



Mackinnon Mackenzie & Company Ltd.

Annual Report
2005 - 2006

BOARD OF DIRECTORS

Minoo Kaikhushroo Bezonjee Capadia — Chairman
Rear Adml. P. K. Sinha — Wholetime Director
Captain N. B. Jamnerkar

AUDITORS

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

**ADVOCATES AND
SOLICITORS**

Maneksha & Sethna, Bombay

**REGISTRAR AND SHARE
TRANSFER AGENTS**

InHouse facility
w.e.f. 01-04-2005

BANKERS

Central Bank of India
Vijaya Bank

REGISTERED OFFICE

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

In view of the high cost of paper and printing, copies of the Annual Report cannot be distributed at the Annual General Meeting. You are, therefore, requested to bring your copy of the Annual Report to the Meeting.

NOTICE

Notice is hereby given that the 55th Annual General Meeting of the Shareholders of MACKINNON MACKENZIE & COMPANY LIMITED will be held on Wednesday, the 27th September, 2006 at 10:00 a.m. at M. C. Ghia Hall, Bhogilal Hargovindas Building, 18/20, K. Dubash Marg, Mumbai 400 001, to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the Audited Balance Sheet as at 31st March 2006 and the Profit and Loss Account for the year ended on that date and the report of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr. M.K.B. Capadia who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint Auditors on a remuneration to be fixed by the Board of Directors.

SPECIAL BUSINESS

4. To consider & if thought fit, to pass, with or without modification, the following Resolution as an Special Resolution:

"RESOLVED THAT – pursuant to the provisions of Sections 198,269 and 309 read with Schedule XIII and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-encashment thereof, for the time being in force), the consent of the Company be and is hereby accorded to the re-appointment of Rear Admiral P. K. Sinha as Whole-Time Director, designated as Executive Director, for further period of one year with effect from 17th July 2006 on the terms and conditions including remuneration as are set out in the draft agreement to be entered into between the Company and Rear Admiral P.K. Sinha, a draft whereof is placed before this meeting which agreement is hereby specifically sanctioned with liberty to the Board of Directors (hereinafter referred to as "the Board" which term shall be deemed to include any Committee which the Board may constitute to exercise its powers including the powers conferred by this resolution) to alter and vary their terms and conditions of the said appointment and/or remuneration and/or agreement so as not to exceed the limits specified in Schedule XIII to the Companies Act, 1956 including any statutory modification or re-

encashment thereof, for the time being in force or any amendments and/or modifications that may hereafter be made thereto by the Central Government in that behalf from time to time, or any amendments thereto as may be agreed to between the Board and Rear Admiral P.K. Sinha."

"RESOLVED FURTHER THAT – where in any financial year closing after 31st March, 2006, the Company has no profits or its profits are inadequate, the Company do pay to Rear Admiral P.K. Sinha, remuneration by way of salary, perquisites and allowances not exceeding the ceiling specified under Section II and Part II of Schedule XIII to the Companies Act, 1956."

"RESOLVED FURTHER THAT – the Board be and is hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this resolution."

5. To consider & if thought fit, to pass, with or without modification, the following Resolution as an Special Resolution:

"RESOLVED THAT in supercession of the resolution passed at the Company's Annual General Meeting held on 27.09.2000 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, 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 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. 650 Crores (Rupees Six hundred fifty Crores)

NOTES:

- a) A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and vote instead of himself/herself and a proxy

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- need not be member of the Company. Proxy forms should be deposited at the Registered office of the Company, not less than 48 hours before the commencement of the Annual General Meeting.
- b) The Register of Members and the Share Transfer Books of the Company will be closed from Monday, 18th September 2006 to Wednesday, 27th September 2006 (both days inclusive) in terms of the provisions of Sections 154 of the Companies Act, 1956.
- c) Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the business under Item No. 4 & 5 of Special Business of the Notice set out above are annexed herewith.
- d) In view of the damages to the records due to heavy rains we have now salvaged 4439 addresses of the shareholders. In the meantime requisite Notice of convening AGM we will send to 4439 members & to whatever address further available.
- By Order of the Board of Directors
For Mackinnon Mackenzie & Company Limited
- CAPT.N.B.JAMNERKAR
DIRECTOR
- MUMBAI, 25th August 2005.
- Registered Office: 4, Shoorji Vallabhdas Marg, Ballard Estate, Mumbai-400 001.

ANNEXURE TO THE NOTICE

Explanatory Statement under Section 173(2) of the Companies Act, 1956.

This will not include admission fees and life membership fees.

Item No. 4

1. **Remuneration:** The remuneration paid to the Whole-Time Director shall be in accordance with Section I of Part II of Schedule XIII of the Companies Act, 1956. Rear Admiral P.K. Sinha respectively will be remunerated as follows:

(a) **Salary:** Rs. 20,000/- per month including dearness and all other allowances.

(b) **Perquisites:** In addition to the above salary, he will also be entitled to the Perquisites mentioned below, the value of which shall be restricted to an amount equal to the annual salary, with limits, as applicable, given below:

(c) **Housing:** The expenditure by the Company on hiring furnished

(i) accommodation for the Whole-Time Director will be subject to a ceiling of 60% of the salary, over and above 10% payable by him.

Explanation: The expenditure incurred by the Company on Gas, Electricity, Water and Furnishings shall be valued as per the Income Tax Rules, 1962, Subject to a ceiling of 10% of the salary of Rear Admiral P.K. Sinha.

(ii) **Servants Wages:** Remuneration of servants/sweeper's wages upto a maximum of Rs. 1,500/- per month.

(iii) **Medical Reimbursements:** Reimbursement of expenses incurred for self and family subject to a ceiling of one month's salary in a year or of three month's salary over a period of 4 year.

(iv) **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.

(v) **Club Fees:** Fees of Clubs, subject to a maximum of two clubs will be allowed.

(d) **Car and Telephone:** Provision for use of Company car for official business and telephone at residence will not be considered as perquisites. Personal long distance calls and use of car for private purposes shall be billed by the Company.

(e) The whole Time Director shall also be eligible for the following perquisites 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.

2. 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.

3. The Company shall reimburse to the Whole Time Director entertainment, traveling and all other expenses incurred by him for the business of the Company.

4. The aforesaid appointment may be terminated at any time by either party thereto by giving to the other party one month's notice of such termination and neither party will have any claim against the other for damages or compensation by reason of such termination.

Your directors recommend the resolution to be passed as a Special Resolution.

Except for Rear admiral P K Sinha none of the other directors are deemed to be interested in the said resolution.

Item No. 5

At the Annual General Meeting held on 27.09.2000 a Special Resolution was passed authorizing the Board of Directors to borrow money from time to time of Section 293(1) (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. 650 Crores.

Such increase requires the approval of members under Section 293(1)(d) of the Companies Act 1956. Accordingly the Special Resolution as set out in Item No. 5 is submitted in the meeting. None of the Directors is concerned or interested in the resolution.

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

CAPT.N.B.JAMNERKAR
DIRECTOR

MUMBAI, 25th August 2006.

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

REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

To the Members,

MACKINNON MACKENZIE & COMPANY LIMITED

The Directors present their 55th Annual Report together with the Audited Accounts for the year ended 31st March, 2006.

1. FINANCIAL RESULTS :

During the year the Company had an operating profit of Rs. 54.24 Lakhs as summarized below:-

	<u>Year ended</u> <u>31.03.2006</u>	<u>Year ended</u> <u>31.03.2005</u>
	<u>Rs.</u>	<u>Rs.</u>
1. Income from operations	66.73	67.08
2. Other Income	70.83	1744.95
3. Total Expenditure	83.32	541.76
4. Gross Profit/(Loss) before interest	54.24	1270.27
Depreciation & Tax		
Less : (a) Interest	3387.16	2883.02
(b) Provisions for depreciation	1.32	1.41
(c) Provision for Doubtful Debts	.62	.77
Profit/(Loss) before extraordinary/ prior period Items & Tax	(3334.86)	(1614.93)
Add : (d) Extraordinary/prior period items	2.58	8.90
5. Net Profit / (Loss) after Tax	(3337.44)	(1623.83)
6. (a) Add: TDS written off	7.73	—
(b) Provision for Fringe Benefit Tax	1.25	—
	(3346.42)	(1623.83)
(c) Add: Profit/(Loss) B/F from earlier year	(52424.24)	(51024.16)
Adjustment on Reduction in Share Capital	—	223.75
7. Cumulative Profit/(Loss)	(55770.66)	(52424.24)

The debit balance in the Profit & Loss Account after considering prior years' adjustments stands at Rs. 55770.66 Lakhs.

2. DIVIDEND :

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

3. SETTLEMENT WITH BANKS:

a) Negotiation with Bank:

Negotiations were in progress with Central Bank of India for an out of Court settlement for past 2 years. However, while the negotiations were in progress at one hand the Bank obtained an ex-parte recovery order. Your company has made an application to DRT (R) challenging the Order.

b) Mumbai office staff:

The appeal pending before the Hon'ble Mumbai High Court was recently heard by a bench and decision has gone against your company and special leave petition is filed before Hon'ble Supreme Court.

c) Future Business Prospect:

The Company is getting inquiries in the field of existing activities however due to liquidity crunch, is totally unable to accept any new activity.

4. QUALIFICATIONS IN AUDITORS' REPORT :

With reference to the comments contained in their report, the position has been explained in the Notes to the Accounts and are self-explanatory. Information Pursuant to Section 217 of the Company's Act, 1956 is given in Schedule 19 with Balance Sheet and Profit and Loss Account.

5. DIRECTORS :

Mr. M.K.B. Capadia retires by rotation and being eligible offers himself for re-appointment

6. FIXED DEPOSITS :

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

7. COMPANY RECORDS :

The Company's old records were destroyed owing to heavy rains which took place in Mumbai on 26th July 2005, resulting in seepage in the premises where the records were kept. The company is in the process of reconstructing records to the extent possible.

8. COMPLIANCE CERTIFICATE:

As required under provisions of Section 383A of the Companies Act 1956, Compliance Certificate from Mr. Abbas Lakdawalla, Practicing Company Secretary is annexed.

9. AUDITORS :

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

10. DIRECTORS RESPONSIBILITY :

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

- (i) In the preparation of the annual accounts, the applicable accounting standards have been followed.
- (ii) Appropriate accounting policies have been selected and applied consistently and judgment and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for that period.
- (iii) Proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities have been taken to the best of their knowledge and ability.
- (iv) The annual accounts have been prepared on a "going concern basis."

11. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS/OUT GO:

The Company does not have activities related to conservation of energy and technology absorption. During the year foreign exchange out go was Rs. Nil. The foreign exchange earned during the year was Rs. 999258.

12. PARTICULARS OF EMPLOYEES :

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

13. ACKNOWLEDGEMENT :

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

On behalf of the Board of Directors
MR. M.K.B. CAPADIA
CHAIRMAN

Date : 25th August 2006.

Place : Mumbai

ANNEXURE TO DIRECTOR REPORT

: 2636 8997 / 2631 4881

Abbas Lakdawalla

Practicing Company Secretary

606-B, Swiss Corner, Shastri Nagar, Off. Lokhandwala Complex, Andheri (West), Mumbai – 400 053

COMPLIANCE CERTIFICATE

(Under sub section (1) of Section 383A of the Companies Act, 1956)

Co Regd No : U63020MH1967PLC13745

Auth Cap : Rs 4 CRORES and paid up capital 24.77 lakhs.

The Members,

Mackinnon Mackenzie & Company Limited

4-Shoorji Vallabhdas Marg, P O Box no 122

Mumbai 400 001

I have examined the registers, records, books and papers of **Mackinnon Mackenzie & Company Limited** as required to be maintained under the Companies Act, 1956, (the Act) and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended on **31st March, 2006**. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the Company, its officers and agents, I certify that in respect of the aforesaid financial year.

1. The Company has kept and maintained all registers as stated in Annexure "A" to this certificate, as per the provisions and the rules made there under and all entries there in have been duly recorded.
2. The Company has duly filed the forms and returns as stated in Annexure "B" to this certificate, with the Registrar of Companies, Regional Director, Central Government, Company Law Board or other authorities prescribed under the Act and the rules made there under.
3. The Company being public limited company has the minimum prescribed paid-up capital
4. The Board of Directors duly met **Seven** times on 21.04.05, 15.06.05, 08.08.05, 22.08.05, 27.10.05, 20.12.2005, and 30.01.06, in respect of which meetings proper notices were given and the proceedings were properly recorded and signed including the circular resolutions passed in the Minutes Book maintained for the purpose.
5. The Company has closed its Register of Members from 15th September 2005 to 26th September 2005 and necessary compliance of the Section 154 of the Act has been made.
6. The Annual General Meeting for the financial year ended on 31st March 2005 was held on 27th September 2005 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
7. No Extra Ordinary General Meeting was held during the financial year
8. The Company has not advanced loans under the provisions of Section 295 of the Act.
9. The Company has duly complied with the provisions of section 297 of the Act.
10. The Company was not required to make any entries in the register maintained under Section 301 of the Act.
11. As there were no instances falling within the purview of Section 314 of the Act hence no comments.
12. The Company has not issued duplicate share certificates.
13. The Company :
 - i) made no allotment
 - ii) delivered all the certificates on lodgment thereof for transfer / transmission of securities during the financial year.
 - iii) the Company has not deposited any amount in a separate Bank Account as no dividend was declared during the financial year.

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- iv) The Company was not required to post warrants to any of its members as no dividend was declared during the financial year.
 - v) The provisions of the Act relating to transfer of amount remaining in unpaid dividend account accrued there remain unclaimed or unpaid for a period of seven years to Investor Education and Protection Fund are not applicable.
 - vi) has duly complied with the requirements of Section 217 of the Act.
14. The Board of Directors of the company is duly constituted.
 15. The Company has appointed Whole Time Director during the Year.
 16. The Company has not appointed any sole selling agents during the financial year.
 17. No approvals were required to be obtained from Central Government, Company Law Board, Regional Director, Registrar and / or such authorities prescribed under the various provisions of the Act during the financial year.
 18. The directors have disclosed their interest in other firms / companies to the Board of Directors pursuant to the provisions of the Act and rules made there under.
 19. The Company has not issued any shares, debentures or other securities during the financial year.
 20. The Company has not bought back shares during the financial year.
 21. As the Company has not issued any preference shares or debentures the question of their redemption does not arise.
 22. There were no transactions necessitating the company to keep in abeyance the rights to dividend, rights shares and bonus shares pending registration of transfer of shares.
 23. The Company has not invited / accepted any deposits including any unsecured loans falling within the purview of section 58A during the financial year.
 24. The Company has no borrowing during the Year.
 25. The Company has not made any loans or advances or given guarantees or provided securities to other bodies corporate hence was not required to make any entries in the register kept for the purpose.
 26. The Company has not altered the provisions of the Memorandum with respect to situation of the Company's registered office from one state to other states during the year under scrutiny.
 27. The Company has not altered the provisions of the Memorandum with respect to the objects of the Company during the year under scrutiny.
 28. The Company has not altered the provisions of the Memorandum with respect to name of the Company during the year under scrutiny.
 29. The Company has altered the provisions of the Memorandum with respect to share capital of the company during the year under scrutiny.
 30. The Company has altered its Articles of Association during the year under scrutiny.
 31. There was / were no prosecutions initiated against or show cause notices received by the company and no fines or penalties or any other punishment was imposed on the company during the financial year, for offenses under the Act.
 32. The Company has not received any money as security from its employees during the financial year.
 33. The Company is not regular in depositing employers' and employees Provident Fund contribution in the designated government account under provision of section 418 of the Act.

Place : Mumbai
Dated : 25th August 2006

ABBAS LAKDAWALLA
Practicing Company Secretary
FCS 2988 CP 4052

ANNEXURE – “A”

Annexure to the Compliance Certificate of Mackinnon Mackenzie & Company Limited

Registers / Reports as maintained by the Company.

Sr. No.	Particulars
1.	Register of members under Section 154
2.	Register of transfer of shares
3.	Copies of annual accounts under section 159
4.	Books of accounts under section 209
5.	Register of Directors, Managing Director and Company Secretary u/s.303
6.	Register of Directors' shareholding u/s.307
7.	Records pertaining to members attendance attending their meetings
8.	Minutes Books for minutes of the meeting of the Board of Directors and Members
9.	Register of Fixed Assets
10.	Register of Charges u/s.143
11.	Register of Contracts u/s 301
12.	Register of Proxies

ANNEXURE – “B”

Annexure to the Compliance Certificate of Mackinnon Mackenzie & Company Limited

No.	Form No. / Return	Filed under relevant section of the Act	Particulars	Date of filing	Whether filed within prescribed time Yes / No	If delay in filing whether requisite additional fees paid Yes / No
1.	Annual Accounts	220(1)	F.Y. ended 31.03.2005	18.11.2005	No	Yes
2.	Annual Return	160(1)	AGM held on 27.09.2005	18.11.2005	Yes	N A
3.	Compliance Certificate	383A	As on 31.03.2005	04.10.2005	Yes	N A
4.	25C	269	Appointment of Executive director R. Admr. Sinha	04.10.2005	Yes	N A
5.	23	192	Sp. Res. Apt. of R. Admr. Sinha and alteration of Capital clause	04.10.2005	Yes	N A
6.	5	97	Restructing of Authorised Share Capital	19.10.2005	Yes	N A

ABBAS LAKDAWALLA, Practicing Company Secretary, FCS 2988 CP 4052

**AUDITORS' REPORT TO THE MEMBERS OF MACKINNON MACKENZIE & COMPANY LIMITED
AS AT 31ST MARCH 2006**

- 1) We have audited the attached Balance Sheet of M/S. MACKINNON MACKENZIE & COMPANY LIMITED as at 31st March 2006 and also the attached Profit and Loss Account of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order 2003, (the Order) issued by the Central Government of India in terms of sub-section (4-A) of Section 227 of the Companies Act 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, We report that :
 - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) In our opinion, proper books of account as required by law have been kept by the Company, so far as appears from our examination of those books;
 - c) The Balance Sheet and Profit and Loss Account referred to in this report are in agreement with the books of account;
 - d) In our opinion, the Profit & Loss Account and the Balance Sheet comply with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
 - e) On the basis of written representations received from the directors as on 31st March 2006, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2006 from being appointed as directors in terms of clause (g) of sec-section (1) of Section 274 of the Companies Act 1956,
 - f) In the absence of any notification in official gazette by the Central Government, no cess is payable under section 441A of the Companies Act 1956, for the year ended 31st March 2006.

In our opinion, and to the best of our information and according to the explanations given to us, the said Balance Sheet and Profit and Loss Account read together with the **Notes 1,2,6,7,8,9, and 10** appearing in **Schedule 19 with regard to the following :**

- i) Investments made at Kolkata Rs.56,000/- are presently not available for physical verification as building is destroyed by fire. (Refer Note No. 8 (c) in Schedule 19.
- ii) Despite continued huge losses resulting in total erosion of the net worth of the Company, the accounts for the year have been prepared on the assumption of going concern basis. Should the Company be unable to continue as a going concern, the extent of effect the resultant adjustments would have on the net worth at the year end as the losses for the year is not ascertainable. (Refer No.No.2 in Schedule 19).
- iii) Non Provision of Doubtful Debts and Advances.
Loans and advances shown under "Advances Recoverable in Cash or in Kind or for value to be received Unsecured Considered Good" includes certain old balances amounting to Rs.8,18,785/- for

which no provision for doubtful items if any, has been made in the accounts pending review/ confirmation of the same. As a result, the effect of such non-provision on the loss for the year cannot be ascertained (Refer Note No. 6 in Schedule 19).

- iv) Sundry Creditors include an amount of Rs.26,51,925/- which represent old balances for which no write back has been made in the accounts pending the review/ confirmation of the same. As a result, the effect of such write back, if any on the loss for the year cannot be ascertained. (Refer Note No.7(a) in Schedule 19).
- v) We refer to Note 7(b) in the Schedule 19 regarding certain old credit balances outstanding in various accounts amounting to Rs.3,88,88,223 for which no write back has been made in accounts pending the review /confirmation of the same. As a result, the effect of such write back, if any on the loss for the year cannot be ascertained.
- vi) The Company's bankers had filed suit in Bombay High Court for recovery of loans which were transferred to the Debt Recovery Tribunal. Out of 3 Banks Bank of India and Indian Bank have assigned entire debt due to them to a Company and suit filed by these two Banks have been transferred back to Bombay High Court. Suits are for recovery of Rs.61,66,05,621/- outstanding as on 31st March 1991. However loans along with interest accrued and due to Bank and the Company which has taken over the Debt as per the terms of loans and subsequent understanding with the Company amounting to Rs.5,487,320,251 is outstanding as on 31st March 2006. However no confirmations are available from Bank and the Company which has taken over the Debt for the same. We are therefore unable to comment on the effect of the same if any on loans due to Bank and the Company which has taken over the Debt and the debit balance of Profit & Loss Account as at 31st March 2006. (Refer No no.9 in Schedule19).
- vii) Non availability of confirmations in respect of balances of secured and unsecured loans, debtors, certain bank balances, deposits, and creditors appearing in Schedule 3,7.8.9 and 10 of the accounts respectively. (Refer Note No. 10 in Schedule 19).

Consequential effect of the matters referred in g(i) to g(viii) above the loss for the year and accumulated losses as at 31st March 2006 is not ascertainable.

- viii) Subject to the effect of such adjustments, If any as might have been required, had the outcome of the uncertainties referred to in paragraph 1 above been known and subject to the matters referred to in paragraphs (ix),(x),(xi) and (xvi) of the Annexure.

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

- (a) In the case of Balance Sheet of the state of affairs of the Company as at 31st March 2006 and
- (b) In the case of Profit & Loss Account of the Loss for the year ended on that date,
- (c) In case of Cash Flow Statement, of the Cash Loss of the year ended on that date.

For J. D. MEHTA & COMPANY
Chartered Accountants.

J.D.MEHTA
PROPRIETOR
Membership No. 11472

Place : Mumbai
Dated : 25th August, 2006

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT

- (i) (a) In our opinion, the Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) As explained to us, all fixed assets have been physically verified by the management according to a regular program which in our opinion is reasonable having regard to the size of the company and nature of its assets. No material discrepancies with respect to book records were noticed on such verification.
- (c) There was no substantial disposal of fixed assets during the year.
- (ii) Clause regarding Inventory records and verification is not applicable to the Company as the Company is carrying on agency business.
- (iii) As informed, the Company has not taken or given any loans, secured or unsecured from companies, firms or other parties listed in register maintained under section 301 of the Companies Act 1956.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods. During the course of our audit no major weakness have been observed in the internal controls.
- (v) (a) Based on the audit procedures applied by us and according to the information and explanations provided by the management. We are of the opinion that all transactions that need to be entered into the register in pursuance of Section 301 of the Act have been so entered.
- (b) Based on the information and explanations given to us, it is our opinion that these transactions have been made at reasonable prices having regards to the prevailing market prices at the relevant time.
- vi) In our opinion and according to the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of Section 58A and 58AA of the Companies Act, 1956 and the rules framed there under.
- vii) The requirement of having an internal audit system is not applicable to the Company.
- viii) As informed to us, the maintenance of cost records has not been prescribed by the Central Government u/s.209 (1)(d) of the Companies Act, 1956, in respect of the activities carried on by the Company.
- ix) (a) **According to the information and explanation given to us, there are no undisputed amounts payable in respect of Income tax, (other than Tax Deduced at Source Rs. 202,694, paid subsequently after close of financial year), Wealth Tax, Sales Tax, Customs Duty and Excise Duty, and Cess outstanding as at the year end of a period of more than six months from the date they become payable.**
- (b) According to the information and explanation given to us, there are no dues of Income tax, Sales tax, Wealth tax, Customs duty, Excise duty or Cess outstanding on account of any dispute, except for the following fine for alleged violation of Foreign Exchange Regulation Act by the Company and its Officer :

S. No.	Name of Stature	Nature of Dues	Amount Rs.	Period to Which it relates	Forum where dispute is pending
1	Foreign Exchange Regulation Act	Fine	10,02,97,000/-	1979	Foreign Exchange Appellate Tribunal has allowed Companies Appeal against which the concerned Govt. Dept. has filed and appeal with High Court of Bombay which is pending.

- x) (a) The Company total accumulated losses far exceed its capital and Reserves.
(b) The Company has suffered cash losses during the year.
- xi) (b) According to the information and explanations given to us and the records examined by us, Company has not been able to repay loan and interest on secured loans and suits filed by Bank with Debt Recovery Tribunal and suit filed by the Company which has taken over debt from Banks are pending with High Court of Bombay. Over Due Secured Loans as due to Bank as at 31st March 2006 is as follows :

S. No.	Name of Party	Amount	Period	Status
1	Central Bank of India	2,212,458,156	Overdue	Suit Pending before Debt Recovery Tribunal

- xii) According to the information and explanations given to us and the records examined by us, the Company has not granted any loan against security of pledge of shares.
- xiii) In our opinion and according to the information and explanations given to us, the nature of the activities of the Company does not attract any special statute applicable to chit fund and Nidhi/mutual benefit fund/societies.
- xiv) As per information given to us the Company is not dealing in shares and securities .
- xv) According to the information and explanations given to us and the records examined by us, the Company has not given any guarantees for loans taken by others from banks or financial institutions, the terms and conditions whereof are prima facie prejudicial to the interest of the Company.
- xvi) **As informed to us, Secured loans were taken in past for purchase of ships which have already been sold off but the Company is not in a position to repay the balance loan. Company's fixed assets like Building are mortgaged to the Company which has taken over debt due to Banks. Outstanding secured loans including interest as on 31st March 2006 is Rs.5, 487,320,251.**
- xvii) On the basis of an overall examinations of the balance sheet and cash flow of the Company and the information and explanations given to us, we report that the Company has not utilised any funds raised on short term basis of long term investments and vice- versa.
- xviii) The Company has not made any preferential allotment of shares to parties or companies covered under Section 301 of the Act.

- xix) Company has not issued any debentures.
- xx) The Company has not raised any money through a public issue during the year.
- xxi) Based upon the audit procedures performed and the information and explanation given by the management, we report that, no fraud on or by the Company has been noticed or reported during the year.

For J. D. Mehta & Company
Chartered Accountants

Mumbai
Dated: 25th August, 2006

Proprietor
Membership No. 11472

BALANCE SHEET AS AT 31ST MARCH, 2006.

	Schedule No.	Rs.	As at 31.3.2006 Rs.	As at 31.3.2005 Rs.
SOURCES OF FUNDS				
SHAREHOLDERS' FUNDS				
CAPITAL	1		2,472,225	2,472,225
RESERVES AND SURPLUS	2		11,260,162	11,260,162
LOAN FUNDS				
Secured Loans	3		5,487,320,251	5,148,607,004
Unsecured Loans	4		57,428	—
			<u>5,501,110,065</u>	<u>5,162,339,391</u>
APPLICATION OF FUNDS				
Fixed Assets				
Gross block		12,191,845	10,968,545	
Less : Depreciation		<u>8,750,033</u>	<u>8,617,772</u>	
Net block	5		3,441,812	2,350,773
INVESTMENTS	6		356,120	399,163
CURRENT ASSETS, LOANS AND ADVANCES				
Sundry Debtors	7	30,438,400	28,166,415	
Cash and Bank Balances	8	4,247,226	7,255,627	
Other Current Assets -				
Interest accrued on Investment		8,545	8,545	
Loans and Advances	9	<u>5,471,547</u>	<u>6,053,700</u>	
		<u>40,165,718</u>	<u>41,484,287</u>	
Less: CURRENT LIABILITIES AND PROVISIONS				
Liabilities	10	110,250,473	114,737,072	
Provisions	11	<u>1,389,969</u>	<u>1,301,520</u>	
		<u>111,640,442</u>	<u>116,038,592</u>	
NET CURRENT ASSETS			(71,474,724)	(74,554,305)
DEBIT BALANCES IN PROFIT & LOSS ACCOUNT		5,577,067,606	5,242,424,508	
LESS:				
BALANCE IN GENERAL RESERVE		8,280,748	5,568,786,858	5,234,143,760
TOTAL			<u>5,501,110,065</u>	<u>5,162,339,391</u>

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

The accompanying notes form an integral part of the Balance Sheet

In terms of our report of even date

For J.D. MEHTA & COMPANY

Chartered Accountants

J.D. MEHTA

Proprietor

Mumbai, Dated : 25th August, 2006

REAR ADMRL. P. K. SINHA

CAPT. N. B. JAMNERKAR

Directors

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2006.

	Schedule No.	Year ended 31.3.2006 Rs.	Year ended 31.3.2005 Rs.
INCOME			
Revenue	12	6,673,686	6,708,659
Other Income	13	7,083,479	174,495,099
		<u>13,757,165</u>	<u>181,203,758</u>
EXPENSES			
Employees remuneration and benefits	14	3,191,000	4,921,976
Other operating expenses	15	4,960,442	6,246,161
Depreciation		132,261	141,074
Provisions	16	62,415	77,700
Bad debts		181,344	43,007,865
Interest & Guarantee commission	17	338,716,159	288,302,029
		<u>347,243,621</u>	<u>342,696,807</u>
Loss before prior years' adjustments		333,486,456	161,493,048
Short Provision for Taxation for prior years		773,614	—
Provision for Taxation (Fringe Benefit Tax)		125,000	—
		<u>334,385,070</u>	<u>161,493,048</u>
Prior years' adjustments	18	258,027	890,213
Loss after tax and prior years' adjustments		<u>334,643,097</u>	<u>162,383,261</u>
Previous years' balance brought forward		5,242,424,508	5,102,416,259
Adjustment on Reduction in Share Capital (See Note 13)		—	(22,375,012)
Total :		<u>5,242,424,508</u>	<u>5,102,416,259</u>
Earning Per Share (Basic & Diluted) Rs.		Nil	Nil
Face Value Rs.		1/-	10/-

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

In terms of our report of even date

For J.D. MEHTA & COMPANY

Chartered Accountants

J.D. MEHTA

Proprietor

Mumbai, Dated : 25th August, 2006

REAR ADMRL. P. K. SINHA

CAPT. N. B. JAMNERKAR

Directors

SCHEDULES FORMING PART OF THE BALANCE SHEET
SCHEDULE - 1

	As at 31.03.2006	As at 31.03.2005
Rs.	Rs.	Rs.
SHARE CAPITAL *		
Authorised :		
250,00,000 Equity Shares of Rs. 1/- each	25,000,000	25,000,000
150,00,000 Unclassified Shares of Rs.1/- each	15,000,000	15,000,000
	<u>40,000,000</u>	<u>40,000,000</u>
Issued and Subscribed :		
24,72,225 (24,72,225) Equity Shares of Rs. 1/- each	2,472,225	2,472,225
	<u>2,472,225</u>	<u>2,472,225</u>

Of the above 9,99,930 (Previous Year 9,99,930) Equity Shares were allotted as fully paid-up pursuant to a contract without payment being received in cash. * Refer Note No. 11 in Schedule 19.

**SCHEDULE - 2
RESERVES AND SURPLUS**

1. Capital Reserve as per last Balance Sheet	11,246,274	11,246,274
2. General Reserve as per last Balance Sheet	8,280,748	8,280,748
Transfer to Debit Balance in Profit & Loss Account	<u>8,280,748</u>	<u>8,280,748</u>
3. Amount paid on Forfeited Shares	13,388	13,388
	<u>11,260,162</u>	<u>11,260,162</u>

SCHEDULE - 3 *
SECURED LOANS

From Banks :		
Secured by hypothecation of Book debts (Includes interest accrued & due Rs. 2,098,535,698/- Previous year Rs. 1,759,822,452/- (See Note 9(a) in Schedule 19)	2,212,458,156	1,873,744,909
From Others:		
Secured by pledge of certain investments and mortgages of immovable properties (See Note 9(a) in Schedule 19)	3,274,862,095	3,274,862,095
	<u>5,487,320,251</u>	<u>5,148,607,004</u>

Of which Rs. Nil repayable within one year and Rs. 5,487,320,251/- overdue for payment
(Previous year - repayable within one year Rs. Nil and overdue for payment Rs. 5,148,607,004/-)

SCHEDULE - 4
UNSECURED LOANS: From Banks

Temporary Overdraft*	57,428	—
	<u>57,428</u>	<u>—</u>

* On account of cheques issued prior to year end

SCHEDULE - 5
FIXED ASSETS

	GROSS BLOCK AT BOOK VALUE				DEPRECIATION				NET BLOCK	
	As at 01.04.2005	Additions during the year	Deductions during the year	As at 31.03.2006	As at 01.04.2005	Additions during the year	Deductions during the year	As at 31.03.2006	As at 31.03.2006	As at 31.03.2005
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1. Land & Buildings										
On Leasehold Land	9,821,508	—	—	9,821,508	7,546,198	113,764	—	7,659,962	2,161,546	2,275,310
2. Furniture & Fittings	476,713	—	—	476,713	468,091	1,560	—	469,651	7,062	8,622
3. Office & Electrical Equipments	352,763	6,700	—	359,464	310,283	6,109	—	316,392	43,072	42,480
4. Plant & Machinery	317,560	5,600	—	323,160	293,200	10,828	—	304,028	19,132	24,360
5. Capital Work in Progress	—	1,211,000	—	1,211,000	—	—	—	—	1,211,000	—
Total	10,968,545	1,223,300	—	12,191,845	8,617,772	132,261	—	8,750,033	2,350,773	2,350,773
Previous Year	14,429,612	36,000	3,497,067	10,968,545	11,547,847	11,547,847	—	3,071,149	2,881,765	—

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE - 6

	Rs.	As at 31.3.2006 Rs.	Rs.	As at 31.3.2005 Rs.
INVESTMENTS (At Cost)				
LONG TERM INVESTMENTS (At Cost)				
1. Government Securities				
* 10,000 (10000) 5.5% Loan 1995	10,120		10,120	
* 43,000 (43000) 5.5% Loan 2000	—	10,120	43,043	53,163
2. Government Securities (Unquoted)				
* 7 Year National Savings Certificates		5,000		5,000
* Lodged with relevant Authorities				
3. Mackinnons Travel (New Delhi) Ltd.		49,000		49,000
4900 Equity Shares of Rs. 10/- each fully paid				
4. Trade Investments (Unquoted)				
Hill Properties Ltd.				
2 "A" (2 "A") Equity shares of Rs.1,20,000 each				
paid-up per share Rs.1,18,000		236,000		2,36,000
(Refer Note No. 8(a) in Schedule 19)				
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 (200) Ordinary Shares of Rs.100/- each fully				
paid-up	20,000		20,000	
Less : Provision to date	(20,000)	—	(20,000)	—
		356,120		399,163

Previous Year figures are given in brackets

SCHEDULE - 7

SUNDRY DEBTORS

i) Unsecured considered good :		
Debts outstanding for a period exceeding six		
months	28,009,694	25,651,132
Other debts	2,428,706	2,515,283
ii) Unsecured considered doubtful :		
Debts outstanding for a period exceeding		
six months	19,449,203	21,648,652
	49,887,603	49,815,067
Less : Provision for doubtful debts	19,449,203	21,648,652
	30,438,400	28,166,415

SCHEDULES FORMING PART OF THE BALANCE SHEET

SCHEDULE - 8

	Rs.	As at 31.3.2006 Rs.	Year ended 31.3.2005 Rs.
CASH AND BANK BALANCES			
i) Cash on hand		5,777	3,701
ii) With Schedule Banks :			
On Current Account		—	3,222,971
On Margin Deposit **		4,232,449	4,019,956
On Fixed Deposits		9,000	9,000
		<u>4,247,226</u>	<u>7,255,627</u>
** Includes Interest accrued		312,384	145,848

SCHEDULE - 9**LOANS AND ADVANCES**

i) Advances recoverable in cash or in kind or for value to be received :			
Unsecured considered good **		3,406,525	3,444,386
Refer Note No. 6 in Schedule 19)			
ii) Other advances -(Considered Good unless stated otherwise)			
<u>Balance with Customs and Port Trusts</u>			
Considered Good	3,309		
Considered Doubtful	<u>82,992</u>	86,301	86,301
<u>Deposit with Customs and Port Trusts</u>			
Considered Good	545,846		
Considered Doubtful	<u>81,556</u>	627,402	627,402
<u>Other deposits</u>			
Considered Good	308,480		
Considered Doubtful	<u>2,333,671</u>	2,642,701	2,642,151
Tax deducted at source		1,111,437	1,751,129
Fringe Benefit Tax		95,401	—
iii) Advances considered doubtful		<u>9,927,739</u>	<u>10,386,579</u>
		17,897,505	18,938,498
Less: Provision for doubtful advances		<u>12,425,958</u>	<u>12,884,798</u>
		<u>5,471,547</u>	<u>6,053,700</u>

SCHEDULE - 10**CURRENT LIABILITIES ***

Sundry Creditors	63,273,875	63,213,419
Advances from Customers	20,981,091	22,815,807
Amounts held for Principals	6,121,282	8,833,621
Advances from tenants	8,451,449	8,451,449
Other advances	4,900,000	4,900,000
Security deposits	6,522,776	6,522,776
	<u>110,250,473</u>	<u>114,737,072</u>

* Refer Note No. 8 in Schedule 19

SCHEDULES FORMING PART OF THE BALANCE SHEET

	Rs.	As at 31.3.2006 Rs.	Rs.	As at 31.3.2005 Rs.
SCHEDULE - 11				
PROVISIONS				
Provision for Gratuity		821,000		817,000
Provision for Leave Encashment		443,969		484,520
Provision for Taxation (Fringe Benefit Tax)		125,000		—
		<u>1,389,969</u>		<u>1,310,520</u>

SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT

SCHEDULE - 12 REVENUE

Commission and Service Charges		1,066,668		1,087,166
Income from Property		5,607,018		5,621,493
		<u>6,673,686</u>		<u>6,708,659</u>

SCHEDULE - 13

OTHER INCOME

Interest (Gross)

Others	220,680	220,680	285,184	285,184
Profit on Sale on Fixed Asset (Net)		—		74,787,381
Profit on Sale of Investments		—		42,464,702
Refund of Municipal Taxes		1,422,033		—
Provision for Doubtful Debts no longer required		2,199,449		43,007,865
Provision for Loss by fire no longer required		—		30,371
Sundry Credit Balance Written Back		235,827		13,756,768
Miscellaneous		235,827		162,829
		<u>7,083,479</u>		<u>174,495,099</u>

Note : Tax deducted at source on Interests

48,186 48,248

SCHEDULE - 14

EMPLOYEES REMUNERATION AND BENEFITS

Salaries, Wages and Bonus	2,412,666		3,181,453
Closure Compensation to Staff (See Note 4)	—		619,028
Staff Provident and Other Funds	245,064		219,781
Staff Welfare Expenses	314,944		343,087
Retiral benefit	195,993		414,827
Leave Encashment Provision	22,333		143,800
	<u>3,191,000</u>		<u>4,921,976</u>

SCHEDULES FORMING PART OF PROFIT & LOSS ACCOUNT
SCHEDULE - 15

	As at 31.3.2006 Rs.	As at 31.3.2005 Rs.
OTHER OPERATING EXPENSES		
Rent	143,567	145,589
Rent Collection Charges	—	97,780
Rates and Taxes	136,356	131,080
Insurance	224,013	202,876
Repairs - Building	120,245	556,597
- Others	130,976	18,752
Electricity	114,140	117,106
Travelling	44,007	293,275
Staff Quarter expenses	97,542	114,126
Telegram, Telex, Telephones etc.	170,157	288,769
Transport expenses	767,072	800,150
Other purchased services	1,195,774	1,921,030
Advances written off	521,255	—
Auditors' remuneration (Refer Note No. 4 (a) in Schedule 19)	235,000	235,000
Directors' fees	2,250	3,000
Business Promotion	1,849	—
Printing and Stationery	107,110	134,641
Fines & Penalties	5,293	—
Water Charge	250,989	238,796
Miscellaneous	692,847	947,596
	<u>4,960,442</u>	<u>6,246,162</u>

SCHEDULE - 16
PROVISIONS

For doubtful debts	—	77,700
For doubtful advances	62,415	—
	<u>62,415</u>	<u>77,700</u>

SCHEDULE - 17
INTEREST AND GUARANTEE COMMISSION

Interest	338,713,705	288,300,637
Guarantee Commission	2,454	1,392
	<u>338,716,159</u>	<u>288,302,029</u>

SCHEDULE - 18
PRIOR YEARS' ADJUSTMENTS

Prior Years' Expenses	258,027	890,213
	<u>258,027</u>	<u>890,213</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, including the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India, under historical cost convention on 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" (WDV) 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.

iv) Assets costing less than Rs.5,000/- are fully depreciated in the year of purchase.

v) Impairment loss is provided to the extent the carrying amount of assets exceeds their recoverable amount. Recoverable amount is the higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Net selling price is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the cost of disposal.

c) Investments

Long term investments are valued at cost. Provision has been made for permanent diminution in the value of investments, if any, except where data is not available.

d) Foreign Currency Transactions

i) Transactions in Foreign Exchange are recorded at the exchange rates prevailing on the date of realisation.

ii) Current Assets and Liabilities balances in foreign currency at the Balance Sheet date are translated with reference to year end exchange rates, the loss/gain, on such translations is accounted for in the Profit & Loss Account.

e) Retirement Benefits

i) Retirement benefits are accounted on accrual basis with contributions to recognised Funds. Gratuity liabilities of employees are determined on the basis of an actuarial valuation.

ii) Leave Encashment is based on the certification by the management as regards leave lying to the credit of each employee at the year-end.

f) Taxation

i) Current Tax : No provision is made in view of loss and carried forward loss

ii) Fringe Benefit Tax: Provision has been made in the accounts for Fringe Benefit Tax

iii) Deferred Tax : Net Deferred tax asset has not been recognised by the company in view of uncertainty of future taxable income.

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

3. Contingent Liabilities

	Year ended	Year ended
	31.03.2006	31.03.2005
i) Claims not acknowledged as debts	77,25,910	77,65,625
ii) Uncalled amounts on partly paid shares.	4,000	4,000
iii) Guarantees issued by the Company's Bankers	3,60,000	3,60,000
iv) Retrenched Staff	2,23,49,234	2,23,49,234

- (a) 60 clerical and 35 subordinate staff were retrenched on 4th August 1992 under Industrial Disputes Act at Mumbai. 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, which has been decided against the company. Special Leave petition is filed before the Hon. Supreme Court to admit appeal against the order of the Hon. Bombay High Court. (The Company has deposited an amount of Rs. 32,00,000/- with the Registrar, which has been shown under Loans and Advances recoverable in cash or in kind, or for value to be received - Unsecured considered good.)

- v) Fine of Rs. 10,02,97,000/- is levied on Company and its Officers for alleged violation of Foreign Exchange Regulation Act. The company has filed appeal against the said order with Appellate Tribunal for Foreign Exchange. The Tribunal had allowed the company's appeal against which the concerned department had filed an appeal with the Hon. High Court of Bombay which is pending. An amount of Rs. 25,400 paid as deposit against the penalty is reflected in loans and advances.

- | | | |
|-------------------------------------|------------------|------------------|
| 4. a) Auditor's remuneration | 2005-2006 | 2004-2005 |
| i) Audit Fees | 2,00,000 | 2,00,000 |
| ii) Tax Audit Fees | 35,000 | 35,000 |
| b) Managerial Remuneration | | |
| i) Salary | 2,80,000 | 2,80,000 |
| ii) Perquisites | 1,10,344 | 1,00,045 |
-
- | | | |
|-----------------------------------|------------------|------------------|
| 5. Foreign Exchange Earnings | 2005-2006 | 2004-2005 |
| From Services rendered | 9,000,000 | 9,00,000 |
| Commission & Other Misc. Receipts | 99,258 | 15,245 |
-
6. Loans and advances include certain old balances amounting to Rs. 8,18,785 (Previous Year Rs. 8,18,785/-) under "Advances recoverable in cash or in kind or for value to be received - Unsecured Considered Good" for which no provision for doubtful items, has been made in the accounts pending the review / confirmation of the same. As a result, the effect of such non-provision on the loss for the year cannot be ascertained.
-
7. a) Sundry Creditors include an amount of Rs. 26,51,925/- (Previous year Rs.26,51,925/-) which represents old balances for which no write back has been made in the accounts pending the review / confirmation of the same.
- b) Following amounts represent old balances for which no write back has been made in accounts pending the review / confirmations of the same :
- | | |
|--|---------------------------------|
| Advances from Customers | Rs. 2,09,81,091/- |
| Advances and Amounts held for Principals | Rs. 45,55,683/- |
| Advances from Tenants | Rs. 84,51,449/- |
| Other Advances | <u>Rs. 49,00,000/-</u> |
| TOTAL | <u>Rs. 3,88,88,223/-</u> |
-
- c) In view of the multiplicity and identification of accounts relating to small scale undertakings, information for determining the particulars relating to current indebtedness to such undertakings as required under Schedule VI part I to the Companies Act, 1956 is not readily available.
-
8. a) Investments include an amount of Rs.2,36,000/- representing equity shares in a co-operative Society towards purchase of flat.
- b) Investments Rs. 15,120/- are kept as security with Authorities. These investments have matured. The Company is not in a position to get the same from Authorities as the same are lost or misplaced. No Provision is made for loss of investment Rs. 15,120/- and accrued interest Rs. 8,545/- as company is still following up with authorities.
- c) Investments made at Calcutta Rs. 56,000/- are presently not available physically as building is destroyed by fire. In the absence of adequate data, no provision is made for loss in value of investments if any.
-
9. (a) As per the order of the Debt Recovery Tribunal, Indian Bank has transferred the debt owed to them to M/s. Ardeshir B. Cursetjee & Sons Ltd. (hereinafter referred to as A.B.C. & Sons Ltd.), all securities given to Indian Bank stands transferred to M/s. A.B.C. & Sons Ltd. Pursuant to the order of the Debt Recovery Tribunal, the Company has transferred the entire debt due to Indian Bank to M/s. A.B.C. & Sons Ltd. Consequently the suit filed by Indian Bank and pending before Debt Recovery Tribunal is transferred to High Court of Mumbai. Further as per the order of the Debt Recovery Tribunal the Court Receiver shall stand discharged, an application for discharge of the Court Receiver is pending before High Court of Mumbai. Total amount due to M/s A.B.C. & Sons Ltd against loans taken over by them as on 31st March 2006 is Rs 3,27,48,62,095. (Previous Year Rs 3,27,48,62,095).
- (b) The Company has agreed to allow M/s. A.B.C. & Sons Ltd to recover entire rent due from its tenants in Mackinnon Mackenzie Building and adjust the same against amount due to them and in lieu M/s. A.B.C. & Sons Ltd. has agreed to waive interest with effect from 1st October, 2002.
-
10. Confirmations are not available in respect of balances of secured loans and unsecured loans, debtors, certain bank balances, deposits, advances and creditors appearing in Schedule 3,7,8,9 and 10 of the Accounts respectively.
-
11. In order to bring in line the paid up capital which was not represented by the assets due to huge carried forward losses the company had made a petition to the Hon. Bombay High Court under section 100 and other applicable provisions of the Companies Act, 1956 for reduction of capital from 2.50 crores to Rs 25 lakhs by reducing the paid up value of the share from Rs 10/- to Re 1/-. The Hon. Bombay

High Court has confirmed the reduction of capital vide their order dated 15th April 2004. Consequently Rs 22,375,012 (after adjusting forfeiture of 27775 shares and Rs 13,888 amount paid on the forfeited shares), has been reduced from the accumulated losses of the company during the year ended 31st March 2005.

12. The company's old records were destroyed owing to heavy rains which took place in Mumbai on 26th July 2005, resulting in heavy seepage in the premises where the records were kept. The company is in the process of reconstructing the records to the extent possible.
13. Related party disclosure
Key Management Personnel
Key management personnel comprise of a whole-time director who has the authority and responsibility for planning, directing and controlling the activities of the company. The remuneration paid to such directors is disclosed in Note – 4(b)
14. Segmental Information

Description	Property Owing & Leasing	Shipping & Shipping Agency Activities	Rs. In Lakhs
<u>Revenue</u>			
Internal	56.07 (804.08)	10.17 (10.87)	66.27 (814.95)
<u>Results</u>	49.92 (787.20)	(4.80) (-4.38)	45.12 (782.82)
Unallocated Corporate expenses net of unallocated income			-7.18 (-485.27)
Interest & Finance Cost			3387.16 (2883.02)
<u>Taxation</u>			
Current	— (Nil)	— (Nil)	— (Nil)
Deferred	— (Nil)	— (Nil)	— (Nil)
Fringe Benefits	.25 (nil)	1.00 (Nil)	1.25 (Nil)
Net Profit			(3334.86) (1614.93)
<u>Other Information</u>			
Segment Assets	246.33 (305.74)	24.00 (23.83)	270.33 (329.57)
Unallocated Corporate Assets			169.30 (112.77)
Total Assets			439.63 (442.34)
Segment Liabilities	62.80 (63.04)	40.91 (56.63)	103.71 (119.67)
Unallocated Corporate Liabilities			55886.47 (52525.78)
Total Liabilities			55990.18 (52646.45)
Depreciation	1.13 (1.29)	.19 (.12)	1.32 (1.41)
Unallocated Corporate Depreciation			— (—)
Total Depreciation			1.32 (1.41)

Previous Years Figures are given in brackets.

15. Previous years' figures have been regrouped/restated where considered necessary.

Signatories to Schedules 1 to 19

For J.D. Mehta & Company
Chartered Accountants

Rear Admrl. P.K.Sinha

)

Capt. N.B. Jamnerkar

)

Directors

Proprietor
Membership No. 11472

Mumbai
Dated: 25th August, 2006

Mumbai
Dated : 25th August, 2006

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2006

	Rs. In lacs 2005-2006	Rs. In lacs 2004-2005
A. <u>CASH FLOW FROM OPERATING ACTIVITIES :</u>		
Net Profit/(Loss) before Tax	(3,346.43)	(1,623.83)
Adjustment for :		
Depreciation	1.32	1.41
Profit on Sale of Fixed Asset	—	(747.87)
Profit on Sale of Investment	—	(424.64)
Sundry Credit Balance written back	(24.84)	(137.56)
Income from Investments	(2.20)	(2.85)
Interest (Net)	<u>3,387.16</u>	<u>2,867.67</u>
	3,361.44	1,556.16
Operating Loss before working capital changes	15.01	(67.67)
Adjustment for :		
Trade and Other Receivables	(16.90)	(34.79)
Trade Payables	<u>(19.14)</u>	<u>(378.74)</u>
	(36.04)	(413.54)
CASH GENERATED FROM OPERATIONS	(21.03)	(481.21)
NET CASH FLOW FROM OPERATING ACTIVITIES	(21.03)	(481.21)
B. <u>CASH FLOW FROM INVESTING ACTIVITIES :</u>		
Purchase of Fixed Assets	(12.23)	—
Sale of Fixed Assets (Net)	—	749.98
Sale of Investments	0.43	430.13
Interest received	<u>2.20</u>	<u>2.85</u>
	(9.60)	1,182.96
C. <u>CASH FLOW FROM FINANCING ACTIVITIES :</u>		
Proceeds from Long Term Borrowings (net)	(0.03)	(672.30)
NET INCREASE IN CASH & CASH EQUIVALENTS	(30.66)	29.45
OPENING CASH AND CASH EQUIVALENTS	72.56	43.11
CLOSING CASH AND CASH EQUIVALENTS	41.90	72.56

Note : Cash and Cash Equivalents include :

	2005-2006 Rs. In Lacs	2004-2005 Rs. In Lacs
Cash and Bank Balances	41.96	72.56

On behalf of the Board

MR.P.K. SINHA
Director

CAPT. N.B. JAMNERKAR
Director

Mumbai, 25th August, 2006

AUDITOR'S CERTIFICATE

The above Cash Flow Statement has been complied from and is based on the Audited Accounts of Mackinnon Mackenzie & Company Limited for the year ended 31st March,2006 reported upon by us on 25th August 2006 . According to the information and explanations given to us and read together with Notes thereon, the aforesaid Cash Flow Statement has been prepared pursuant to Clause 32 of the Listing Agreement with the Stock Exchange, Mumbai and the reallocations required for the purpose are as made by the Company.

For J.D. MEHTA & CO.
Chartered Accountants

Mumbai, 25th August, 2006.

J.D. MEHTA
Proprietor
Membership No. 11472

STATEMENT FORMING PART OF THE ACCOUNTS AS ON 31ST MARCH, 2006

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

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I) REGISTRATION DETAILS

Registration Number	:	13745
State Code	:	11
Balance Sheet Date	:	31/03/2006

II) CAPITAL RAISED DURING THE YEAR (Amount in Rs. Thousands)

Public Issue	:	NIL
Right Issue	:	NIL
Bonus Issue	:	NIL
Private Placement	:	NIL

III) POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Rs. Thousands)

Total Liabilities	:	5501110
Total Assets	:	5501110

SOURCE OF FUND:

Paid Up Capital	:	2472
Reserves & Surplus	:	11260
Secured Loans	:	5487320
Unsecured Loans	:	57

APPLICATION OF FUNDS

Net Fixed Assets	:	3442
Investments	:	356
Net Current Assets	:	-71475
Miscellaneous Expenses	:	NIL
Accumulated Losses	:	5568787

IV) PERFORMANCE OF COMPANY (Amount in Rs Thousands)

Turnover	:	13757
Total Expenditure	:	347502
Profit/(loss) before Tax (+ for Profit - for Loss)	:	-333744
Profit/(loss) after Tax (+ for Profit - for Loss)	:	-334643
Earning per share in Rs.	:	NIL
Dividend Rate %	:	NIL

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

(As per Monetary Terms)

Item Code No. (ITC Code)	:	N.A.
Service Description	:	Property Owning & Leasing

Note: The above particulars should be read along with the Balance Sheet as at 31st March 2006, the Profit & Loss Account for the year ended as on that date and the Schedules forming part thereof.

DIRECTORS

Rear Admrl. P.K. Sinha

Capt. N.B.Jamnerkar

Place : Mumbai

Dated : 25th August, 2006

MACKINNON MACKENZIE & CO. LTD.

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

PROXY FORM

Proxy No.
Ledger Folio
No. of Shares

I/We.....
of being a member/members of MACKINNON MACKENZIE & CO. LTD. hereby appoint.....
.....of.....
or failing him.....of.....
as my/our proxy to attend and vote for me/us and on my/our behalf at the Fifty Fifth Annual General Meeting of the Company to be held on Monday, 27th September, 2006 at 10.00 a.m. at M.C. Ghia Hall, Bhogilal Hargovindas Building, 18/20, K. Dubash Marg, Mumbai - 400 001, and at any adjournment thereof.

Signed this day of.....2006

Signature.....

Affix
One Rupee
Revenue Stamp
here

Note : The Proxy Form should be signed across the stamp as per specimen signature (s) registered with the Company.

MACKINNON MACKENZIE & CO. LTD.

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

ATTENDANCE SLIP

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING HALL
I hereby record my presence at the 55th Annual General Meeting of the Company held on Monday, 27th September, 2006 at 10.00 a.m. at M.C. Ghia Hall, Bhogilal Hargovindas Building, 18/20, K. Dubash Marg, Mumbai - 400 001.

NAME OF THE MEMBER(S) IN BLOCK LETTERS

FOLIO NO.

SIGNATURE OF THE MEMBER(S) OR PROXY

BOOK POST

(Under Certificate of Posting)