Properties Ltd.				
2 Equity Shares of Rs. 100 each full paid (Received by the company as Gift)		—		—
Mackinnons Travel (New Delhi) Ltd.				
750 Equity Shares of Rs. 10/- each full paid		7,500		7,500
Strand Properties Ltd.				
720 Equity Shares of Rs. 10/- each full paid		18,000		18,000
		3,75,663		3,75,663
Market value (Quoted) of Government Securities		Not ascertainable		Not ascertainable

Mackinnon Mackenzie & Co. Ltd.

SCHEDULE - 7

	Rs.	Year ended 31.3.1998 Rs.	Rs.	Year ended 31.3.1997 Rs.
SUNDRY DEBTORS				
i) Unsecured considered good :				
Debts outstanding for a period exceeding six months (See Note 8 - Schedule 19)		1,60,02,224		1,43,78,171
Other debts		1,04,55,840		1,30,60,010
ii) Unsecured considered doubtful :				
Debts outstanding for a period exceeding six months		5,13,12,422		5,10,39,714
		<u>7,77,70,486</u>		<u>7,84,77,895</u>
Less : Provision for doubtful debts		5,13,12,422		5,10,39,714
		<u>2,64,58,064</u>		<u>2,74,38,181</u>

SCHEDULE - 8

CASH AND BANK BALANCES

i) Cash and cheques on hand	67,596	73,849
ii) With Schedule Banks :		
On Current Account	32,50,012	76,53,450
On Margin Deposit**	1,59,58,358	1,71,11,185
On Fixed Deposits	9,000	9,000
In Blocked Accounts held for Principals	1,929	1,23,133
	<u>1,92,86,895</u>	<u>2,49,70,617</u>
**Includes interest accrued	7,85,596	11,49,760

SCHEDULE - 9

Year ended
31.3.1998
Rs.

Year ended
31.3.1997
Rs.

LOANS AND ADVANCES

- i) Advances recoverable in cash or in kind
or for value to be received :

Unsecured considered good
(See Note 9 - Schedule 19)**

2,04,46,722

2,33,46,799

- ii) Other advances -

Unsecured considered good

Balance with Customs and Port Trusts

89,355

86,003

Deposit with Customs and Port Trusts

6,27,403

7,40,402

Other deposits

24,81,074

16,99,262

Tax deducted at source

19,61,896

14,60,546

- ii) Advances considered doubtful

33,55,359

30,27,856

2,89,61,809

3,03,60,868

Less : Provision for doubtful advances

33,55,359

30,27,856

2,56,06,450

2,73,33,012

**Includes amounts due from Subsidiary Companies

- a) Fairlie Investments and Properties Limited

43,970

43,880

- b) Mackinnons Travel (New Delhi) Ltd.

26,675

20,330

- c) Strand Properties Ltd.

63,50,967

60,06,241

64,21,612

60,70,451

Mackinnon Mackenzie & Co. Ltd.

SCHEDULE - 10

	Year ended 31.3.1998	Year ended 31.3.1997
Rs.	Rs.	Rs.
CURRENT LIABILITIES		
Sundry Creditors - (See Note 10 - Schedule 19)**	3,79,75,482	3,94,78,059
Advances from Customers	1,42,18,817	81,88,921
Advance and amounts held for Principals	49,18,711	49,42,750
Advances from tenants	84,51,449	84,51,449
Other advances	49,00,000	49,00,000
Security deposits	64,47,776	54,06,370
	<u>7,69,12,235</u>	<u>7,13,67,549</u>

Includes Rs. 15,85,018/- due to a Subsidiary Co. Strand Properties Ltd. (Previous year Rs. 13,05,334) & Rs. 8,01,192/- temporary book overdraft (Previous year Rs. 1,85,096/-).

SCHEDULE - 11

PROVISIONS

Provision for Retiral benefits	9,17,239	9,09,769
Provision for Leave Encashment (See Note 3 - Schedule 19)	32,93,796	7,75,866
	<u>42,11,035</u>	<u>16,85,635</u>

SCHEDULE - 12

REVENUE

Commission and fees	45,79,777	1,29,79,382
Income from Property	2,22,29,631	1,70,51,189
	<u>2,68,09,408</u>	<u>3,00,30,571</u>
Note : Tax deducted at source on income from Property	58,159	10,25,589

SCHEDULE - 13

	Rs.	Year ended 31.3.1998 Rs.	Rs.	Year ended 31.3.1997 Rs.
OTHER INCOME				
Interest (Gross)				
Trade Investments				
Governments Securities	1,183		1,183	
Others	20,26,658	20,27,841	25,41,224	25,42,407
Profit/(Loss) on Sale of Fixed Assets (Net)		1,85,812		—
Cooling Service Charges		37,15,200		37,15,200
Miscellaneous		8,85,830		5,09,071
		<u>68,14,683</u>		<u>67,66,678</u>

Note : Tax deducted at source on Interest & Commission

Government Securities	287	284
Others	2,86,996	60,686

SCHEDULE - 14

EMPLOYEES REMUNERATION AND BENEFITS

Salaries, Wages and Bonus	1,59,86,255	1,50,27,302
Contribution to retiral benefit funds	17,97,956	16,35,716
Staff Welfare Expenses	14,44,283	16,09,138
Retiral benefit - paid	41,18,764	18,13,661
- provided	7,470	6,86,897
Leave Encashment Provision	25,17,930	7,75,866
	<u>2,58,72,658</u>	<u>2,15,48,580</u>

Mackinnon Mackenzie & Co. Ltd.

SCHEDULE - 15	Year ended 31.3.1998 Rs.	Year ended 31.3.1997 Rs.
OTHER OPERATING EXPENSES		
Rent	9,36,812	9,91,739
Rates and Taxes	10,47,950	13,14,683
Insurance	23,719	62,567
Repairs - Building	1,16,706	1,61,732
- Plant and Machinery	5,46,732	5,20,200
- Others	1,90,119	1,18,046
Electricity	44,86,014	36,52,581
Travelling	3,20,519	3,80,587
Staff Quarter expenses	2,49,252	3,41,121
Telegram, Telex, Telephones etc.	6,77,770	8,89,993
Transport expenses	8,79,134	12,83,252
Commission and Brokerage	—	1,50,552
Other purchased services	8,33,605	50,40,479
Auditors' remuneration (See Note - 5(a) Schedule 19)	1,53,072	1,47,181
Directors' fees	3,000	2,250
Handling charges	1,15,520	8,25,202
Debts, Advances and Claim written off	3,754	38,14,022
Business Promotion	13,262	96,441
Printing and Stationery	1,36,894	2,85,292
Fixed Assets Written Off	4,179	—
Miscellaneous	11,75,296	12,94,965
	<u>1,19,13,309</u>	<u>2,13,72,885</u>

SCHEDULE - 16

	Year ended 31.3.1998 Rs.	Year ended 31.3.1997 Rs.
PROVISIONS		
For doubtful debts	3,21,615	1,09,62,507
For doubtful advances	3,27,503	6,32,346
	<u>6,49,118</u>	<u>1,15,94,853</u>

SCHEDULE - 17

INTEREST AND GUARANTEE COMMISSION

Interest - On Term Loans	17,10,91,413	14,55,63,158
- Others	15,50,50,899	13,15,76,586
Guarantee Commission	29,856	76,225
	<u>32,61,72,168</u>	<u>27,72,15,969</u>

SCHEDULE - 18

PRIOR YEARS' ADJUSTMENTS

Provision for doubtful Debts/Advances no longer required	(48,906)	(2,99,210)
Liabilities in respect of previous years' no longer required : Written back	(5,02,707)	(2,75,07,818)
Prior Years' Credits	(5,00,490)	(10,61,013)
Prior Years' Income	—	(39,974)
Prior Years' Expenses	3,00,210	63,22,013
	<u>(7,51,893)</u>	<u>(2,25,86,002)</u>

SCHEDULE 19

NOTES TO THE BALANCE SHEET AND THE PROFIT AND LOSS ACCOUNT.

1. Statement of Significant Accounting Policies

a) Basis of Accounting

The financial statements are prepared in accordance with the requirements of the Companies Act, 1956 under the historical cost convention on an accrual basis.

b) Fixed Assets and Depreciation

i) Fixed assets are stated at cost, less accumulated depreciation.

ii) Depreciation on Fixed Assets is provided on the "Written Down Value Method" (W.D.V.) at the rate specified in Schedule XIV to the Companies Act, 1956.

iii) In case of assets sold/scrapped/disposed off, pro-rata depreciation is provided in the accounts upto the date of sale/scraping/disposal of the assets as the case may be.

c) Investments

Investments are valued at cost. Provision has been made for investment not realisable.

d) Inventories

Inventories are valued at cost. Due allowance is made for defective and obsolete items, wherever necessary, based on the past experience of the Company.

e) Foreign Currency Transactions

i) Transactions in Foreign Exchange are recorded at the exchange rates prevailing on the date that the transaction has taken place.

ii) Current Asset and Liability balances in Foreign Currency at the Balance Sheet date are accounted with reference to the year end exchange rates.

f) Retirement Benefits

Gratuity liability towards Executives and the staff of the Company is accrued and provided on the basis of actuarial valuation.

Gratuity liability in respect of staff at Mumbai office is provided as per the provisions of Payment of Gratuity Act, 1972.

2. The accounts of the Company for the year have been prepared on the assumption of a going concern basis.

3. During the year the Company has provided Rs. 25,17,930/- including Rs. 21,24,234/- in respect of earlier years, for leave encashment of New Delhi and Calcutta Branches. The above provision is based on the certification by the respective branches as regards leave lying to the credit of each employee at the year end.

4. Contingent liabilities	Year ended 31-03-1998 Rs.	Year ended 31-03-1997 Rs.
i) Claims not acknowledged as debts (includes Municipal Taxes of Rs. 374.00 lacs approx. previous year Rs. 373.63 lacs).	4,61,86,891	4,31,75,777
ii) Uncalled amounts on partly paid shares.	4,000	4,000
iii) Claims by ex-staff member for reinstatement.	Not ascertainable	Not ascertainable
iv) Guarantees issued by the Company's Bankers	34,80,000	34,80,000
v) Retrenched Staff 60 clerical and 35 subordinate staff were retrenched on 4th August 1992 under Industrial Disputes Act. Each one was paid 15 days wages per completed year of service being compensation and one month's notice pay in addition to other dues. The industrial court has given a judgement against the company on 08.03.96. However the company has filed an appeal with the High Court against the same order.	2,23,49,234	2,23,49,234
5. a) Auditors' Remuneration		
i) Audit fees	1,30,000	1,30,000
ii) Tax Audit Fees	15,000	15,000
iii) Out of pocket expenses	8,072	2,181
b) Managerial Remuneration		
i) Salary	3,25,344	2,40,000
ii) Perquisites	1,62,468	1,02,260
Vice Admiral K.R. Menon was whole time Chairman upto 16th July, 1997 and whole time Director from 17th July, 1997. Rear Admiral P.K. Sinha has been appointed as Executive Director from 17th July, 1997.		
6. 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 exceed its net worth. No provision has been made for the possible loss in this regard.		
7. a) Foreign Exchange earnings.	1997-98	1996-97
From Services rendered	2,73,400	3,04,470
Commission	7,15,386	1,23,698
b) Expenditure in Foreign Currency on account of Subscriptions	10,267	6,898

8. Sundry Debtors include certain old balances amounting to Rs. 42,28,069/- (Previous Year Rs. 21,81,599/-) 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.
9. Loans and advances include certain old balances amounting to Rs. 23,90,180/- (Previous year Rs.14,43,891/-) 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 the review of the same. As a result, the effect of such, non-provision on the loss for the year cannot be ascertained.
10. Sundry Creditors include an amount of Rs. 16,49,783/- (Previous Year Rs. 13,97,415/-) which represents old balances for which no write back has been made in this 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.
11. Pursuant to a legal opinion obtained by the Company from its solicitors, no provision has been made for wealth tax in the accounts.
12. Addition to Capital Reserve amounting to Rs. 10,92,754/- (Previous Year Rs. Nil) represents capital profit on sale of Fixed assets.
13. 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 Bombay High Court, a Court Receiver has been appointed for administration of the building at Bombay and Calcutta in December 1993. During the year, an amount of Rs. 68,43,964/- (Previous Year Rs. 69,14,134/-) has been adjusted in Sundry Debtors Accounts for the rent collected by Court Receiver. However, no confirmation/certificate is available in this regard.
14. The Company has not been able to appoint a Company Secretary as required under Section 383A of the Companies Act, 1956, inspite of its best efforts. The efforts for appointing a Company Secretary are continuing.
15. Confirmations are not available in respect of balances of secured loans and unsecured loans share in respect of investment in Hill Properties Ltd., lodged with bank, debtors, certain bank balances, deposits and creditors appearing in Schedule 3, 4, 6, 7, 8, 9 and 10 of the accounts respectively.
15. Previous Year's figures have been regrouped/rearranged where considered necessary.

Signatories to Schedules 1 to 19

VICE ADMRL. K.R. MENON

M.K.B. CAPADIA

R. ADMR. P. K. SINHA

CAPT. N. B. JAMNERKAR

Directors

Mumbai, Dated : 19-08-98

Mackinnon Mackenzie & Co. Ltd.

CASHFLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 1998. (Pursuant to the listing agreement with Stock Exchanges)

A. CASH FLOW FROM OPERATING ACTIVITIES

		1997-98 Rs. (in Lacs)		1996-97 Rs. (in Lacs)
Net Profit (Loss) Before Tax & Extraordinary Items		(3,315.93)		(2,955.31)
Add Adjustment for				
Depreciation	6.10		5.96	
Net (Profit) on Sale/Retirement of Fixed Assets.	(1.86)		—	
Interest Paid	3,261.72		2,772.15	
Income from Investments	(20.28)		(25.42)	
Prior Period Adjustments	7.52	3,253.20	225.86	2,978.55
Operating Profit Before Working Capital Changes		(62.73)		23.24
Less Adjustments for (Increase) Decrease In Inventories	(0.02)		—	
(Increase) Decrease in Trade and other receivables	9.80		38.46	
(Increase) Decrease in Loans & Advances	17.27		85.30	
Increase (Decrease) in Liabilities & Provisions	80.70	107.75	(61.36)	62.40
Cash Generated from Operations		45.02		85.64
Less				
Interest Paid		(3,261.72)		(2772.15)
Net Cash from Operating Activities		(3,216.70)		(2686.51)
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets	(2.91)		(0.94)	
Sale of Fixed Assets	2.48		—	
Interest Received	20.28		25.42	
Sale of Investment	—		0.10	
Capital profit on sale of Fixed Assets	10.93		—	
Net Cash used in Investing Activities		30.78		24.58
C. CASH FLOW FROM FINANCING ACTIVITIES				
Increasing in Borrowing	3,129.09		2698.08	
Net Cash from Financing Activities		3,129.09		2698.08
Net Increase in Cash and Cash Equivalent		(56.83)		36.15
Cash and Cash equivalent (Opening Balance)		249.70		213.55
(Closing Balance)		192.87		249.70

Mumbai, 19th August 1998.

Rear Admrl. P.K. Sinha
Executive Director

Auditors Certificate

We have examined the above Cashflow Statement of MACKINNON MACKENZIE & CO. LTD. for the year ended 31st March 1998. The said statement has been prepared by the Company in accordance with the requirements of listing agreements Clause 32 with the stock exchange and is based on and in agreement with the corresponding Profit and Loss account and Balance Sheet of the Company covered by our report of even date to the members of the Company.

For Love Lock Lewes & Co.
Chartered Accountants
Vasant Gujarathi
Partner

Mumbai, 19th August 1998.

Mackinnon Mackenzie & Co. Ltd.

STATEMENT PURSUANT TO PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956

ADDITIONAL INFORMATION PURSUANT TO PART IV OF THE SCHEDULE VI OF THE COMPANIES ACT, 1956.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS

Registration No.

			1	3	7	4	5
--	--	--	---	---	---	---	---

 State Code

1	1
---	---

 Balance Sheet Date

3	1	0	3	9	8
---	---	---	---	---	---

II. CAPITAL RAISED DURING THE YEAR

Public Issue

N	I	L
---	---	---

 *Bonus Issue

N	I	L
---	---	---

 Rights Issue

N	I	L
---	---	---

 Private Placements

N	I	L
---	---	---

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS

Total Liabilities

2	1	6	4	6	0	6	3	1	9
---	---	---	---	---	---	---	---	---	---

Total Assets

2	1	6	4	6	0	6	3	1	9
---	---	---	---	---	---	---	---	---	---

SOURCE OF FUNDS

Paid-up Capital

2	4	8	6	1	1	2	5
---	---	---	---	---	---	---	---

Reserves and Surplus

1	1	2	4	6	2	7	4
---	---	---	---	---	---	---	---

Secured Loans

2	1	2	5	8	9	4	6	7	7
---	---	---	---	---	---	---	---	---	---

Unsecured Loans

2	6	0	4	2	4	3
---	---	---	---	---	---	---

APPLICATION OF FUNDS

Net Fixed Assets

6	0	3	4	2	1	3
---	---	---	---	---	---	---

Investments

3	7	5	6	6	3
---	---	---	---	---	---

Net Current Assets

-	9	7	4	2	5	9	6
---	---	---	---	---	---	---	---

Miscellaneous Expenses

N	I	L
---	---	---

Accumulated Losses

2	1	6	7	9	3	9	0	9	1
---	---	---	---	---	---	---	---	---	---

IV. PERFORMANCE OF COMPANY

Turnover

3	3	6	2	4	0	3	9
---	---	---	---	---	---	---	---

Total Expenditure

3	6	5	2	1	7	1	7	6
---	---	---	---	---	---	---	---	---

Profit/Loss before Tax

-	3	3	1	5	9	3	0	8	5
---	---	---	---	---	---	---	---	---	---

Profit/Loss after Tax

-	3	3	1	5	9	3	0	8	5
---	---	---	---	---	---	---	---	---	---

Earning per Share in Rs.

N	I	L
---	---	---

Dividend Rate %

N	I	L
---	---	---

 - FOR LOSS

V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF COMPANY

(AS PER MONETARY TERMS)

Item Code No. (ITC Code)

N	A
---	---

Service Description

C	L	E	A	R	I	N	G		F	O	R	W	A	R	D	I	N	G				
P	R	O	P	E	R	T	Y		O	W	N	I	N	G								
A	N	D		L	E	A	S	I	N	G		S	H	I	P		A	G	E	N	C	Y
T	R	A	V	E	L		T	O	U	R		S	E	R	V	I	C	E	S			

For and behalf of Board of Directors

PLACE : MUMBAI

DATE : 19/08/98

REAR ADM. P. K. SINHA

DIRECTOR

CAPT. N. B. JAMNERKAR

DIRECTOR

Notes : The above particulars should be read alongwith the balance sheet as 31st March, 1998, the profit and loss account for the year ended on that date and the schedules forming part thereof.

Mackinnon Mackenzie & Co. Ltd.

Statement pursuant to Section 212 of The Companies Act, 1956, Relating to Subsidiary Companies.

1. Mackinnon Mackenzie and Company Limited together with its nominee held the entire paid up share capital as at 31st March, 1998 of Fairlie Investments and Properties Limited and Mackinnons Travels (New Delhi) Ltd. As on that date, the Company also held 72% of the paid-up share Capital of Strand Properties Limited.
2. The losses of the Subsidiaries for the respective financial years relevant to the Company's financial year ended 31st March, 1998 so far as they concerned the Company were :

Name of the Subsidiary	Year ended	Loss Rs.
1. Fairlie Investment and Properties Ltd.	31-03-1998	2,970
2. Strand Properties Ltd.	31-03-1998	2,15,274
3. Mackinnons Travels (New Delhi) Ltd.	31-03-1998	15,420

These losses have not been dealt with in the accounts of the Company.

3. The Profits / (losses) of the Subsidiaries for previous financial years, since they became the Company's Subsidiaries, so far as they concern the Company.

Name of the Subsidiary :	Profit / (Loss) Rs.
1. Fairlie Investment & Properties Ltd.	(53,000)
2. Strand Properties Ltd.	(63,12,922)
3. Mackinnons Travels (New Delhi) Ltd.	(29,825)

These Profits / (Losses) have not been dealt with in the accounts of the Company.

4. There has been no change in the Company's interest in any of its Subsidiaries, between the end of the respective financial years of the Subsidiaries and that of the Company.
5. There has been no material changes between the end of the respective financial years of the Subsidiaries and that of the Company, in respect of
 - i) The Subsidiaries fixed assets :
 - ii) Their investment;
 - iii) The moneys lent by them;
 - iv) The moneys borrowed by them for any purpose other than that of meeting current liabilities.

Mumbai, Dated : 19th August, 1998

VICE ADMRL. K.R. MENON
M.K.B. CAPADIA
R. ADMR. P. K. SINHA
CAPT. N. B. JAMNERKAR

Directors

FAIRLIE INVESTMENTS AND PROPERTIES LIMITED

(Wholly-owned Subsidiary of Mackinnon Mackenzie and Company Limited)

REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

Your Directors have pleasure in presenting the Seventeenth Annual Report with audited financial statement for the year ended March 31st 1998.

FINANCIAL RESULTS

The Company has not yet commenced business and the result for the year shows a loss of Rs. 3,050/-. The cumulative debit balance in the Profit and Loss Account stands at Rs. 53,000/-.

The Directors are therefore unable to recommend a dividend for the year ended March 31st, 1998.

PARTICULARS OF EMPLOYEES

In accordance with the provisions of Section 217 (2A) of the Companies Act, 1956, the Directors declare that there are no employees who fall within the ambit of this Section.

DIRECTORATE

There is no change in Board of Directors.

AUDITORS

Messrs. Lovelock & Lewes, Chartered Accounts, retire and are eligible for re-appointment.

A. Adavatkar
Director

R. Krishnaswamy
Director

Mumbai, Dated : 14-08-98

REPORT OF THE AUDITORS TO THE MEMBERS

TO THE MEMBERS OF
FAIRLIE INVESTMENT AND PROPERTIES LIMITED

We have examined the attached Balance Sheet of the Fairlie Investment & Properties Ltd. as at 31st March, 1998 and the Profit and Loss Account of the Company annexed thereto for the year ended on that date which are in agreement with the books of account and report that:

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.

In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

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 3 give the information required by the Companies Act, 1956 in the manner so required and the Balance Sheet gives a true and fair view of the state of the Company's affairs as at 31st March, 1998 and the Profit and Loss Account gives a true and fair view of the loss for the year ended on that date.

This report does not include a statement on the matters specified in paragraph 4 of the Manufacturing and Other Companies (Auditor's Report), Order 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, since in our opinion and according to the information and explanations given to us, the said Order is not applicable in view of the fact that the Company had not commenced activities upto 31st March, 1998.

For LOVELOCK & LEWES
Chartered Accountants
Vasant GUJARATHI
Partner

Mumbai, Dated : 14-08-98

Fairlie Investments & Properties Ltd.

ABRIDGED BALANCE SHEET AS AT 31ST MARCH, 1998

		Rs.	As at 31.3.1998 Rs.	Rs.	As at 31.3.1997 Rs.
SOURCES OF FUNDS					
SHAREHOLDERS' FUNDS					
Capital	1		200		200
Reserves & Surplus			—		—
LOAN FUNDS					
Secured Loans			—		—
Unsecured Loans			—		—
Total			<u>200</u>		<u>200</u>
APPLICATION OF FUNDS					
FIXED ASSETS					
INVESTMENTS					
CURRENT ASSETS, LOANS & ADVANCES					
Inventories		—	—	—	—
Sundry Debtors		—	—	—	—
Cash and Bank Balances		200	—	200	—
Loans and Advances		—	—	—	—
		<u>200</u>		<u>200</u>	
Less : CURRENT LIABILITIES & PROVISIONS					
Liabilities	2	53,000		50,030	
Provisions		—		—	
NET CURRENT ASSETS			(52,800)		(49,830)
DEBIT BALANCE IN PROFIT AND LOSS ACCOUNT			53,000		50,030
Total			<u>200</u>		<u>200</u>

Schedule 1 and 2 and the Notes in Schedule 3 form an integral part of the Account.

In terms of our report of even date
For LOVELOCK & LEWES
Chartered Accountants
VASANT GUJARATHI
Partner

R. KRISHNASWAMY

A. ADAVATKAR

} Directors

Bombay, Dated : 14th August, 1998

Fairlie Investments & Properties Ltd.

ABRIDGED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1998

	Year ended 31.3.1998 Rs.	Year ended 31.3.1997 Rs.
INCOME	—	—
Liability no longer required	60	—
	<u>60</u>	<u>—</u>
 EXPENSES		
Expenses reimbursed	—	191
Filing fees	30	510
Audit fees	3,000	3,000
	<u>3,030</u>	<u>3,701</u>
 LOSS FOR THE YEAR	2,970	3,701
Previous year's balance brought forward	50,030	46,329
Balance of Loss carried to Balance Sheet	<u>53,000</u>	<u>50,030</u>

Schedule 1 and 2 and the Notes in Schedule 3 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 : 14-08-98

R. KRISHNASWAMY

A. ADAVATKAR

} Directors

STRAND PROPERTIES LIMITED

REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

Your Directors present their Annual Report and Audited Financial Statements for the year ended March 31, 1998.

FINANCIAL RESULTS

The Result for the year shows a loss of Rs. 2,15,274/- and the cumulative balance in the Profit & Loss Account stands at Rs. 63,12,922/-. The Directors are therefore unable to recommend a dividend for the Year ended March 31, 1998.

PARTICULARS OF EMPLOYEES

In accordance with the provisions of Section 217(2A) of the Companies Act, 1956 the Directors declare that there are no employees who fall within the ambit of this section.

DIRECTORS

Mr. P.K. Mogal was appointed as Director in the vacancy caused by Mr. S.K. Mitra with effect from 26th June, 1997.

Mr. P. Misra was appointed as Director with effect from 17th July, 1997.

AUDITORS

M/s. A. K. Sarkar & Co., Chartered Accountants, retire and are eligible for re-appointment.

P. MISRA	}	Director
P.K. MOGAL		

Calcutta, 17th August, 1998.

AUDITORS' REPORT TO THE MEMBERS

**TO THE MEMBERS OF
STRAND PROPERTIES LIMITED**

We have audited the attached Balance Sheet of STRAND PROPERTIES 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.

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 our audit we report that in our opinion :-

- (1) The Company has maintained proper records to show full particulars of its land and building.
- (2) The fixed assets of the Company have not been revalued during the period.
- (3) The company has obtained loan from its holding company. However the rate of interest and other terms and conditions on which the loan had been granted are not prima facie prejudicial to the interest of the company. Other matters specified in paragraph 4 (A) of the Manufacturing and other Companies (Auditor's Report) Order 1988, are not applicable to the company.
- (4) According to the information and explanations given to us, no undisputed amounts payable in respect of Income-tax, Wealth tax, Sales tax, Customs Duty and Excise Duty were outstanding as at 31st March, 1998 for a period of more than six months from the date they became payable.
- (5) In our opinion and according to the information and explanations given to us, no personal expenses have been charged to Revenue Account.
- (6) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other similar securities or otherwise and therefore maintenance of documents and records for that purpose does not arise.
- (7) The Company is not engaged in the business of Chit Fund, Nidhi or Mutual Benefit Society and therefor compliance with the provisions of any special statute applicable to transaction of such business does not apply.

We further report that :-

- (a) An advance of Rs. 70,000/- (Rs. 20,000 in January 1991 and Rs. 50,000/- in April 1992) has been paid to Mr. S. Roy Choudhary (a lawyer) has not been adjusted till 31-3-98 subject to the above.
- (b) 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.
- (c) Proper books of account as required by law have been kept by the Company so far as it appears from our examinations of those books.
- (d) In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and the Profit and Loss Account together with the Schedules annexed thereto give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view -
 - (i) in so far as it relates to the Balance Sheet of the state of affairs of the Company as at 31st March, 1998 and
 - (ii) in so far as it relates to the Profit and Loss Account, of the Loss of the Company for the year ended on that date.

For A.K. SARKAR & CO.
Chartered Accountants

A.K. SARKAR
Proprietor

Calcutta, Dated : 17th August, 1998.

Strand Properties Ltd.

ABRIDGED BALANCE SHEET AS AT 31ST MARCH, 1998

	Schedule No.	Rs.	As at 31.3.1998 Rs.	Rs.	As at 31.3.1997 Rs.
SOURCES OF FUNDS					
SHAREHOLDERS FUNDS					
Capital	1	10,000		10,000	
Reserves & Surplus					
Capital Reserves		<u>1,698</u>	11,698	<u>1,698</u>	11,698
LOAN FUNDS & FUNDS					
	2		94,26,859		94,26,859
Total			<u>94,38,557</u>		<u>94,38,557</u>
APPLICATION OF FUNDS					
FIXED ASSETS					
	3				
Gross Block		68,40,951		68,40,951	
Less : Depreciation		<u>37,13,300</u>	31,27,651	<u>35,48,687</u>	32,92,264
CURRENT ASSETS, LOANS AND ADVANCES					
Sundry Debtors	4	67,64,146		70,98,208	
Cash and Bank Balances	5	19,88,034		21,126	
Loans and Advances	6	<u>5,93,873</u>		<u>2,34,603</u>	
		<u>93,46,053</u>		<u>73,53,937</u>	
Less : CURRENT LIABILITIES AND PROVISIONS					
Liabilities — Sundry Creditors	11	<u>93,48,069</u>		<u>73,05,292</u>	
NET CURRENT ASSETS			(2,016)		48,645
DEBIT BALANCE IN PROFIT & LOSS ACCOUNT			<u>63,12,922</u>		<u>60,97,648</u>
Total			<u>94,38,557</u>		<u>94,38,557</u>

The Schedules referred to above form an integral part of the Balance Sheet. This is the Balance Sheet referred to in our Report of even date.

For A. K. Sarkar & Co.
Chartered Accountants
A.K. Sarkar
Proprietor

P. MISRA
P.K. MOGAL

} Directors

Calcutta, Dated : 17th August, 1998.

Strand Properties Ltd.**ABRIDGED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1998**

	Schedule No.	Year ended 31.3.1998 Rs.	Year ended 31.3.1997 Rs.
INCOME			
Lease Rent		<u>7,52,613</u>	<u>7,52,613</u>
EXPENDITURE			
Other Expenses	7	3,24,474	3,62,858
Interest on Term Loan	13	4,78,800	4,78,800
Depreciation	3	1,64,613	1,73,277
		<u>9,67,887</u>	<u>10,14,935</u>
Net Loss		2,15,274	2,62,322
Previous year's balance brought forward		60,97,648	58,35,326
Balance carried forward to Balance Sheet		<u>63,12,922</u>	<u>60,97,648</u>

The Schedule referred to above form an integral part of the Profit & Loss Account.

This the Profit & Loss Account referred to in our Report of even date.

For A. K. Sarkar & Co.
Chartered Accountants
A.K. Sarkar
Proprietor

P. MISRA
P.K. MOGAL

} Directors

Calcutta, Dated : 17th August, 1998.

MACKINNON'S TRAVELS (NEW DELHI) LTD.

(Wholly-owned Subsidiary of Mackinnon Mackenzie and Company Limited)

REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

Your Directors present the Sixth Annual Report with audited Financial statements for the year ended March 31, 1998.

FINANCIAL RESULTS

The Company has not yet commenced business and the result for the year shows a loss of Rs. 15,420/-. The cumulative debit balance in the Profit and Loss Account stands at Rs. 29,825/-

The Directors are unable to declare any dividend for the year ended 31.3.1998.

PARTICULARS OF EMPLOYEES

In accordance with the provisions of Section 217(2A) of the Companies Act, 1956, the Directors declare that there

are no employees who fall within the ambit of this section.

DIRECTORS

There is no change in Directorate

AUDITORS

Messrs Lovelock & Lewes, Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

R. ADMR. P.K. SINHA
Director

V. ADMR. K.R. MENON
Director

Bombay, Dated : 14-08-98

REPORT OF THE AUDITORS TO THE MEMBERS

TO THE MEMBERS OF
MACKINNON'S TRAVELS (NEW DELHI) LTD.

We have examined the attached Balance Sheet of the Mackinnons Travels (New Delhi) Ltd. as at 31st March, 1998 and the Profit and Loss Account of the Company annexed thereto for the year ended on that date which are in agreement with the books of account and report that:

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.

In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Schedules 1 to 3 give the information required by the Companies Act, 1956 in the manner so required and the Balance Sheet gives a true and fair view of the state of the Company's affairs as at 31st March, 1998 and the Profit and Loss Account gives a true and fair view of the loss for the year ended on that date.

This report does not include a statement on the matter specified in paragraph 4 of the Manufacturing and Other Companies (Auditor's Report), Order 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, since in our opinion and according to the information and explanations given to us, the said Order is not applicable in view of the fact that the Company had not commenced activities upto 31st March, 1998.

For LOVELOCK & LEWES
Chartered Accountants

VASANT GUJARATHI
Partner

Bombay, Dated: 14-08-98

Mackinnons Travels (New Delhi) Ltd.

ABRIDGED BALANCE SHEET AS AT 31ST MARCH, 1998

		As at 31.3.1998 Rs.	As at 31.3.1997 Rs.
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Capital	1.	7,500	7,500
Reserves & Surplus		—	—
LOAN FUNDS			
Secured Loans		—	—
Unsecured Loans		—	—
Total		<u>7,500</u>	<u>7,500</u>
APPLICATION OF FUNDS			
FIXED ASSETS		—	—
INVESTMENTS		—	—
CURRENT ASSETS, LOANS & ADVANCES			
Cash		7,500	7,500
With Scheduled Bank		<u>6,150</u>	<u>960</u>
		<u>13,650</u>	<u>8,460</u>
Less : CURRENT LIABILITIES & PROVISIONS			
Liabilities	2.	35,975	26,530
Provisions		<u>—</u>	<u>—</u>
		<u>35,975</u>	<u>26,530</u>
NET CURRENT ASSETS		(22,325)	(18,070)
MISCELLANEOUS EXPENSES TO THE EXTENT NOT WRITTEN OFF		—	11,165
DEBIT BALANCE IN PROFIT AND LOSS ACCOUNT		<u>29,825</u>	<u>14,405</u>
Total		<u>7,500</u>	<u>7,500</u>

Schedules 1 and 2 and the Notes in Schedule 3 form an integral part of the Accounts.

In terms of our report of even date
For LOVELOCK & LEWES
Chartered Accountants
VASANT GUJARATHI
Partner

V. ADMR. K.R. MENON }
R.ADMR P.K. SINHA } Directors

Mumbai, Dated : 14-08-98

Mackinnons Travels (New Delhi) Ltd.

ABRIDGED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1998

	Year ended 31.3.1998 Rs.	Year ended 31.3.1997 Rs.
INCOME	—	—
	<u>—</u>	<u>—</u>
EXPENSES		
Filing fees	1,100	750
Bank Charges	155	125
Audit fees	3,000	3,000
Misc. expenses written off	11,165	—
	<u>15,420</u>	<u>3,875</u>
LOSS FOR THE YEAR	15,420	3,875
Previous year's balance brought forward	14,405	10,530
Balance of Loss carried to Balance Sheet	<u>29,825</u>	<u>14,405</u>

Schedules 1 and 3 and the Notes in Schedule 3 form an integral part of the Accounts.

In terms of our report of even date
For LOVELOCK & LEWES
Chartered Accountants
VASANT GUJARATHI
Partner

V. ADMR. K.R. MENON }
R.ADMR P.K. SINHA } Directors

Mumbai, Dated : 14-08-98

PROXY FORM

Mackinnon Mackenzie & Co. Ltd.

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

I/We

of in the district of.....

being a Member(s) of the above-named Company hereby appoint

.....

of in the district of.....

or failing him.....

of in the district of.....

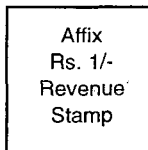
or failing him.....

of in the district of.....

as my/our proxy to attend and vote for me/us and on my/our behalf at the
47th Annual General Meeting of the said Company to be held on Tuesday
the 29th September 1998 and at any adjournment thereof.

Signed this day of 1998

Signature



.....

N.B. This proxy must be deposited at the Registered Office of the Company, not less than 48 hours before the time of holding of the aforesaid meeting.

BOOK POST

(Under Certification of Posting)

If Undelivered please return to:

N.D. Management Services Pvt. Ltd.

516, Sir Vithaldas Chambers

16, Bombay Samachar Marg

Bombay-400 023